

Scottish Affairs Committee

Oral evidence: Sustainable employment in Scotland, HC 762

Wednesday 30 November 2016

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Members present: Pete Wishart (Chair); Deidre Brock; Mr Christopher Chope; Mr Jim Cunningham; Margaret Ferrier; Mr Stephen Hepburn; Chris Law; Ian Murray; Dr Dan Poulter; Anna Soubry; John Stevenson.

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Witnesses

I: Stephen Boyd, Assistant Secretary, Scottish Trades Union Congress

II: Francis Stuart, Research and Policy Adviser, Oxfam Scotland, Dr Roger Cook, Research Director, Scotland Institute.

Examination of witness

Witness: Stephen Boyd

Q1 Chair: Stephen, welcome to the Committee. It is a great pleasure to see you once again in front of the Scottish Affairs Committee. This is our first inquiry into sustainable employment in Scotland, so we are very grateful that the STUC is our first point of contact on this. If you want to say who you are, what you represent, and if you have anything by way of a short opening statement. Over to you.

Stephen Boyd: I am delighted to be here. Thanks very much for the invitation again. I am Stephen Boyd. I am Assistant Secretary at the STUC. My main responsibility is economic and industrial policy. I work over a number of areas as well.

I do not have a statement prepared. We very much welcome the fact you are addressing an issue of pivotal importance to our organisation and the people we represent in Scotland. The questions you have asked yourselves provide an excellent basis for getting to the heart of the issue. It is clearly a particularly interesting time to be interrogating the state of the labour market. There are a number of emerging trends increasingly identifying themselves and the potential to change both the nature, quality and the security of work in the years ahead. We believe this is potentially a very important inquiry, and we are delighted to be participating.

Q2 Chair: I am very grateful. Thank you, Stephen. We are undertaking this inquiry to look at how we best support sustainable employment in Scotland. Could you start off by indicating to us your view about sustainable employment issues in Scotland, and tell us if there is any difference between how we are approaching this in Scotland to the rest of the United Kingdom?

Stephen Boyd: Yes. There are a number of issues there. The differences between the Scottish labour market and the UK labour market can often be exaggerated. We spend a lot of time interrogating what are very small differences in, for instance, headline employment, unemployment and inactivity rates. Once you take the margin for error into account, these differences very often fade away. If you scratch below the headlines, there are a number of emerging differences between employment in Scotland and employment across the UK. We could look at, for instance, full-time jobs that have recovered much more strongly in the UK than they have in Scotland, and temporary work has remained more static in Scotland but has grown significantly across the rest of the UK.

Probably, the key emerging difference is the very significant rise in self-employment we have seen for the UK as a whole, which is almost not apparent in Scotland. We have seen about a 2% increase in Scotland, against a 25% increase across the rest of the UK. The other big



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difference would be migration that, for the UK as a whole, is very much driven by London and the south-east. It is at a level significantly higher than for Scotland.

A bigger difference—and the one with the potential to lead to significant divergence, with employment in Scotland and the UK as a whole—is the very different public policy background we have. We have seen the Scottish Government over the last few years begin to address employment issues, in a way that no administration across the UK has done for a very significant period of time. We have seen a new institution emerge in Scotland, the Fair Work Convention, which has significant support across all social partners in Scotland and has the potential to make a significant difference. We have seen the Scottish Government become very involved in promoting a living wage, for instance. I don't think at this stage we could argue that these have led to employment in Scotland looking very much different to employment across the UK, but in the years ahead they are the kind of intervention that may lead to divergence.

Q3 **Chair:** I am looking at some of the statistics we have been supplied with to get the session started. You are right; there does not seem to be much disparity between employment and unemployment rates in Scotland against the rest of the United Kingdom. We also have a chart here that is really interesting and details employment by sector across Scotland. Of course, what we find, historically, is there has been much more public sector employment in Scotland in comparison to private sector. Is this a trend that continues to define Scotland, that there seems to be more jobs in the public sector than in the rest of the United Kingdom? If it is, does it present any issues as far as you see for sustainable employment?

Stephen Boyd: Again, there are a number of issues there. The first thing to say, if we are looking at employment by industrial sector in Scotland and going beyond just the private and public sector, we have to be very cautious about the quality of the statistics. Certainly, when it comes to public sector employment, we have seen a significant fall in Scotland—as we have done across the rest of the UK—of public sector employment as a proportion of all workers in Scotland. It is now lower than it has been for some very considerable time.

If we cast ahead, we can see different trends potentially impacting on the numbers and quality of public sector jobs. Clearly, the approach to public finances for the UK has led to very, very significant pressure, both on the number of public sector jobs and the wages you see for public sector workers.

Looking longer term, and trying to forecast trends in employment we are likely to see 20 years hence, all things being equal, it is reasonable to assume that the labour intensive personal services that characterise public sector employment in health, education, social care and childcare would increasingly account for a greater proportion of all jobs. The interesting point is: to what extent will austerity or pressure on public



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finances constrain growth in the kind of employment that you would expect to see grow in the years ahead?

Q4 Chair: I am grateful for that. Another thing I had a look at is the Scottish Parliament inquiry into employment in Scotland. It was specifically to do with the Scottish labour market. They raised concerns and issues about the data on employment and the quality of work in Scotland. Is this still an issue? Are we still finding it difficult to detail some of these trends in Scotland because of data issues?

Stephen Boyd: It is very much an issue. We could probably claim some credit for the Committee's conclusions in that regard because—

Chair: I think you did, yes.

Stephen Boyd: —they formed a very major part of our submissions to that inquiry. There are two issues. One is the quality of labour market data for the UK as a whole. If you consider that, at the end of this week the US will publish labour market statistics for the month of November. The first Friday of each month America can publish very high-quality statistical information about the labour market in the previous month. The latest information we have for the UK is an average for the three months to September this year. We publish rolling three-month averages that lead to a great deal of confusion. This is born out of the fact that the sample size is not big enough to provide credible monthly statistics. It leads to a lot of confusion.

This is compounded at Scottish level by a number of statistics that are published for the UK as a whole each month not being available for Scotland. This is things like employment by job type; self-employment, full-time, part-time jobs. We only get some months and it yields an average. The latest we have at the moment is an average to July 2016. Wages data for the whole of the UK is really pathetic.

Q5 Chair: This is an issue across the UK. It is not specific to Scotland?

Stephen Boyd: It is certainly an issue across the UK, but it is compounded in Scotland, and other nations and regions of the UK, by much of the data that is available for the UK each month not being available at regional and national level.

Q6 Chair: I think it was you that said to the Scottish Parliament that putting this right would require a significant input of funding. I don't know your exact words, but it was something that was raised in relation to this. Is there a case then for this? If there is, the other part I want to ask you is, who is to pay for it?

Stephen Boyd: There is a very compelling case for that at UK level. It does not serve the generation of effective public policy if we do not understand what is happening in national and regional labour markets across the UK. The sample size has declined by about half since the labour force survey was introduced in 1992. That is compounded by



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falling response sheets that we see, frankly, across the developed world in respect to social and economic surveys. It has led to data that is of poor quality. Who pays for that? In the first instance, that should be a UK Government issue, an ONS issue. You have to put resources in to boost the sample size of the labour force survey.

There is a separate issue, which we might come on to later, about what the Scottish Government might do in terms of qualitative work. If we are going to promote a fair work agenda in Scotland—as I, and I think the Scottish Government, believe we should—then we need to have some kind of data to measure outcomes in that regard. At the moment, all we have is a workforce employee relations survey that is published once every seven years for the UK as a whole. It cannot be disaggregated at national or regional level, so there is a compelling case for the Scottish Government to invest in a stand-alone qualitative survey for Scotland.

Chair: I am grateful, thanks for that.

Mr Chope: Chairman, because there is insufficient time now, I am going to pass my questions over to John Stevenson. In so doing, I express my amazement that our witness has not referred to the £800 million that is going to go to Scotland as a direct result of the autumn statement.

Q7 John Stevenson: Interestingly enough, you mentioned variations between the Scottish economy and the rest of the United Kingdom in two areas, self-employment and migration. There is a third area that is, in many respects, unique to Scotland, which is the oil and gas industry, and clearly that has had a hit in recent times. What has been the impact of that in terms of jobs and employment? Has the rest of the economy managed to take up any of the slack, or is there a real ongoing issue there basically until the oil price recovers?

Stephen Boyd: I would like to reply to the point your colleague made. Frankly, I don't think I have been asked a question that was relevant to the point that was being made, but if anybody wants to come to that I am more than happy to.

That is a very good question about oil and gas. It is an issue we are very heavily engaged in at the moment, as you can imagine. The statistics tell us that, certainly in Aberdeen and Aberdeenshire, we have seen unemployment rise greater than for the Scottish economy as a whole. In terms of the whole numbers, they do not begin to reflect the total jobs fallout in that sector. Again, we have very poor information about the oil and gas sector about where people work and where the whole job impact has been. We can point to the claimed count in Aberdeen, Aberdeenshire, Moray and Angus, which again are all higher than the national average over the last year. We believe that the total negative impact is much more widely spread.

The performance of Scottish manufacturing vis-à-vis the rest of the UK, over the last 18 months or so, is again at least partially explained by the



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problems in the oil and gas sector. That extends much further than just the north-east of Scotland.

- Q8 **John Stevenson:** Therefore, do you think the impact that oil and gas has clearly had on the Scottish economy has been detrimental to the rest of the economy, or do you think the rest of the economy has managed to grow reasonably successfully, while that is—I will not say ring-fenced—one industry that has been particularly badly hit?

Stephen Boyd: It has quite definitely had a significant knock-on impact on the rest of the economy. We have seen the total Scottish GDP figures over the last couple of years lag the rest of the UK data quite significantly. As I said, we have seen a knock-on impact on manufacturing. That is important. We have quite a lot of anecdotal evidence, which we are picking up from workplace representatives, that jobs in west central Scotland—across the central belt actually—have been affected by the downturn in oil and gas.

- Q9 **John Stevenson:** Therefore, the counter-effect would be: had the oil and gas industry continued as it was before, or the downturn had not been quite so severe, overall the Scottish economy would have probably been on a par with the rest of the United Kingdom?

Stephen Boyd: That is very fair to say.

- Q10 **John Stevenson:** Following on from that then, you have mentioned self-employment, migration and we have now discussed oil and gas. What other key issues do you think there are with regards to the Scottish economy? What challenges does it have, particularly with regards to employment?

Stephen Boyd: Once we go beyond the issues you have mentioned the challenges I would identify for Scotland are probably shared across the rest of the UK. One of the main ones from our perspective would be that, although we have seen the headline employment rates remain higher than we would have anticipated over the last seven or eight years, we have received a very significant amount of anecdotal evidence to suggest that the quality and security of work that has been generated through that period has been significantly less than employment that was generated prior to the financial crisis. Some of that is borne out by statistical evidence. We have seen the ONS trying to improve its data around the buoyancy of our jobs—zero-hour contracts, for instance. We are doing an awful lot of work particularly with young people in Glasgow at this moment in time. Some of the contracts and some of the employment practices that they are facing at this moment in time are really quite disgraceful, and we have noticed that quite significant—

- Q11 **John Stevenson:** That is employment practice that I understand to be potentially an issue. What are the challenges to the actual economy? What are the challenges that prevent us creating more jobs and more high-value jobs?



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Stephen Boyd: The two ones are oil and gas. I have already touched on that, but it is very central to explaining the different story between Scotland and the rest of the UK, and I think austerity has certainly done more on full-time job creation.

Q12 **John Stevenson:** Austerity, in what way has that brought it down do you think?

Stephen Boyd: We have seen a very direct impact on public sector jobs. That then has a knock-on effect on wider demand.

Q13 **John Stevenson:** Is there a difference between Scotland and England in that? Obviously, the statistics say, yes, there has been one job loss in the public sector, but something like four created in the private sector, so overall unemployment has gone down quite significantly across the United Kingdom. How, in particular, has that happened in Scotland? Has the same ratio applied, or has it been different?

Stephen Boyd: If anything is different in Scotland, it is relatively more protected, given the health and education spend that helps make up the Barnett formula that you would expect the impact of it to be relatively—and I stress ‘relatively’—less here in Scotland than it has been across the rest of the UK.

Q14 **John Stevenson:** Unemployment has dropped significantly in Scotland, as it has in the rest of the United Kingdom?

Stephen Boyd: Unemployment has, but economic inactivity, certainly over the last six months, has risen very significantly in Scotland. What has happened in Scotland over the last year is that we have seen a big fall in unemployment, essentially static employment, but a big rise in inactivity. We have not seen unemployment falling because people are moving into jobs. We see them leaving the labour market as a whole.

Q15 **Chair:** The unemployment rate in Scotland has dropped 0.2% since 2008 in the latest trends. The latest unemployment rate in Scotland is in the nature of 1% since 2008, which is roughly in line with the rest of the United Kingdom. I am sure you recognise these figures, Stephen.

Stephen Boyd: Yes, absolutely. Again, it goes back to the point I was making at the start. We need to be very careful of small differences in the rates and also the periods of time over which we assess performance. For most of the last decade, the employment rate in Scotland has been higher than for the rest of the UK. Over the last few months, that has fallen quite sharply and it is a cause for concern.

Q16 **Chair:** Is it oil and gas that has caused that?

Stephen Boyd: Oil and gas is the main explanatory factor in the relative performance of Scotland and the rest of the UK.

Q17 **Anna Soubry:** I cannot find in this document the figures on migrant workers. I am intrigued to know, what is the rate of migrant workers in



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Scotland vis-à-vis the rest of the UK?

Stephen Boyd: I will certainly send them to the Committee afterwards. What you see is the rate in Scotland is significantly less than for the UK as a whole, but the UK factor is massively distorted by London and the south-east. I think I am correct in saying Scotland has a marginally higher immigration rate than all the other English regions, apart from London and the south-east. There is not much difference between any of them.

Q18 **Anna Soubry:** There will be a regional difference, won't there?

Stephen Boyd: Within Scotland?

Anna Soubry: In Scotland.

Stephen Boyd: Absolutely.

Q19 **Anna Soubry:** There will be parts of Scotland where there is still a requirement for migrant labour. I know obviously that Scotland had the good sense to vote to remain in the European Union. Has there been any analysis of the type of work that migrants are doing and whether that is short-term, long-term, in which sectors, and whether there was any link between a high level of migrant workers and a stronger than average remain vote? Have you done any of that work?

Stephen Boyd: I don't think the information is publicly available that would allow us to do that kind of work on a Scotland base. Can I say, first of all, that it is very important that the Committee is mindful of regional differences within Scotland? I am very grateful that you have raised that point. It is the kind of analysis that we have been calling on the Scottish Government and others to undertake. We have seen the Fraser of Allander Institute in Strathclyde University conduct the first forward looking sectoral analysis in terms of what sectors are likely back Brexit. You can follow that up on employment rate, but nothing there has looked at trends in migration and how these are likely to change as a consequence of the vote.

We are certainly aware of major concerns and agriculture would be the key one obviously. Higher education is one that we are constantly receiving feedback about with people already planning ahead and changing their employment intentions. We do believe there is potentially a very significant impact on migration, which, of course, is particularly important in Scotland given our demographic challenges.

Q20 **Anna Soubry:** Your workers, of course, are voters.

Stephen Boyd: Absolutely.

Anna Soubry: I hope I am not drifting off too much, but it is important when we are looking at sustainability of employment and good jobs.

Chair: The soundman is growing increasingly impatient with your foot on the microphone.



Q21 Anna Soubry: Yes, I am sorry. I don't know whether the TUC, based in London, has done this work but have you done any studies of your own members to see what their attitudes are to migrant workers and whether they feel, in their particular communities and areas where they work, that they are in any way—it is not my word—a threat? I would not use that word, but I understand some others do.

Stephen Boyd: No. Obviously, we engage comprehensively with our member unions and those in local trades councils around about Scotland. Over the years—over a decade or more—we have picked very, very little serious anecdotal evidence that local jobs have been affected by immigration. We have seen the Scottish employment rate pretty strong through that time, and much stronger than we had anticipated it would be given the decline in output in 2008 onwards.

I can point to a number of genuine joint initiatives with the unions and other local partners to help people integrate into the local economy, to provide English as a second language training through trade union learning structures and so on, so I can point to a lot of very positive activity. I can genuinely think of very, very few instances where there has been any threat to local employment or any kind of wider antipathy because of that kind of immigration.

Q22 Chair: We got it in passing as Mr Chope had to leave the Committee, but there was the autumn statement last week. Given that this is political news, too, there is the extra £800 million that Mr Chope alluded to. What have you observed about the autumn statement that might help employment issues in Scotland and some of the things that we are looking at in terms of the inquiry?

Stephen Boyd: The boost to capital expenditure is welcome, as far as it goes. We also have to accept that it only takes capital investment in Scotland back to where it was in 2010. If the Scottish Government chooses to spend that money on infrastructure investment at this moment—and we would support that course of action—then you could expect employment to be higher than it otherwise would have been. We are talking an additional investment of £200 million a year and £140 million accordingly, so it is hardly going to be transformational.

Q23 Margaret Ferrier: In the last Parliament, the Committee looked at unfair employment practices, focusing specifically on blacklisting and zero-hour contracts. Do you feel that the situation has improved since they looked at it?

Stephen Boyd: I will take zero-hour contracts first. Anecdotally, we would argue that the situation has not improved and may actually be deteriorating in a number of sectors. Again, I would encourage the Committee not to just focus on zero-hour contracts. There are a number of other insecure contracts that are increasingly prevalent out there.

In terms of blacklisting, we are still aware of problems, particularly current and perhaps hidden problems in the oil and gas sector, in terms



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of people who raise concerns about health and security in the current environment not being invited back to work again. That is not usually referred to as “blacklisting” perhaps and perhaps more hidden than other forms. I would be very reluctant to argue that we have seen a real change in both those areas. There is much to be concerned about.

We very much welcome the additional work that the ONS has done in trying to capture more effectively the change in trend in zero-hour contracts. There is still bit of a gap there between employee surveys, which tend to underestimate the amount of zero-hour contracts, and employer surveys that may tend to overestimate them. We can see however you measure them there is a reasonably steep curve there.

Q24 Margaret Ferrier: How serious a threat are unfair employment practices to sustainable employment in Scotland? Is it more of an issue in Scotland than in other parts of the UK?

Stephen Boyd: I don’t think it would be fair to say it is more of an issue in Scotland. I don’t think we would get evidence that would bear that position out. It is a problem, both in terms of the kind of contract that people will be employed on and the working practices that people have to endure. About three years ago now, we published a big piece of research from Strathclyde University on performance management practices. Again, this is an issue that has generated very little wider interest. This was looking back at the immediate period post the recession. People who had managed to retain their jobs were then subject to increasingly harsh and intrusive management techniques. This really does affect people’s employment and their quality of life. However, it is an issue that is not really discussed. What we and others are engaged in, in Scotland at the moment, is trying to pursue a fair work agenda; that agenda is undermined by the ability of employers to introduce and sustain these kinds of working practices.

Q25 Margaret Ferrier: You have mentioned that maybe sometimes it is the security of having a job that prevents employees from speaking out about unfair practices as well because of a possible backlash. You mentioned oil and gas, but are other sectors affected? We hear about the construction industry and possibly the courier industry. I remember myself being in London one night when a main junction got stopped by all the Deliveroo drivers that were out campaigning against unfair employment practices. Is it a range of different sectors?

Stephen Boyd: It is a range of different sectors. We would be happy to come back to you on this with written evidence at more length. A number of these sectors are quite widely recognised. I mentioned the particular challenges young people are facing at this moment in time. The hospitality and tourism sector would be one of particular concern there.

Again, a real concern would be some of those sectors that hitherto provided very reliable, secure quality jobs, like communications for instance. We have seen BT and other large players in that sector



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introduce a range of more insecure forms of working. That is a real concern.

You mentioned construction: we have major concerns about self-employment in that sector. It extended well before the recession when these have been ongoing issues in that sector, but post-recession we have seen a real decline in employment standards in other sectors that hitherto have been reliably good employers.

- Q26 Margaret Ferrier:** Taking into account that the majority of the UK—not Scotland—voted to leave the European Union, there is loss surrounding workers' rights and a lot of workers' rights laws that gave some kind of security. Do you think the current legislative and judicial framework protects workers from unfair employment practices, or does more need to be done on this issue?

Stephen Boyd: I don't think it does. Given that a significant amount of legislation that does currently protect workers emanated from Europe, or was strengthened by Europe, looking forward post-Brexit there are very major concerns that we will see a further and potentially significant dilution of what are already meagre employment protections when looked at on an international basis.

- Q27 Margaret Ferrier:** Is it the enforcement of the laws that is the issue, rather than the legislation itself?

Stephen Boyd: There is a big issue around enforcement as well. The UK puts very little resources into ensuring that those meagre protections I have just spoken about are properly enforced. That has been a particular issue with the national minimum wage since its implementation. We have seen insufficient resources put into the policing of what was a good and effective framework for setting a national minimum wage.

- Q28 Chair:** There was a feature in the Prime Minister's questions about European protections and employment rights as they currently apply as a member state in the European Union. There have been all sorts of guarantees, or hints of guarantees is about the best that we get when it comes to what the UK Government are looking for in terms of leaving the European Union. Does any of that satisfy you that we have a Government who obviously know there is an issue about employment rights and the coverage that we have and that there is some sort of commitment that these will be put in place once we leave the European Union?

Stephen Boyd: I certainly would not want to challenge the good faith of the Prime Minister who has given a commitment, in that regard, that she will not be responsible for diluting these employment rights any further. The trade union movement in Scotland would be sceptical about that in the longer term because we look back over the period since 2010 and we have seen the Trade Union Bill, now an Act. We have seen a number of employment legislative areas weakened. Of course, how long is the current Prime Minister going to be in office? Brexit is forever



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unfortunately. Future administrations might take a very different approach to employment protection than the current Prime Minister does.

Anna Soubry: I don't want to start a political row, but we had a debate in the House three or four weeks ago specifically on workers' rights and Brexit. Both the Secretary of State and the Government said all the rights that exist now will get into this—rather badly named—Great Repeal Bill, and they will then be embodied in UK law. It is not just a commitment. It is actually that they will be in that Bill. They will go in and, indeed, some of our rights will be actually greater than ones that have been conferred on us by membership of the EU.

Chair: There you go. It is as close as you will get to a guarantee there, Stephen.

Q29 **Ian Murray:** In terms of the context of this inquiry, I still have the scars of the Enterprise and Regulatory Reform Bill and the Growth and Infrastructure Bill from the last Parliament, in terms of the changes to employment rights. Is there a direct correlation between rights at work and sustainable employment in the context of this inquiry?

Stephen Boyd: That is one of the most interesting questions in public policy. It is something I have spent a great deal of time looking at.

Chair: We always ask interesting questions.

Stephen Boyd: If you look across the OECD's indicators of employment protection, you will see the UK on the least stringently regulated side of the spectrum. You look across that spectrum and it is very difficult to find a clear correlation between strength of employment protection legislation and employment levels or rates and economic success, if you want to put it like that. The only durable and sustainable conclusion we can come to, from looking at that kind of information, is that countries do things differently and find different ways of doing things. You find some companies in lightly regulated labour markets are able to sustain high levels of employment and high productivity. You see others that are in not very stringently regulated labour markets and much higher proportions—as the UK does—of low wage jobs and low productivity. You see countries with pretty stringently regulated labour markets managing to sustain high levels of employment and high levels of productivity. There are very different stories to be told. It has been a problem over the years that people have tried to condense all that information into telling very narrow and not particularly convincing stories about what is necessary for a successful labour market.

Q30 **Ian Murray:** It is interesting. The written evidence we have had from Oxfam on this, talks about priorities for decent work, sustainable work and focus group work. In pretty much every single category jobs created comes second. There does not seem to be a correlation between job security and your underlying rights at work. I don't know if there is a bit of work to be done about how you create job security in terms of sustainable employment. It is obviously about making sure that you are



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free from exploitation, you get paid the national minimum wage if that is the kind of work that you are doing and so on.

Stephen Boyd: Clearly, as a representative of a trade union organisation, at this point I would like to introduce the importance of collective bargaining into the equation. I would argue that some of the most enduringly successful labour markets in this world are not particularly tightly regulated, but they usually have high levels of trade union membership and particularly high levels of collective bargaining. That is true particularly for the Nordic nations.

Why is this important? I think we all accept in issues like zero-hour contracts, having looked at regulating that problem away is particularly difficult. If you ban zero-hour contracts, will we have one hour contracts, two hour contracts whatever? If you address those problems through collective bargaining, where unions and employers are able to take into account the specific circumstances of a workplace or industrial sector and come to an accommodation—the way things are routinely done in many European countries—not only are these more effective but they tend to lead to more efficient economic outcomes as well.

Q31 Deidre Brock: I want to ask about the transfer of employment support powers as provided for in the Scotland Act 2016. That arranges for the Scottish Government to take on responsibility for employment support programmes for those at risk of becoming long-term unemployed and to help disabled people into work. Could I ask what insights the STUC has into how that transfer is being managed, and how this support might change once it has been devolved?

Stephen Boyd: Can I maybe make a couple of wider points about active labour market policy in the UK? This is something I have done a reasonable amount of work on in the past. It is fair to say that, compared to most other OECD nations, the UK has spent very little money on active labour market policy, particularly the training and job support elements of that spending. The outcomes have reflected that over the years. Very often, that support has been highly cyclical. In countries like Denmark the spend tends to be quite constant and they are always investing in these areas. We tend to invest much more at times of crisis. That is understandable but does not fully justify the approach we have taken to date.

In terms of the transfer, we have had some concerns. I should state I have not been personally involved in this at all and it is an area we will come back to in our written submission. We have had some concerns about the transfer and how it has been handled and the monies that have been supplied to the Scottish Government. We do see there being significant potential there with the responsibility now residing at the Scottish level to develop more effective solutions involving all of the necessary select partners, to tie the interventions themselves and the outcomes much more tightly to the fair work agenda, again, through involving trade unions and other civic partners. Again, we are unlikely to



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see transformational changes taking place at the level of investment that looks as if it is going to take place.

- Q32 **Deidre Brock:** All right, investment is an issue. What are your views on devolving responsibility over support programmes for disabled people and those at risk of being long-term unemployed, but retaining responsibility for supporting people who are only expected to be unemployed in the short-term?

Stephen Boyd: We did argue through the Smith Commission process for full devolution of employment law. Full devolution of employment support programmes is something that we would look positively on. The nature of the interventions are potentially quite different in terms of the support that is required for someone who has been unemployed for a very short period of time and the support that is required for someone who has been unemployed for a year or more, or a disabled person who has particular issues. I don't think the decision to devolve the powers that have been devolved necessarily means that we cannot do new and interesting things in Scotland for the client group that we will be able to assist.

- Q33 **Deidre Brock:** Are there any difficulties that you might see could arise as a result of only part of that legislation being devolved and not the rest?

Stephen Boyd: That is something I don't feel competent to add to at this moment in time. I am more than happy to come back to that in a written submission.

- Q34 **Deidre Brock:** Moving on to the devolution settlement, the UK Government, of course, is responsible for employment legislation largely across the UK. Do you think that employment law currently meets the needs of Scottish businesses and of our workers?

Stephen Boyd: It probably meets the needs of Scottish businesses. When looked at in one respect employers can sometimes have a rather short-sighted approach to this. I spend much of my time at the moment talking about productivity: why Scotland's productivity is historically low; why has it not recovered at the rate we might have anticipated post the recession? I would argue that part of the explanation—by no means the full answer—is that it has been too easy for employers across the UK, because it is UK legislation, to operate within a low-skill, low-pay, low-productivity equilibrium because the nature of the product and labour market regulation allows them to operate in that way.

A higher regulatory level—although it is not a clean experiment, as I spoke about earlier—forces companies to take more care of their competitive strategies. Many of them are comfortable at the moment operating within that paradigm. I have already spoken about a number of the issues for workers that have their roots—not wholly but at least partially—in the regulated settlement as it currently exists.

- Q35 **Chris Law:** I want to talk a little bit more about the Trade Union Act this



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year. A number of organisations right across society have condemned the Act. In particular, STUC's recent annual summit was highly critical and saying that it was vindictive, unfair and unnecessary. I want to ask what you think the implications are of the new Trade Union Act in terms of employment and also in terms of the economy.

Stephen Boyd: Anything that makes trade union organisation more difficult within the workplace is likely, over time, to have a detrimental impact on the quality and security of employment as experienced by workers in Scotland.

In terms of the impact on the economy, I will refer to my previous answer. Too much of our economy has been stuck in this "low road", as we call it, competitive equilibrium for much too long. The more the regulatory base is diluted, the more that is likely to remain the case. We have to try to force companies—partially if not wholly through regulation—to consider ways in which they become much more investment intensive, in which they invest in their workers, invest in capital equipment and to try to drive up productivity that has just not happened in Scotland, and the rest of the UK, for much too long.

Q36 **Chris Law:** Can you give us a little bit more detail around collective bargaining, particularly when it comes to the decision of having a strike? That was something that was particular in this Act. What will the impact of that be on your members?

Stephen Boyd: Certainly, evidence in Scotland would suggest that the Trade Union Bill, at this point, has not prevented any strike action going ahead. We have to remind ourselves that we really do not lose many days in Scotland, or the UK, to strike action at this moment in time. It is at a historically low level and compares very well with other countries. That begs the question of why this was necessary in the first place. The concern will be that, if strike action is required in sectors that have perhaps been not as strong as they have been in, say, transport, where they have generated those successful ballot results over the last few months, then strike action that unions would regard as important in retaining workplace protections for their members is likely to be diluted over time.

Q37 **Chair:** Maybe you could help us out with this. I am struggling to understand where we are with all the conversations about workers on boards by the Prime Minister and other members of the Government. Are you any clearer about what is intended and whether that would help in terms of sustainable employment issues?

Stephen Boyd: I know the Prime Minister made an announcement yesterday, which I am afraid I have not managed to catch up on yet. Credit where credit is due, the current Prime Minister is giving this issue a profile that it has not had for some time. There has been quite a sorry history in the UK in terms of this kind of intervention. Gavin Kelly wrote an excellent bit for *Prospect* last week that listed the series of



interventions we have had over the very long term, which have all been unsuccessful. We would clearly prefer to see trade union representatives on boards of unionised companies. We think they would have the democratic legitimacy and accountability that would make that position real and give it some heft and influence. It is a necessary—if insufficient—part of an agenda to radically overhaul corporate governance in the UK, which would be hugely beneficial to the quality of employment, the whole productivity, and it is massively overdue.

Chair: Thanks for clearing that up for us.

Q38 **Deidre Brock:** The responsibility for the policy areas, as we have already touched on, related to employment in Scotland, is shared between the UK and Scottish Governments. Do you think the current devolution settlement allows for policy in Scotland to diverge where that is necessary to meet the needs of Scottish workers and employers, or is it your view that perhaps changes to that settlement are necessary?

Stephen Boyd: It is important to recognise that the current devolution settlement does not stop us doing new and interesting things in Scotland, so we have managed to establish the Fair Work Convention. It has proven increasingly influential, although I would not oversell that at this moment in time as it is very much a long-term project. The Scottish Government's work around the living wage has been important. It is interesting that they are looking at a mechanism, such as the Business Pledge. We would like to see a very different kind of Business Pledge, but we recognise it as being an important incremental progress nonetheless.

The devolution settlement does not stop us doing things that in the longer term will affect the nature and quality of employment in Scotland. As we argued in the Smith Commission process, we think all this would be much more effective, give us scope to do much more and to do more effectively, if there were a full range of employment laws in Scotland.

Q39 **Deidre Brock:** What are the big sticking points for you, though? Are there?

Stephen Boyd: I will give you two. One is that I think the Scottish Government recognises the case I have made for collective bargaining. It is operating within a paradigm where the UK Government can introduce the Trade Unions Bill. The Scottish Government have tried to do some things to offset that but are unlikely to manage to offset it completely, so that would be the first theory. To give you another example, we have seen a lot of talk since the Budget about the incentives for both companies and individuals to class as self-employed those which would have hitherto been employee jobs. That is much more of an issue in the UK than it is in Scotland and we can expect to see these trends grow over coming years. If employee jobs are increasingly going to be turned into self-employment jobs, where the employment relationship is still one of manager and managed, then that has a number of adverse effects, not least on the public finances. It certainly limits the ability in Scotland to



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pursue the kind of fair work agenda that we are trying to promote. Those are just two examples, and I am happy to come back with more.

Q40 Chair: Can I ask you about the future work? That is of interest to this Committee and we want to get a sense or a flavour about where we are going. There has been quite considerable work done on this, as you would know from the UK Commission for Employment and Skills and from bodies like SCDI, who talk about the changing trends in employment with evolving demographics of the health care issues. They talk about, in terms of education, a flexible approach to the labour force and the labour market. Do you have any views about the STUC's view about where we are going with all of this and what would that, therefore, present in the way of new challenges?

Stephen Boyd: In terms of forecasting future labour market trends, labour markets, like economies, are incredibly dynamic systems. There are a range of factors that are going to influence their own employment trends in Scotland in the future and public policy is one of them, but we should not forget global structural change in terms of technology and trade, which will exert huge impacts. We can only influence this to a certain extent, either at the UK or Scottish level.

There is a very live debate at the moment clearly about how technology will affect employment in Scotland. We are hearing a lot of very pessimistic analysis about going back to the McAfee and Brynjolfsson work and the Frey and Osborne work back in 2013, which estimated that 47% of US jobs were likely to go due to automation over the next 30 years. We would challenge that. We are not blind to the trends in technology. I think that we will see a decrease in work but, once you look at the tasks that people do, rather than the occupations, then you are looking at much more closer to 9% of jobs that are at risk due to automation and digitisation than the 47%. You then have to think through what is the economic case for substituting for workers. It does not seem to be particularly strong at this moment in time, which is one of the reasons we have seen productivity flat line. I am not convinced that we can expect to see this change radically in the future.

There are a number of other things. I referred earlier on to social care and child care, two areas where we anticipate very significant employment growth in Scotland over the coming years. The Scottish Government are engaged in a big bit of work at this moment in time trying to plan for the growth in child care jobs. There is similar work going on in terms of social care for the elderly. These are really important areas, and it is important to perhaps frame that kind of work slightly differently to understand that, given the trends in technology, those labour-intensive personal services—where it is almost impossible to reduce the labour component in that service—are going to be increasingly important in absorbing the labour in the economy, so we have to look at them as labour absorbing sectors and welcome that, rather than criticising them for being low productivity sectors.



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- Q41 **Chair:** The STUC is obviously taking a keen interest in future trends in employment. Is there any substantial work that you are doing on this and how are you involved in the debate with all the different agencies that are looking at this? I am presuming you have been invited to participate in some of these conversations.

Stephen Boyd: We are not doing any big bits of work on this, and I think to do that properly, you have to put in an awful lot of resources, which we frankly do not have. We do engage with Government agencies and academia on these issues almost on a day-to-day basis. In terms of things like the Skills Development Scotland sector or regional skills plans, trade unions have been involved in that to a greater or lesser extent depending on the extent of unionisation within those sectors. We are involved in a lot of work but no big grand plan, as such, to map all this stuff out, which frankly is likely to disappoint in the longer term anyway.

If you turn the clock back to 2010, the biggest skill issue in Scotland was the labour supply for the oil and gas sector and look how rapidly that turned around. Of course, it is now being handled in a way that is dispensing with labour much too quickly so, should there be an upturn, we are going to find those problems come back round.

- Q42 **Chair:** We are hopeful this Committee will help with some of these issues as we go forward. Lastly, Stephen, and we are very grateful for your evidence today, where you are looking at where we are just now and some of the things that we are currently looking at. We are looking at the long-term trends in employment, are there any particular ambitions that the STUC has? Anything that you believe the UK Government can singularly do that would improve the situation just now, leading to better opportunities in the future?

Stephen Boyd: From my own selfish perspective, clearly I would like to see Government at all levels look at collective bargaining in a very different way. Look at it as a mechanism that can lead to effective and efficient outcomes.

What we are particularly interested in at this moment in time is where the UK Government are going to go on industrial strategy and we are looking at the range and number of jobs issues. We have heard a lot of very encouraging rhetoric around industrial strategy, but we are still waiting for the bones to appear on that. Clearly, we are engaged—again, almost on a daily basis—with the Scottish Government in terms of its economic development strategy. We would like to see a much more interventionist and planned approach at UK level and, hopefully, one that we could then build on at Scottish level.

- Q43 **Chair:** Thank you very much for getting this inquiry kicked off to a very informative start. I am sure we will be hearing from you again. Anything further that you feel in response to the questions you have had, or ongoing work on this inquiry, please get back in touch with us again.



Stephen Boyd: I will provide the Committee with a written submission. Unfortunately, I did not have time to do it before my appearance today, but I will get back to you on that.

Chair: We look forward to that. Thank you, Stephen.

Examination of witnesses

Witnesses: Francis Stuart and Dr Roger Cook.

Q44 **Chair:** Welcome, gentlemen. For the record if you would like to say who you are, who you represent and anything by way of a short introductory statement. We will start with you, Mr Cook.

Dr Cook: I do lots of things, but one of the things I do is I am Director of Research at the Scotland Institute, which is an independent and progressive think tank in Scotland and was set up in 2011, or 2012; I forget now.

Chair: Can you speak up a little bit?

Dr Cook: I am a little bit squeaky. I will do my best. Most of what we have done is on social policy, economic development and, particularly in the period over 2012 to 2014, a lot of it got framed in terms of the independence debate because that was a natural way to discuss things.

Francis Stuart: I am Francis Stuart. I am the Research and Policy Adviser with Oxfam Scotland. Most recently and most relevant to this inquiry, I was the co-author of a research project called "Decent Work for Scotland's Low-Paid Workers". That was a joint research project with the University of the West of Scotland and the Warwick Institute for Employment Research and that involved two main things. It was participatory research, so going out and engaging with people—more than 1,500 people across Scotland—predominantly low-paid workers, and asking them what their priorities for decent work were, and then, separate to that, a desk-based assessment of whether Scotland was providing those things that people prioritise.

Q45 **Chair:** We are grateful. First of all, the Committee has been very interested in the work that has been done by Oxfam and the University of the West of Scotland. You have provided some really valuable material that has helped inform the Committee to start this inquiry, so we are very grateful.

Maybe you could help us with a couple of things on your inquiry. This was done face-to-face and was it online that you did this?

Francis Stuart: Yes, so there were a range of different research methods. There were individual interviews; there were focus groups; and there were street stalls. We did 11 street stalls across Scotland, and there was also an online opinion poll as well.



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Q46 **Chair:** We have a list here of the main issues that were identified—very helpful again. Maybe you could talk us through a little bit about what you found were the main issues and concerns that came forward in your questionnaires.

Francis Stuart: Absolutely, I am happy to do that. I guess it is probably that we are seeing, across the different methods that I talked about, there is quite remarkable consistency in terms of the priorities that people had. The main issues—not surprising in many ways—were things like a decent hourly rate to cover basic needs, but also to participate in society, whether that is going out for a meal, meeting up with a friend, going to the football or whatever it is. Job security was very important, so having a permanent and open-ended contract.

One of the things that struck me was the number of people that did not know what their contractual situation was. They did not know if they had a written contract. They did not know if they were on zero-hours or not. Paid holidays and paid sick leave were third on the list. Again, there were issues around the contractual situation there, but also a number of people felt they were not able to take their minimum legal entitlement to paid holidays.

Safe working environment was the fourth main issue, both the physical aspects of a safe working environment, basic health and safety, having the right tools and equipment to do one's job, but also the psychosocial aspect, so having a workplace that was free from bullying, for example.

Fifth on the list was a supportive line manager, both someone who supported them at work and valued the work that they did but, also, someone that was accommodating to their needs outside work and that would be flexible to accommodate that.

In terms of things that weren't so valued, down the bottom of the list were things like control and flexibility over how one delivers their work, varied work, so it seems from engaging with what was mainly low-paid workers in this the things that people value are pretty basic expectations, so things that they should probably be entitled to expect.

Q47 **Chair:** I know it was a survey, but when you were collating this evidence did you get a sense about some of the issues that interest this Committee, about people being secure in their employment and views about progressing to higher-quality work? Did any of that come across in your interviews?

Francis Stuart: Absolutely. The full report details lots of stories of people's work experiences, so there were numerous stories. Lots of social care workers who basically felt that they did not have a decent enough salary to cover their basic needs. We came across people working in coffee shops who were not paid the minimum wage, who got their work schedules a day in advance; various agency workers. I remember a focus group that was held in November. An agency worker in the hospitality



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sector came in that day and he had basically been told that he had been laid off and that there wasn't any work for two or three months. They were told to come back at the end of January.

There were other stories of, I think, a distillery worker who had a week's work through an agency in a distillery and then would get a phone call through the agency on a Friday saying they were laid off. Then he would have to go and sign on for a week and this would go on, signing on and off on a weekly basis for about two or three months. Their understanding of this—and I cannot verify it—was that was for tax purposes for the company. There were a number of quite serious issues of people that were not getting basic things at work

- Q48 **Chair:** Did you get a sense that, when they were giving you this information, the people who were replying to the survey had an understanding of their employment rights, and is there any sense that there was evidence that employers were failing to respect the rights that these employees have?

Francis Stuart: A lot of people probably did not know their rights. I remember a hospitality worker who was very young talking about their break involved a meeting with their boss to work out what the next set of tasks would be. They felt that they could not challenge that because it was a job. They felt there was a complete power imbalance in that relationship, where they basically were reliant on their boss, the goodwill of their boss for decent standards.

Chair: I have to say it is a really interesting piece of work and we will certainly be referring to it again in the course of our inquiry.

- Q49 **Margaret Ferrier:** There is evidence that the lower availability of decent work has implications, not just for the individuals themselves but also the employers and the wider economy. This question came up in our previous session: how clear is the link between decent work and productivity?

Dr Cook: I would be very clear that there is a strong link. There is historical evidence that low wages mean low productivity because, essentially, you can substitute labour for capital. That goes right back to the 19th century, and there is plenty of evidence in Scotland that productivity has dropped. We are reasonably sure there has been no significant drop in the quality of the workforce entering the workplace, but there has been a drop in investment. There was a 27% drop in investment in Scotland between 2008 and 2011, and that has never been made up. It ceased dropping, but you have that chunk out of your Scottish productive capacity and it has become all too easy—and I think this is the point that Stephen was making—for employers to use labour in a very functional way, as opposed to investing in their workforce to improve productivity.

Francis Stuart: It is not an area I am an expert in, but two bits of work are of interest. One is some work done by the Living Wage Foundation looking at good jobs in retail, in particular, and it looked at a number of



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companies, BrewDog, IKEA, EE, the phone company. It found that those companies had moved to a living wage, but they had particular productivity benefits when they had moved to a living wage, which encompassed other changes in their terms and conditions. One of the companies—and I cannot remember which—removed zero-hour contracts by training up their staff, so that they were able to do three or four different jobs and could move about to cover shortages in the business, which they had not done before. There are certainly productivity issues or benefits to be gained in that sector.

I would agree with what Stephen was saying: other sectors are maybe much more challenging, so the social care sector, in terms of trying to get productivity gains in that, when you already have workers on 15-minute visits, is perhaps much more challenging.

- Q50 **Margaret Ferrier:** If I go back to what you said, Dr Cook, you mentioned 2008 to 2011. Obviously, at that point, we had the cash and possibly tightening of belts. That has had an impact on employers investing not only in their businesses but in employees. Do you feel that that impacts on the employees' feeling of self-worth when they are doing their job and that there is no progression, no opportunities for development, and it is a cycle between the low-paid work and then having to—as Mr Stuart said—going on to claim benefit? This is going to put more pressure on the benefit system, so it is quite a cycle.

Dr Cook: The Scottish labour force is now fragmented on age grounds. We are seeing older people—particularly older women—almost being forced out of the labour market to make space for younger people. We did some work with the Scottish Commission on Older Women and STUC on that, and that was a very strong finding. We also find that younger people are finding it very hard to move from not full-time employment into full-time employment, and that is becoming very gendered.

- Q51 **Chair:** Could you please furnish that to the Committee? We have this from the Scotland Institute in your submission, but this would be really helpful.

Dr Cook: We would be very happy to pull these out for you. Young people are going into part-time, fractional work and insecure employment more and more. Young men seem to make the move from part-time to full-time. Young women are increasingly getting trapped into part-time and are reaching 24 or 25 and are not making that transition point. That is quite new. Between those two age groups we have a large chunk of the Scottish employment labour force who are basically still working on the same conditions they were working on before, so something radical has happened at either end of the labour market. In age terms in the middle of the labour market, it is still quite recognisably the world pre-the recession.

- Q52 **Chair:** In your view what accounts for that?

Dr Cook: Older workers have been forced out.



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Q53 **Chair:** How would that have an impact on younger employees at that age? What is the link?

Dr Cook: When employers have replaced those jobs, they have replaced them on new terms. What would have been a salaried, full-time career progression trained job has become a fractional job, part-time, at the worst zero-hours, and that is going to feed through. We have looked at the 18 to 24s, but I suspect if we started looking at the 24 to 30 age group, we are starting to see the first hints of that cadre moving forward, because there is no obvious reason why at 24 or 25 everything will change. We suspect we are setting up a trend where the UK labour market is going in one direction.

Q54 **Anna Soubry:** Do you have evidence for this?

Dr Cook: Yes. You have to dig, because the labour force survey has become less usable. Once you ask about three questions of it, you have a very small sample size and you have to be very careful.

Q55 **Chair:** We released our population demography report today, which I encourage you to have a look at because there are a lot of things that you said that met with our experience and what we acquired in terms of evidence. What that pointed to—and it was from the National Records of Scotland—is that there is a spike of about 24 to 25 year-olds where young people were leaving Scotland. We are apparently very good at attracting young people of student age to Scotland, but we did not seem to be very good at holding on to them. Is there any link between that and the evidence that you have found of that age group?

Dr Cook: You need to be careful there because of the nature of the Scottish education system. We looked at that and we saw that shift, of migration out of Scotland and into Scotland around that age band. We think some of that is down to Scotland is very attractive compared to the rest of the UK and non-UK students and a lot of those go away at the end. We are not holding them, but I don't think we should expect to hold them. You have a transition point at that age band.

Q56 **Chair:** What I am thinking is: if you are saying that young people of that age are coming into low-grade employment—and I know that is an inelegant way to describe it—maybe this would be something that would support this drift away, where people have to leave Scotland to try to find higher-grade employment.

Dr Cook: It certainly would not be attracting them to stay. If you are a German student studying at the University of Edinburgh and you have a choice of a fractional contract in a UK university or going back to a German university possibly to a full-time, salaried and tenured post, you would need a personal tie to want to stay.

Q57 **Margaret Ferrier:** I am going to come to you first, Mr Stuart. If there is clear evidence on the benefits of providing decent work, why are there not more employers providing that to people? A big question, I know.



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Francis Stuart: Probably, on the large scale, it comes back to some of the points that Stephen was making about the economic model on which some employers are operating on a low road to success. What we need to do is incentivise them to take the high road to success but also to block off that low path. There are probably a number of things to do. There is regulation, but there is also improving trade unions—

Anna Soubry: Sorry, I cannot hear. Please speak up.

Francis Stuart: I was saying there are a number of things that can be done to try to both improve the high road to economic success but also block off the low path. Part of that is about regulation and things that Government could do, so most of the recommendations in our report are aimed at the Scottish Government but there are things that could be done in terms of improved enforcement.

Certainly, we talked about the Fair Work Convention, looking at how it could look at some of these unfair employment practices and potentially—as HMRC does when it publicises companies that are not paying the minimum wage—look at companies in Scotland that aren't providing basic decent standards. There is no reason why that could not be applied at a UK Government level. You could look at a Decent Work Ombudsman, for example. Australia has a Fair Work Ombudsman, so you could look at that model to try to expand beyond just looking at the minimum wage as a basic standard, but to wider issues of decent work.

Besides regulation, there are a number of things that trade unions could do. There are things that civil society organisations could do, so a living wage accreditation scheme has been very successful at signing up employers. There are a number of different things that different factors can do to try to address these unfair employment practices.

Q58 **Anna Soubry:** Sorry, I am confused. Is this your definition of an unfair employment practice, or is it a legal definition? It is a bit of a quandary, isn't it? You say people don't know what their rights are. If they don't know what their rights are now and therefore would not make a complaint—go to a tribunal or whatever—they are not very likely to go to an ombudsman, are they?

Francis Stuart: People are very willing and open to speak to us and to tell us what some of the issues were, so I think if an ombudsman was there, then they might not know what their exact right is, but they would know they were being unfairly treated.

Q59 **Anna Soubry:** You asked them a question and then you gathered from that that they did not know what their rights were.

Francis Stuart: Some did not know what their rights were. I think some did.

Q60 **Anna Soubry:** If they know what their rights are, they have existing rules and regulations to exercise them. Why would an ombudsman be



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any better than what currently exists?

Francis Stuart: It is quite hard to know. If you are a hospitality worker or working in a bar and there is no trade union there, how do you address the issue if you are being underpaid or if you have to work long hours or whatever it is?

Q61 **Anna Soubry:** If you believe you are being underpaid and your employer is breaking the law, you have the ability to use the existing law to make sure that they stop that illegal practice. Why would you want to go to an ombudsman when you already have an existing scheme?

Francis Stuart: Are you talking about taking it to an employment tribunal?

Anna Soubry: Yes, or whatever. If you are going to go to an ombudsman why duplicate and complicate?

Francis Stuart: My understanding is an employment tribunal is a very costly and expensive process to go through, so there are barriers to doing that.

Anna Soubry: If you go to an ombudsman, that ombudsman, in order to effect change, would have to have powers. You are just duplicating the existing system, and surely the better way—and I don't have a problem with people joining trade unions by any means—would be to say to people, "Join a trade union". That is the easiest thing to make sure you are properly represented because, in that instance, you have somebody else who takes up the baton of your complaint for you.

If there is a big problem here, the way to solve it—forgive me—is for people like you and Dr Cook and others to get a campaign going to persuade people to go and join trade unions.

Q62 **Deidre Brock:** Can you give us an understanding of the way it works in Australia? I believe you mentioned there is a Fair Work Ombudsman there.

Francis Stuart: The Warwick Institute for Employment Research, which we are involved with, have also done research in Australia, and I think we are also involved in some of that work, but I don't know exactly how it works in specifics.

Q63 **Deidre Brock:** Do you think cost might be stopping folk from looking into it?

Francis Stuart: Yes. On the point on the trade unions, I absolutely agree; it is very important to enforce employment legislation, but there are issues with social care workers, for example, who are working I think on a one-to-one basis when they are going around houses and it is quite hard for a trade union to organise it.

Chair: I have just had a message that we are going to be voting at 4.00 pm, so I am looking to conclude the session by then, so I think we have



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given that one a good kicking around. I know Ms Ferrier still has some questions to ask.

Q64 **Margaret Ferrier:** On that point, before we go on to my question, not all companies have trade union membership.

Anna Soubry: Well, they should.

Margaret Ferrier: Unfortunately, there are private companies and family-owned businesses that do not have a trade union to go to. Going back to Dr Cook, I am sure I heard you mentioning the ageing population—and that is obviously and specifically females as well—that that is an issue. We have had this whole campaign around the WASPI women and the fact that they are going to be working longer now before they can retire, which means that the jobs will not be freed up for younger people again. Your organisation has stated that the implications of low employment levels and low productivity will have consequences for meeting responsibilities to fund pensions in the future. If you could maybe elaborate slightly on that?

Dr Cook: This probably is the key issue, which is Scotland's ability to generate the funds to pay for its wider state activities, in which pensions are—

Chair: Sorry, I missed that.

Dr Cook: Scotland's ability to generate public finance and you need two things. You need people in work and people in work earning decent wages. If you just take one strand, particularly if you just take the first strand, you can end up with problems.

Wages have only just started to recover in Scotland. It has been patchy. Part-timers have not seen a net increase in their pay since about 2008. That is mainly because they have lost hours, so the number of hours a part-time worker is doing is down. It stabilised about 2012 and has stayed at that new low level.

The productivity problem comes into it and essentially Scotland needs migrant workers.

Q65 **Margaret Ferrier:** I was going to come on to that, because we have done our recent report on demography and we have more of an ageing population in Scotland, so we do need inward migration of working age. I am assuming that is what you are advocating, Dr Cook, as well?

Dr Cook: Yes.

Q66 **Margaret Ferrier:** That we cannot do it without having this inward migration and, possibly, we have to look at immigration separately from the whole of the UK.

Dr Cook: Our estimate—and this is to keep Scotland on the same age dependency ratio as the rest of the UK is forecasted to be on—is we need about 550,000 new workers over the next 20 years.



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Q67 **Chair:** Can I say that the evidence we secured in the last inquiry—and it is probably useful that this was released on the day that you are here—is that our dependency ratio will catch up with the rest of the United Kingdom and match it by 2029? Is that your understanding of the situation?

Dr Cook: That has changed from when I looked at it. The forecast in meeting point was about 2040.

Q68 **Chair:** Sorry, it was 2039, yes.

Dr Cook: Yes. At some stage natural birth rates of the domestic population—and I am trying to think of what is the best way to explain it—will match on the two sides. The rest of the UK has an advantage now but potentially it will lose it later than Scotland loses it.

Q69 **Margaret Ferrier:** Can I come back in again? Obviously, one of the other points that we heard was that there was lower fertility in Scotland, so again you just talked about birth rates. If we have lower fertility at the moment, in the coming years we will need inward migration of working age people until these people who are born catch up.

Dr Cook: If we look at the 2001 and 2011 censuses, the Scottish-born population increased by about 1% in that decade, Scotland's population increased by about 4% or 5%. That is a measure of the difference between organic birth rate and net migration.

Q70 **Chair:** I will go to Deidre Brock in a minute, but, just before we do, the main conclusion of our population demography report is that Scotland's population is not decreasing. In fact, it is higher than it has ever been in the history of our nation, but it is increasing more slowly than the rest of the United Kingdom. Therefore, there will be an impact on our economic ability and our social ambitions and I am sure that is something that you recognise, but I will let you answer that along with Deidre Brock's question.

Q71 **Deidre Brock:** Moving on to something else, it is about what seems to be a cycle that low-paid workers can find themselves in, moving from low-quality work into unemployment benefits and then potentially back or not to low-quality work. Dr Cook, could you shed any light or does your research shed any light on that cycle?

Dr Cook: It is very hard to do longitudinal work of that type, in the sense that you cannot track the individual through the census data or the survey data for obvious reasons. You have to look at age groups, changes wage group, subgroups and so on, but, yes, all the evidence is that once people get caught into the cycle of low-wage, low-secure work, it tends to end, they tend to re-enter the labour market to do much the same type of work, exit and so on, and there is no easy way for them to break out, because essentially they do not build up any assets. The sorts of assets that allow people who have a relatively affluent life to live with a shortfall of income are not there. If their income drops for whatever reason, they cannot maintain—people are saying they cannot have a normal life. A



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period of unemployment wrecks even that tentative hold on to a normal life.

- Q72 **Deidre Brock:** Apart from the individual building up assets, which in many cases is just impossible, what do you think needs to change in order to try to break that cycle for people?

Dr Cook: I think we need to look at the whole model of work and this gets into, I suspect, some of the big questions and it picks up as Stephen said towards the end, about automation and new models of manufacture and the possible impact on the type of work. I think at some stage we need to look at things like universal basic income. That is a really big topic and it is very controversial.

- Q73 **Chair:** It is probably beyond the scope of this Committee and its inquiry.

Dr Cook: I think we need to go somewhere near that, because I cannot see any other way of breaking the cycle.

Francis Stuart: To come in on that question, I think you are absolutely right. Sometimes we can think of groups of people—in-work poverty, out-of-work poverty—as two distinct categories, but there is evidence that people do cycle between them. There was some work done by the Joseph Rowntree Foundation suggesting about maybe more than one third of people on jobseeker's at any point in time have been in work in the previous couple of years before that, so there is that cycle and that is for a number of factors. Part of it is low pay, security terms and conditions, or things that are going on in people's lives outside work, so a whole range of things.

There is also the question of progression, so four in every five low-paid workers are still low-paid 10 years later, so people are not able to progress. As part of the research project one of the questions that we asked in that online survey was to what extent people felt that they had opportunities for progression, and 59% felt that they had no opportunities for progression within their current job. There is something there about trying to rethink how we do progression, perhaps putting less onus on individuals to climb up the ladder and more about trying to think about how we bring everyone up together in those bottom jobs, so that they are able to progress within the jobs that they are in.

- Q74 **Chris Law:** I would like to touch on employment support programmes and, obviously, the process of being devolved to Scotland. I want to first of all ask—and this is for Francis—what your thoughts are in terms of: has there been any indication in your research on how effective these current employment support programmes are? If you are finding that they are not effective, how can they be improved?

Francis Stuart: Yes. There were some individuals that were involved in the research, who were out of work, who had very critical attitudes towards their current employment support programmes. I remember one guy who was involved in a community organisation in Govan. He was



being told to go to interview training, and he had been in work for 35 years, I think, and had an issue with being trained by someone who was much younger than him and who he felt was telling him things that he already knew. There is anecdotal evidence. It is not an area that Oxfam Scotland has done a lot of work on, but it is an area that a college in Manchester have done some work around, so they have been doing some work around a volunteer scheme. That is not an employability scheme but a volunteer scheme with getting women from quite marginalised communities into Oxfam shops, and there are a number of things that are coming out of that. They have commissioned some research to go along with it. The key thing they were saying was that we need to move from a work first approach towards the main aim of an employment support programme, which should be trying to transition people out of poverty and a number of things then flow from that. There are things like how you would measure or design outcomes, so you might not just measure or design job outcomes but economic outcomes and how you might do that. There is stuff around specialist support for different groups of people, so migrant communities who may need English language classes. There is a whole host of issues that some of the work that has been done by the Manchester team can address.

Q75 Chris Law: Looking at your report on decent work, it states that businesses and policy makers can make a real difference to the availability of decent work. Is the role of policy makers to encourage and enforce improved work standards and, if it is, how would you see that being achieved?

Francis Stuart: There are a number of things that policy makers can do. There was a discussion previously about employment legislation. There is a need to ensure that we maintain employment legislation, at least to maintain the current standards that we have. There are issues around enforcement.

There are also issues around having more effective employment strategies, particularly looking at different sectors. In Scotland, if you look at low-paid workers, over half of low-paid workers are in retail, hospitality and social care. They are all different sectors with very different challenges, different barriers to decent work, different funding models, effectively, so I think we need to take a sectoral approach to those sectors.

There are issues around procurement and Government agency support. I think we could do more with ensuring that Government agencies promote decent work. There is a lot of money going towards city deals now, and I think that provides an opportunity to ensure that the jobs that are associated with those city deals promote decent work and that workers' input is made to that. I think it is not clear what the democratic process around that is at the moment.

Again, and it was talked about earlier by a previous panellist, there are issues around better data. While, as part of our research, we tried to do



the best labour market assessment we could, there were issues with not having appropriate indicators for the things that people value, so being paid fairly compared to similar jobs was the sixth most important factor in our research, but we do not really have any good evidence about how people feel about that.

There are issues around data being disaggregated for Scotland. There are issues around timeliness of data, around being gender disaggregated, so there are a whole host of things there. If we were to make effective interventions and know we are making effective interventions then I think we do need better data.

Q76 Anna Soubry: Can I ask you, Dr Cook, looking at the labour market more widely, the Scotland Institute stated, "Action needs to be taken to improve productivity and increase levels of employment", so what are the main changes that you would recommend? I am particularly interested in productivity.

Dr Cook: The key to the productivity argument is that 90% of the people who will be in the Scottish labour market in 2025 are working today and, if there is a gap in UK and Scottish Government policy, it is those in employment gaining training. Basically, we are not bad at school, university education links. There is at least some support for those outside the labour market, but support for training for those within the labour market is very, very weak across the UK, and yet that is going to be the bulk of our workers in 10 years' time. It is people in work now. That has to go through employers, whether that is through subsidies, through encouragement, through setting standards. Only something like 61% of firms in the Scottish construction industry offers any training. Almost 40% of the firms in the Scottish construction industry—and it is quite a big sector—offer no training at all and these are big, big gaps in terms of driving up productivity.

Q77 Anna Soubry: You say not enough employers offer it. People in the survey are asked questions, "Here is a list. What is the most important to you?" You are suggesting the answers to them, which I personally think is a bad way of gaining information because they are only going to tick or not tick what you suggested, as opposed to digging into what they are really thinking. In any event, on the basis that this does give us a good idea, does it concern you that at number 11, after support for absence, regular hours, purpose, meaning, opportunities for progression and training opportunities are right down at number 19? It would indicate from this survey that the people in low-paid, usually low-skilled jobs are themselves not thirsty for training and opportunity. What is lacking—although I don't know if it is because I don't know if it was really dug into—is an aspiration to rise beyond that low-paid, low-skilled job.

Dr Cook: It is a learned response. If you, your siblings, possibly even your parents, are all in that sort of employment, and nobody is getting on, it is very easy to just accept that that is the world.



Q78 **Anna Soubry:** That is true. Do you not agree that that is the job of a school? The very thing that a school does is they take everybody from whatever background, and then teaching and that school is the inspiration for people to aspire to something different than what their parents may have had.

Dr Cook: I am not going to argue that Scottish schooling is perfect in every respect, but I don't think it is actually in the schools.

Q79 **Anna Soubry:** What, that aspiration isn't in the schools?

Dr Cook: No. I think the evidence from the UKCS—it goes by whatever the DTI is called these days—is that Scottish school leavers are going into work well prepared for work and generally making a contribution in work. It is not the exit/entry point into work; it is what happens after that transition has happened, and that is why I do think we have to look at Scottish methods.

Q80 **Chair:** There is something interesting from Ms Soubry's comments, which is the cultural aspect to this that we have probably not explored with you or previous witnesses. It is probably something that we would very much like to touch on in the course of this inquiry. I think you were starting to go down the road of trying to explain that a little bit. There is always going to be cultural issues when we look at households, but how stuck are we in this groove just now?

Dr Cook: The theory is that enough cohorts who have entered work have entered work into the new model of work that it is becoming normalised. You speak to 18 year-olds and this is more or less what they are expecting to go into. Some of it reflects an acceptance that, if you are going to go into the creative industries, there is a mode of working within that sector. But it has become wider than that. People are now entering work and not being surprised not to have a contract. Not being surprised to have reliable hours. It is, "Well, everybody else has the same thing."

Q81 **Anna Soubry:** That is not the same as aspiration to do more than, say, stacking shelves. Not that there is anything wrong with stacking shelves, but this is low-paid, low-skilled work, and training and aspiration is less important than a safe environment—forgive me, but that is a given, isn't it?—and supportive managers and benefits. Sorry, I can't read all of it, but being paid for similar jobs, no discrimination. I am struggling with that because "no discrimination", nobody is going to say, "Oh yes, I want to be discriminated against." It is a given that nobody wants to be discriminated against. I don't know whether it is the research, but it is concerning that training and opportunity is below what, if I may say, is the absolute obvious. I don't know what you think.

Francis Stuart: Just on the survey, that prioritisation exercise was the final exercise we did. There were a number of other exercises where we asked people what was the one thing that was important for decent work, and they didn't have any prompts. There was another exercise where we had five different themes around the room and we asked people. We



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have analysed all of that and a lot of it was fairly similar to the final prioritisation exercise there, so it is quite consistent.

In terms of the opportunities for progression, there are a couple of things there. One is that I don't think it is people and skills. There has been associated work done by the University of the West of Scotland looking at young people's attitudes on the future of their work or their career, and they are very positive. They think they are going to have great careers. They are aspirational. I think it is when they then get into certain jobs that they—

Q82 Anna Soubry: You think they are full of aspiration and ambition, and then they get into work and that is taken out of them?

Francis Stuart: I think there is certainly a risk of that.

Anna Soubry: I would like to see the evidence to suggest that.

Francis Stuart: Certainly, in terms of some of the people that are involved in our research, there were cleaners, for example, who were asked: "What are your opportunities for progression like?" They were asked every year. They had a genuine performance process where they were asked, and they said that there was no career progression in that sector or in the job that they were doing. There were social care workers who could become a team leader, but they said, "It is not worth becoming a team leader because it is a lot of stress and hassle for not much more money."

Q83 Chair: Could I ask, thinking of the example of recently graduated students who find themselves in low-quality, low-grade work, does that type of attitude become prevalent among them, or do they look at the employment situation as a short-term issue that will be addressed because of their qualification? Are there different categories at that stage?

Francis Stuart: That is right. We do disaggregate by age in the full report, so opportunities for progression were top of the list for 18 to 24 year-olds. It was certainly a priority for them, so that is why I think also for school pupils it is a priority for them. As they progress or as they develop in their career, then it becomes less of a priority and other priorities go up the agenda.

One of the interesting things around the age differences was that training opportunities was, I think, bottom of the list for 18 to 24 year-olds, so while opportunities for progression was top, training opportunities was bottom, and there are probably a number of reasons for that. Some of them might well have been in education, so they are not looking for training opportunities. A lot of people are in jobs that they do not want to develop a career in. They are then looking to move into a different career, so they are not looking for training. There is an issue around people not having training opportunities in jobs, particularly young workers.



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The other issue to mention is your point about these things that are very basic and are above opportunity for progression. That is the point, these things are very basic, but many people don't have them, so that is why they are prioritising them.

Anna Soubry: They all have good health and safety because they have to.

- Q84 **Chair:** There are a couple of other things I want to explore with Dr Cook before we do eventually have to wind up. This is what we asked Mr Boyd about: future employment and about the trends that we are seeing. The Scotland Institute have said a number of things about this, about technological innovation. You talk about manufacturing going from the large scale to the small scale, the advent of things like 3D printers in the workplace. Could you talk us through—I know we don't have much time—what you would see, therefore, as the key issues and the challenges for the labour force with this type of technological innovation?

Dr Cook: This is where you look back at something you wrote a few years back and think, "Which idiot wrote that?" Manufacturing is a good example. In 2014, we identified manufacturing as being the ideal sector. It is more or less at the average for Scottish productivity; it is a big employer; and it had only recently declined from an already declined position. In other words, if you were looking for a signal sector, manufacturing was your safety net. Invest in manufacturing, increase jobs in that area, raise productivity in that area and it would push up a lot of the Scottish economy because, unlike oil and gas—

- Q85 **Chair:** I thought we were increasingly leaning towards financial services. That was what we were always told—certainly, when I was growing up in the labour market—that we were moving away from manufacturing, that because of de-industrialisation we were moving to a different type of economy. Does that impression not hold true any longer?

Dr Cook: This comes back to public finance in a way. The problem with the financial services sector is it has the lure of easy taxation, but it often does very little for productivity in the economy. If you get an over-balance, into it you end up with the problems we are in at the moment, which is that essentially the UK Labour Government relied on the City of London. We don't make our decisions about public spending.

- Q86 **Chair:** How does the labour force then prepare for what we are seeing as fast technical innovation in the workplace? What do they have to do in order to make sure that they are going to be future proofed for some of the things that are coming down their way?

Dr Cook: Some of the things I think will be very, very positive. If we take the 3D printing issue, you can suddenly start to see how you could run a small business in Stornoway and do very specialised work. We have had two centuries where economies of scale have been the holy grail of industrial organisation. We may be moving into a world where micro-production, very close to the point of use, is the new and highly desirable



norm. You plug that into the Scottish economy and you suddenly have a tool for rebalancing the central belt, the rest of Scotland economic development issue.

Q87 Chair: We are into the last few minutes. Is Scotland prepared then for this next stage? Forget about all the stuff to do with what we are seeing online, the creative industries and so on. Is Scotland ready for this because it looks like a huge shift that is going to be coming in the workplace?

Dr Cook: No. It is slipping in very quickly, very under the radar. Just to give them a quick plug, there is an excellent organisation called MAKLab in Glasgow. They are superb, they are great. They are working with young unemployed kids. They are working with older workers looking to retrain. It is an interesting mix of techies and industrialists.

Q88 Chair: What needs to be done then? Where do need to make these interventions in order to ensure that we are better equipped to deal with this?

Dr Cook: We need to start talking to people who are at the edge of this very seriously about, what they are doing? How can they scale up? How can they move out? Start engaging them in the policy debate. After the Brexit vote industrial strategy suddenly became a buzzword. You look at what everybody said and it was predictable, "We are going to find work that we can invest in and start tomorrow"—shovel ready was back on the agenda—"We are going to invest a bit in education. We are going to invest a bit in this." There is nothing in there that suggested, even the slightest hint, that our economies may well be shifting beneath our feet and, while we are looking at HS2 or improving the Edinburgh to Glasgow train link, or whatever big projects we have in mind, somebody sitting there producing a wee bit of plastic printing is going to invalidate our industrial supply chain, so we need to talk to the people who are leading in this area.

Chair: I know we are in the last minute. This is fascinating. I think we are going to ask you for further evidence on this, because one of the things that we are keen to look at and explore is the future of the workplace and the issues. As a Committee, we can help to suggest ways and means that the Scottish labour market can prepare for some of these challenges. I am very grateful for this. This has been a fascinating evidence session. It has been very interesting and you have given us lots to think about, particularly in the future workplace environment.

To you, Mr Stuart, thank you. As I said in my initial remarks, I thought your report and your inquiry was very good and very helpful to tease out some of the issues that we have just now. I know the bells are going to go any minute, so don't be alarmed when you hear a lot of clanging. On behalf of the Committee, thank you for this and we will ask you for further evidence, but if you hear anything that you feel that you could help us with, Mr Stuart, you will always be welcome to give further



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evidence.