

SUBMISSION FROM CHARTERED INSTITUTE OF PERSONNEL AND DEVELOPMENT (CIPD) SCOTLAND

Background

The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has 140,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

Our membership base is wide, with 60% of our members working in private sector services and manufacturing, 33% working in the public sector and 7% in the not-for-profit sector. In addition, 76% of the FTSE 100 companies have CIPD members at director level.

Public policy at the CIPD draws on our extensive research and thought leadership, practical advice and guidance, along with the experience and expertise of our diverse membership, to inform and shape debate, government policy and legislation for the benefit of employees and employers, to improve best practice in the workplace, to promote high standards of work and to represent the interests of our members at the highest level.

General

CIPD represents 10,000 plus HR professionals across all of Scotland's sectors and in private, public and not for profit enterprises. We are committed to building better workplaces through the very day interactions and interventions of People and Development professionals and creating dialogue about the need for better work and working lives through our research and policy. We address the specific question of the committee's inquiry (as set out below) and outline our own view based on research and that of others.

- **What makes a job 'good' or 'bad'?**
- **Have jobs become better or worse since 2008?**
- **What effect might low quality/low pay jobs have on the economy?**
- **What can the Scottish Government and public policy makers do to improve job quality in Scotland.**

We address this challenge in terms of four big skills asks in our *Scotland's Skilled Future Report* of June 2015¹. Nothing we have seen in the emerging economy, the challenges specifically to Scotland, and the rigours of operating within a rapidly changing global

¹ CIPD (2015) *Scotland's Skilled Future*. <https://www.cipd.co.uk/local/scotland/scotlands-skilled-future-report.aspx>

context have changed our minds that Scotland needs to pursue an integrated skills agenda that focuses on:

Response

What makes a job 'good' or 'bad'?

CIPD nationally has been at the forefront of the debate on the present state and future direction of work. Our focus on building better work and working lives has been at the centre of our approach. We recognise that a variety of factors related to skills, qualification and ability define what individuals can expect to do for a living, and that management culture, firms' strategy and the business context often define what happens at work. Our joint work with SKOPE suggest that, for the UK as a whole and for Scotland, the issue of employer demand and ambition is at the centre. This results in stagnant real wages, especially among the low paid, employment insecurity and fragmentation.

Have jobs become better or worse since 2008?

According to economists at Scottish Enterprise, from 2001-2010 the number of medium skilled and medium paid jobs decreased by 62,000, and the number of lower paid and higher paid jobs increased by 46,000 and 118,500 respectively.² That suggest a trends towards job polarisation and hollowing out. The same research showed that mid-level jobs declined by 4% and top level jobs increased by 3%. At the lower skilled end the decline was 1%. These trends have continued up to 2014.³ CIPD Scotland would concur with this research and many like it. The institutional approach of SKOPE, which looks at the interactions between skills, training and the labour market, arrives at a similar conclusion.

Work by Strathclyde University on Poor Work suggest that there is a real 'hour glass' employment picture in Scotland. The solutions to this are complex, but we advise that boosting training and development of low skilled jobs, as well as enriching the tasks and attributes of those jobs, will help build the skills and productivity potential of such jobs. Jobs at the higher end, however, are equally important for the complexity of modern business, and these jobs themselves have to be enriched and adapted so that a richer mix of skills and capability can be developed as a result. Many employers see the recruitment of specialist technical and managerial staff as their biggest headache.⁴

The current nature of work

Scotland's employment level is currently good and unemployment is correspondingly low. The level of qualification is high, yet we suffer from many poor quality, low skilled jobs. Like the rest of the UK, our productivity is low, although Scotland's industrial structure helps to offset that. We have in common with the rest of the UK a flexible labour market which permits and sometimes promotes the use of low tenure jobs. Zero hours contracts

² Roger, G, Richmond, K, Scotland's Labour Market: 'Job Polarisation' and Inclusive Growth

³ Not directly comparable due to changes in SIC but indicative.

⁴ CIPD (2015) Resourcing and Talent Planning Survey

for example, self-employment, and job sharing are all part of this flexibility. Individuals take these options for a variety of reasons. The evidence base both from CIPD's *Labour Market Outlook* survey and from ONS shows that the picture on ZHC's and other forms of atypical work is less negative than many advocate.⁵

What effect might low pay/low quality jobs have on the economy?

Jobs of this nature are low in productivity and, in an advanced mature open economy, poor productivity is our biggest challenge. It's important that we understand the complexity of defining and measuring productivity, and CIPD research has recently investigated this. Recent and forthcoming CIPD research will explain how productivity can be improved. In the UK productivity has been at a standstill for the past seven years. In fact, output per hour worked is still nearly 2% lower than it was at the start of the recession in 2008. This is, in part, a consequence of much stronger employment growth than anyone would have predicted. However, weak productivity is the main reason why average hourly earnings are still some 6% lower in real terms than they were in 2008.

Our report includes analysis of two surveys conducted by YouGov asking HR leaders about the meaning, measurement and importance of productivity, as well as how they rate their organisation's productivity and performance, and the prevalence of smart and agile working practices.⁶ Analysis of these two surveys gives us an understanding of why some organisations perform better – and are more productive – than others. The report suggests possible ways for businesses to raise their productivity and improve their performance, and for government to help them to do so.

It is clear that the hollowing out described above has impacted groups such as young people, women and workers from black and ethnic minority backgrounds, especially those from the African and South Asian community. This exacerbates inequality. The answer is to improve training and qualifications and skills utilisation. The CIPD was involved in the work of the Scottish Government on skills utilisation, and we welcome the approach of the Government in addressing the full complexity of the problem. However as recent research by CIPD shows, one of the key challenges in addressing this issue is that of over qualification⁷. Scotland has long had a high level of university education but, despite this, still has many people in poorly paid work. We need to rethink the issue. The rise in the number of graduates has not been matched by an increase in high-skilled jobs.

Unfortunately previous policy has made assumptions about the expansion of Further Education on the basis of the human capital lifetime earnings model, which predicts much higher levels of earnings for graduates compared to non-graduates. However, many

⁵ CIPD (2014) *Zero Hours Contracts Myth and Reality* (2014). Based upon combined data from both employers and employees. 23 % use zero The use of zero-hours contracts is most prevalent in the public (28%), and the non-profit sectors (42%), with private sector organisations least likely to report they use them (19%).

⁶ CIPD (2015) *Productivity: Getting the Best out of People*

⁷ CIPD (2015) *Over qualification and Skills Mismatch in the Graduate Labour Market*. CIPD Policy report August 2015.

graduates are nowadays finding themselves working in jobs that would, in previous generations, have been filled by non-graduates.

Comparisons across Europe suggest that graduate over-qualification is a particular problem for the UK, with 58.8% of UK graduates in non-graduate jobs – a percentage only exceeded by Greece and Estonia. The CIPD commissioned this report to examine the available evidence on the extent to which graduates are over qualified and over skilled for the current labour market, and the ways in which the labour market and occupations may have adapted to the growing supply of graduates. The report suggests a range of interpretations of the available data, but the findings raise questions about the size of the Higher Education sector in relation to our labour market needs, and reinforces calls for investment in alternative routes into work for young people.

What can the Scottish Government do to improve job quality?

Wages and productivity

Scotland faces the same dilemma of all advanced, open and mature economies. How do we earn our living in a world where every global competitor is moving up the value chain, where innovation and high wages, not just low margin production, are the aim of everyone, and where automation and digital disruption is the backdrop?

Scotland's economy is generally performing well, with high levels of employment and low levels of unemployment. In 'Old European' terms, we are streets ahead of others in terms of labour market engagement. We should not, however, be complacent. The recent announcements at Young's Seafood, and previous announcements at Tullis Russell, demonstrate the volatility of employment. The downturn in oil and gas, with many more job losses predicted, is a challenge for Scotland. CIPD Scotland, as a board member of the PACE Partnership, has been active in supporting the Scottish Government's work to help respond to such business shocks, and we have recently shared our insight on alternatives to redundancy and career coaching with the oil and gas industry. We are also helping to support new job growth by working with partners to help boost quality job creation in the SME sector. Our national project with the JP Morgan Chase Foundation to create appropriate People Skills for growing SMEs was launched in Glasgow by the Cabinet Secretary for Fair Work, Skills and Training, Roseanna Cunningham MSP, in September.

Work

For Scotland, the priority must be in developing our labour market right through from pre-school to pension age and beyond, focusing on developing the right skills and capabilities across the working life for all. To do this we need the integral insight of People and Development professionals at all levels. The world of work is changing fast. The context of Volatile, Uncertain, Complex and Ambiguous (VUCA) change is the frame within which Scotland's private, public and third sector businesses operate. The trends of increasing digital technology, automation, a "sharing" economy and a shift from tenure to task are the

driving trends. All of these shifts are accompanied by a huge increase in globalisation, market opening and international labour mobility.

Many of these changes are with us now and will, within this context, many thought leaders are seeing a revolutionary change in nature of work. Work itself will become distinct and separate from employment.⁸ However, the distributional and economic impacts of such change have to be carefully weighted and appraised. We know that there will be a hollowing out of jobs, and that there will be a threat to traditional stable high income and high status forms of employment. We also know that our education system will have to adapt to a world in which knowledge and content are delivered through many channels, and are deployable across many areas. That means we will have to pay attention to our present and future workforce.

Workforce

For Scotland to develop a high skills and high wage economy, we will need to think seriously about our future workforce. Government is already thinking deeply about these issues and agencies such as Skills Development Scotland and Scottish Enterprise already have a focus on tackling the big human capital issues implicit within this challenge. CIPD Scotland is convinced that we need to welcome initiatives like *Developing Scotland's Young Workforce*, which seeks to tackle the linkages between education and the workplace. In our view, we should develop young people from the earliest age with a focus on early years learning, given its pivotal role in forming behaviours, skills and expectations.⁹ The Scottish Government already plans to increase pre-school provision, particularly for those most currently excluded through lack of income or access. However, the shifting workforce demands much more of a focus on the development of a universal level of high quality early years education for all. This presents an opportunity in developing the skills and productivity of early years teaching and learning. The workplace and employers can play their part in this through both funding and support, as well as flexibility for parents and carers of pre-school children.

We clearly need to help young people to develop through both vocational and academic education routes, with a recognition of the interchangeability and equal esteem of both. Helping young people ground themselves in the key cognitive skills such as STEM subjects, literacy and important life skills are the foundation for future employment. This means that government should consider engaging with global attainment benchmarks such as PISA and, where appropriate, testing progress and attainment as well as accrediting and recognising achievement. The debate on education is often unhelpfully polarised between the two extremes of constant testing and untested continuous assessment. Employers need both in order to be sure that young people can contribute and use their potential fully.

⁸ Boudreau, J, Jesusathan R, Creelman, D (2015) *Lead the Work: Navigating A World beyond Employment*: (Wiley 2015)

⁹ Heckman (2012), US Government White House Special Report (2015) Work Foundation Wise Group 2007.

Providing foresight and forward planning to help our industries adopt to a changed world of shifting business models, fast evolving technology, diverse talent, demographic change and other driving issues must also be a priority. For example, ageing workforces are a complex issue affecting some sectors more than others. In a joint report with the International Longevity centre, CIPD outlines the challenge in different industries (CIPD/ILC2015).¹⁰

This research shows that demographic change will have a profound effect on the UK labour market over the next two decades and beyond. Over 30% of people in employment in the UK are currently over the age of 50, and there are unlikely to be enough younger people entering the labour market to replace this group once they leave the workforce, taking their skills and experience with them. Employers need to recognise the potential issues they will face, such as skills shortages, productivity challenges, labour shortfalls and an inability to meet customer service and production targets. Scotland, which has a more rapidly ageing population, will be impacted even more. The data from the Labour Force Survey shows particular issues in the high value high productivity issues like engineering, energy and finance. Solutions start with a recognition that strategic workplace planning is paramount. It also requires a focus on flexibility and variation in employment for all age groups, and a succession strategy based on accelerated workplace learning. The most important issue, however, is to be aware and alive to the issue and to treat an ageing workforce as an opportunity, and not a crisis. However, if we fail to tackle these issues systematically we will face a talent crunch in Scotland.

The CIPD suggests that developing a learning system both within and outside the workplace, based on innovation and lifelong learning, could help to capture the learning of older workers. Arising from the report, we would suggest that within Scotland a group of skills transition mentors could help do this and make the appointment of modern apprenticeships more viable. Focusing on our key sectors, such as energy, financial services, tourism and food and drink, as well as building our emerging sectors based on life sciences, high tech manufacturing and harvesting digital content will all be vitally important. Providing the people and development support to our growing, but fragile, SME sector will also help, as will promoting the spirit of entrepreneurship, curiosity and problem solving, for which Scotland is renowned.

Wellbeing and the Workplace

In the workplace, the CIPD believes that the challenges of poor engagement and poor health lead to below par productivity. This needs to be addressed by a renewed focus on engagement, wellbeing and resilience. The business of HR and People and Development professionals in all businesses and all sectors should be to create flourishing workplaces. There is mounting evidence that this improves performance through improving what's known as subjective wellbeing¹¹. These workplaces will be productive, agile and equipped

¹⁰ Avoiding the demographic crunch

¹¹ See Bryson, A, Forth, J, Stokes, L (2014) *Does Worker Wellbeing Affect Workplace Performance?* (NIESR/Department for Business Innovation and Skills.

for the world we are in, as well as the world we face. Thus resourcing and talent planning should be focused around employer brand and employee integration; learning and development should focus on preparing people for a future of shifting skills and capability with the end goal of increasing productivity. Performance and reward should focus on designing a pay and benefits offer which both engages and enthuses; and systems of appraisal and review which energise, and don't alienate employees and managers. HR professionals should focus on building quality relationships and helping to promote employee voice and values. They should be at the centre of delivering productivity and efficiency, and designing sustainable high value jobs. HR and people and development should also be at the forefront of employee wellbeing. Evidence demonstrates that a focus on proactive employee health has real benefits for both productivity of the workplace and the prosperity of Scotland. People and development professionals should also think about becoming a channel for harnessing employee ideas and innovation. In an increasingly volatile and uncertain world of work, resilience is a key attribute, and using a lens for both individual employees and for the organisation will help build resilience. Creating a sense of purpose and focus should be the role of HR leaders.

Dialogue

Constant engaging and energising discussion about present and future challenges and opportunities across the business and sector. This should be with all relevant stakeholders through the lens of people and development challenges facing the organisation.

Data

Dialogue begets data and vice versa. What do we know? What do we need to find out? What evidence do we need to collect? Steering solutions and interventions on data and evidence helps to develop integrated workforce planning, and creates a positive force for future change.

Development

Often the dialogue interwoven with data in its widest sense results in some kind of development and learning need. The development perspective is important as it helps organisations to meet needs in a longer term perspective. These dimensions are mutually reinforcing, and together helps to develop a coherent people strategy which is embedded with business and organisational imperatives.

CIPD has been working with UKCES, accounting body CIMA, the ILM and RSA on a project called *Valuing your Talent* which, at its root, is about valuing the contribution of people to business success. We believe that a systematic approach can help deliver a skilled and sustainable future for Scotland.

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