

SUBMISSION FROM SCVO

Summary

- Policy decisions on the economy and work must aim to improve well-being, create decent jobs, and support those who cannot work a normal 9-5.
- Low pay and low quality jobs are actively harmful to our economy, increasing inequality which leads to an unstable economy. This inequality is also harmful to society.
- Low quality jobs have a high impact on health inequalities. Improving job quality through increasing work-place autonomy and providing holistic support is essential to improve the health of those in our society.
- There is much the Scottish Government and other policy-makers can do to improve the current situation, from encouraging co-operative ways of working, to actively using its National Performance Framework to decide on the best policy actions, to experimenting with a citizen's income pilot.
- Action on gender inequalities and consideration of wider issues relating to a fair society, employability and welfare also need to be considered.

Our response

SCVO has, over the past few years, been having a conversation with the third sector about how we can better 'do' our economy. SCVO therefore welcomes the opportunity to respond to this consultation and would like to contribute the following points which have come out of various discussions we have had with our sector over the past few years.

Context

As we know, a few years ago an economic crisis hit the UK. This was followed by a UK Government programme of austerity measures and welfare reforms. Whilst unemployment hasn't grown as much as expected, wages have stagnated and numerous people are underemployed. They are left working fewer hours each week than they would like and in less secure circumstances as self-employment and zero-hour contracts replace secure work.

The people affected by these changes are the very people that the third sector works with every day – at food-banks and in advice centres; attending youth clubs and work programmes; making the most of community groups and support centres.

The third sector has grown as a result but we are not happy about this – it would be better by far if poverty and inequality were actively reduced by the economy, rather than increased by it.

Economic strategy shouldn't be concerned only with growing the economy – we need a solution that considers people, their happiness and their jobs, putting people at the heart of their economy and society. We need a socially just economy.

As we stated in our previously published paper ‘An Economy for All’ⁱ, we suggest four guiding principles which should underpin an urgently needed rethinking of our economy:

1. The well-being and collective prosperity of people across Scotland must be the end goal of our economy;
2. All work must be properly valued, decently paid and secure;
3. The value of people’s voluntary and unpaid contributions to economy and society must be recognised;
4. The economy is a part of our environment and we must use our economy to enhance, not destroy, our environment.

These principles broadly encompass the biggest issues that the third sector comes up against time and again in our work as we support vulnerable people, communities and our environment, and we ask the committee to bear all four principles in mind throughout the course of its inquiry.

We now answer the committee’s questions most relevant to our sector.

1. What makes a job ‘good’ or ‘bad’?

We are currently in the situation where there are increasing numbers of workers on zero hours contracts, as many as 1.4 millionⁱⁱ across the UK, which often leads to problems in terms of job security and payⁱⁱⁱ. Furthermore, recent changes to regulations have altered various workers’ rights, for example, making it more expensive for employees to bring an unfair dismissal case against an employer^{iv}. Linked to this are issues around participation and control, with workers who perform routine tasks, following detailed instructions and with little autonomy, being more unhappy at work, more likely to be off sick, and tending to perform more poorly than their engaged counterparts^v.

In contrast, what we call ‘properly valued’ work is work which is secure, satisfying, paid at a sufficient level, and that gives workers proper rights. If we are to improve our economy for all, we must value the work that everyone does, and give all workers access to decent work (and insist that those who supply us with goods and services are also treated decently). The nature of work must be at the forefront of our minds when we seek to create jobs, and we should avoid creating low-paid and/or insecure work.

Furthermore, there are many people in our society that carry out valuable work day in and day out for no pay. There are also those, often retired, who contribute to their communities in order to make them better places for everyone to live^{vi}. And then there are those who are carers: for children, for aging parents, for husbands and wives^{vii}. All of these roles are vital, and it is essential that, as we talk about ‘good’ jobs or ‘properly valued’ work, we also think about how we can ensure that those who do not fit into the standard five days a week work pattern, or who need to work from home or have other reasonable adjustments, can also gain access to those ‘good’ jobs. Employers today can support flexible working – there are no legal hindrances to this happening – so it is essential that they do so, with employers responding to a changing population which will increasingly require those in paid work to also take up other responsibilities such as unpaid care^{viii}.

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

Poverty and inequality are growing across the world^{ix}. Growing inequality caused by a combination of low pay jobs and massive wealth accumulation at the top is actively bad for our economies, making them more unstable and vulnerable to shocks – something that global players such as the International Monetary Fund are aware of^x. As Stewart Lansley demonstrated in his book *The Cost of Inequality*, and Joseph Stiglitz showed in his work for the Scottish Government, whilst economic inequalities lead to poor economic outcomes, by moving towards a promotion of economic equality we can create a more sustainable and prosperous economy^{xi xii}.

3. What might be the health impacts of low quality jobs?

As Richard Wilkinson and Kate Pickett have demonstrated in their book *The Spirit Level*, less inequality within countries leads to improved lives for all, including better health outcomes and lower crime levels^{xiii}. Employment also positively impacts on a wide range of wellbeing indicators, including health and crime. For example, studies in a number of countries have shown that losing one's job can trigger problem drinking for 1 in 5 men and 2 in 5 women^{xiv}.

A more equal economy also reduces the spend needed across a range of public services. As a recent briefing from NHS Health Scotland highlighted, to reduce health inequalities, action is needed to reduce social inequalities. One of their suggestions as to how to achieve this is through "Active labour market policies (e.g. hiring subsidies/self-employment incentives, apprenticeship schemes) and holistic support (e.g. subsidised childcare, workplace adjustments for those with health problems) to create good jobs and help people get and sustain work"^{xv} – policy measures that can and should be pursued by local and Scottish governments.

4. What can the Scottish Government and public policy makers do to improve job quality in Scotland?

There are various means open to the Scottish Government and other policy makers to improve our economy here in Scotland and indeed the economies we contribute to globally. Below are a selection of policy ideas that various members of our sector have discussed and/or suggested over the past few years.

Encouraging positive business behaviours and structures

Our sector has an interest in an approach to our economy that helps reduce inequality; provide stable, sustainable work; and strengthens communities across Scotland wherever possible. We believe that supportive, more democratic workplaces, increase the well-being of workers, and have wider benefits to society. Evidence from co-operative businesses^{xvi} suggests that a greater sense of ownership within the workplace results in a reduction in crime levels, increased social cohesion, greater civic engagement with voluntary groups and others, better health, and longer lives.

SCVO and our members have seen a number of positive business behaviours and structures that offer practical options for the above. This ranges from greater worker involvement in the vision and strategic direction of the organisation to fully fledged employee-owned businesses. More democratic workplaces appear to perform better economically too: creating more jobs than their more rigid command and control counterparts; sustaining these jobs better through recessions; retaining wealth within local areas; and spreading wealth more widely across social groups^{xvii}.

Whether the Scottish Government makes moves to encourage the establishment of greater numbers of co-operatives or other forms of supportive, democratic businesses such as mutuals, making this the norm would alter our economy and society. Encouraging the establishment of such firms through providing more extensive support, preferential procurement treatment, and helping to spread 'what works' across the business sector are all within the scope of the Scottish Government.

Globally too, we can have an impact. The Fairtrade mark has demonstrated how doing business ethically in Scotland can have a knock-on effect across the world. Small-scale farmers who have the Fairtrade mark enjoy slightly higher and more stable incomes than producers in comparison groups, whilst working conditions can be significantly better than on non-Fairtrade certified farms^{xviii}. Continuing to promote such certification schemes and further encouraging the use of globally ethical businesses, as will be possible through the careful implementation of the Procurement (Scotland) Act 2014, again allows Scotland to improve the economy – this time globally – without radically changing the system we currently live in.

Measuring GDP

One of the problems facing any attempts at altering how we 'do' our economy is the way that the health of the economy is measured. A focus on Gross Domestic Product (GDP) as the overarching indicator of success, leads to the pursuit of production above all other goals.

The Scottish Government has moved somewhat against this through its National Performance Framework (NPF)^{xix}, and we welcome the refresh that now includes solidarity, cohesion and sustainability indicators alongside those for growth^{xx}. However, the NPF framework has, it seems, been previously used passively by policy makers and politicians, simply as a means to record outputs rather than as a way of constructing positive policies. Moving forward, the NPF must be used as a tool to assess potential policy options before a certain course of action is chosen if it is going to have an actual impact on those welcome indicators.

A Citizen's Income

One bold idea that needs a proper exploration is that of a Citizen's Income, advocated for strongly by the late Ailsa Mackay. A Citizen's Income would replace the majority of benefits and provide everyone with a non-means tested basic grant; any paid work carried out on top of this would simply allow people to top up their incomes^{xxi}.

There are a few examples of a Citizen's Income globally, and such schemes have: kept poverty levels down, improved income distribution and increased equality; improved health and nutrition; and increased school attendance in those countries where attendance is not compulsory^{xxii}. Researchers have also demonstrated that a basic Citizen's Income is affordable for the UK by converting certain benefits into a Citizen's Income and by removing some tax loopholes, without the need to change the overall personal income tax structure^{xxiii}.

Such a scheme could ensure that people were much freer to pursue their own goals in life and those of their family, rather than being beholden to either employers or means testing of the state to get by. This would help to resolve many of the issues discussed above regarding health and wellbeing of society, and the low pay of work (the expectation being

that employers would have to improve pay and conditions in order to 'compete' with a Citizen's Income). It would also enable people to participate in and contribute to society without the sole focus being on paid employment – something that not everyone, no matter how flexible the work provided, are going to be able to achieve.

Action on gender

There is a significant gender element in all of the issues raised above, with policy decisions around employment as well as cuts pushing women into caring roles and benefit reliance when investment in social care, holistic work-place support and flexible working would have helped to reduce this necessity. For example, work by Engender^{xxiv} shows that:

- women have fewer financial assets and less access to occupational pensions than men and there are considerably more women than men in the lowest income decile;
- 92% of lone parents are women;
- women are at least 59% of unpaid carers in Scotland, and women are twice as likely to give up paid work in order to care than men are;
- the gender pay gap in Scotland, which is 12% for full-time work and 32% for part-time work, signifies persistent and widespread differences in women's experience of the labour market.

These issues can be relieved now by positive devolved policy choices, by, for example, supporting equal access to work for each gender, promoting flexible working, and providing extensive child-care.

Considering new powers and current policy conversations

Upcoming new social security powers adds an extra dimension to this conversation on work, wages and wellbeing. As highlighted throughout the above, it is important that policy makers work holistically as we consider how the Scottish Parliament implements soon-to-be devolved benefits. Wider policy areas affect "good work" and access to it: cuts in social care^{xxv}; changes to employment programme policies such as those related to charges for employment tribunals, and so on. Therefore we hope to see this inquiry feed into that wider conversation on new powers, as well as the work of the Healthier and Fairer Scotland conversations, and the Fair Work Convention, since "good work" fits into all of these.

Conclusion

It is essential in any policy decisions regarding the economy and work to bear in mind the principles stated above. These must become part of the decision-making process around our economy in order to make it the best it can be for people across Scotland.

Low pay and low quality jobs are actively harmful to our economy, increasing inequality which leads to an unstable economy. Furthermore, low quality jobs have a high impact on health, education and other social inequalities. So improving job quality is essential to improve the lives of those in our society.

There is much the Scottish Government and other policy-makers can do to improve the current situation, from encouraging the growth of democratic models of business, to actively using the NPF decide on the best policy actions, to perhaps experimenting with a citizen's income pilot. It is essential that action is taken now.

Contact

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About us

The Scottish Council for Voluntary Organisations (SCVO) is the national body representing the third sector. There are over 45,000 voluntary organisations in Scotland involving around 138,000 paid staff and approximately 1.3 million volunteers. The sector manages an income of £4.9 billion.

SCVO works in partnership with the third sector in Scotland to advance our shared values and interests. We have over 1,600 members who range from individuals and grassroots groups, to Scotland-wide organisations and intermediary bodies.

As the only inclusive representative umbrella organisation for the sector SCVO:

- has the largest Scotland-wide membership from the sector – our 1,600 members include charities, community groups, social enterprises and voluntary organisations of all shapes and sizes
- our governance and membership structures are democratic and accountable - with an elected board and policy committee from the sector, we are managed by the sector, for the sector
- brings together organisations and networks connecting across the whole of Scotland

SCVO works to support people to take voluntary action to help themselves and others, and to bring about social change.

Further details about SCVO can be found at www.scvo.org.uk.

ⁱ <http://www.scvo.org.uk/long-form-posts/an-economy-for-all-report-economyforall/>

ⁱⁱ <http://www.ons.gov.uk/ons/rel/lmac/contracts-with-no-guaranteed-hours/zero-hours-contracts/art-zero-hours.html>

ⁱⁱⁱ Zero hours contracts: Myth and reality, CIPD (2013).

^{iv} Why the Government's introduction of employment tribunal fees has caused controversy, Herald Scotland, 20th March 2014.

^v Constrained Work? Job enrichment & employee engagement in low wage, low skill jobs, The Work Foundation (2014), p3.

^{vi} Active ageing in active communities: Volunteering and the transition to retirement, Institute for Volunteering Research (2005).

^{vii} Carers Legislation – Consultation on Proposals – January 2014, Scottish Government (2014), p2.

^{viii} Caring Together: The Carers' Strategy for Scotland:

<http://www.gov.scot/Resource/Doc/319441/0102104.pdf>

^{ix} Crisis squeezes income and puts pressure on inequality and poverty, OECD (2013).

^x Redistribution, Inequality, and Growth, IMF (2014).

^{xi} The Cost of Inequality: Why Economic Equality is Essential for Recovery, Lansley (2011),

^{xii} See also Macroeconomic Fluctuations, Inequality and Human Development, Stiglitz (2012).

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- ^{xiii} The Spirit Level: Why Equality is Better for Everyone, Wilkinson and Pickett (2010).
- ^{xiv} *Unemployment, cigarette smoking, alcohol consumption and body weight in young British men*, Montgomery, S. et al. (1998); *The Costs of unemployment*, TUC, 2010 <http://www.tuc.org.uk/sites/default/files/extras/costsofunemployment.pdf>
- ^{xv} <http://www.healthscotland.com/uploads/documents/25780-Health%20Inequalities%20Briefing%20Paper1.pdf>
- ^{xvi} Worker ownership as a strategy for community development, Broad and Savory-Gordon, (2006); Cooperative Employment Density, Social Capital and Public Health: evidence from Spain, Gago and Freundlich (2013).
- ^{xvii} The performance of employee-owned businesses in Scotland: some preliminary empirical evidence, Brown et al (2014); Shared Capitalism at Work, Kruse et al (2011); Beyond the Corporation: Humanity Working, Erdal (2011).
- ^{xviii} Assessing the Impact of Fairtrade on Poverty Reduction through Rural Development: Final Report, Center for Evaluation (CEval) at Saarland University (2012).
- ^{xix} See <http://www.scotland.gov.uk/About/Performance/scotPerforms>.
- ^{xx} <http://www.gov.scot/About/Performance/scotPerforms/purpose>
- ^{xxi} Citizen's Income: A brief introduction, Citizen's Income Trust (2013).
- ^{xxii} Evidence submitted to the Scottish Parliament's Expert Working Group on Welfare, Miller, (2013).
- ^{xxiii} Citizen's Income: A brief introduction, Citizen's Income Trust (2013), p8.
- ^{xxiv} A Widening Gap: Women and Welfare Reform, Engender (2015).
- ^{xxv} Ibid.