

SUBMISSION FROM STUC

Introduction

The STUC welcomes the opportunity to contribute to this important inquiry. This submission will endeavour not to repeat the STUC's preliminary written and oral evidence provided to the Committee in June and will focus instead on the specific questions posed in the call for evidence.

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

There are no commonly accepted definitions of good and bad jobs and it is impossible to summarise the range of relevant research within the confines of this submission. Developing credible definitions will necessarily involve reference to a range of objective (e.g. wages) and subjective (e.g. job satisfaction) criteria¹ and therefore new definitions may struggle to achieve widespread buy-in.

The STUC believes that the Fair Work Standard being developed by the recently established Fair Work Convention, while not a definition of a good job as such, will reflect the attributes of 'good work' which are commonly identified in the research. These are likely to include: decent remuneration, an effective representative voice/participation in decision making, reasonable discretion over tasks and work organisation, absence of aggressive and/or intrusive performance management systems, opportunities for training and progression, opportunities to use relevant skills, security of employment and a healthy and safe working environment. Any approach to fair work must also consider the range and quality of job opportunities available to those in and out of work and recognise the disadvantages experienced by specific groups within the labour market.

Recommendations

- The Fair Work Standard currently being developed by the Fair Work Convention is an opportunity for all stakeholders to help define good work and unite behind a strategy for its promotion throughout the Scottish economy; and,
- The Fair Work Standard must inform economic development policy making in Scotland; promotion of good work and improving jobs that don't currently meet the standard should key policy goals.

¹ <http://www.palgrave.com/page/detail/are-bad-jobs-inevitable-chris-warhurst/?isb=9780230336919>

2 Have jobs become better or worse since 2008?

The STUC's preliminary submission highlighted a number of labour market trends which are often overlooked but which exert at least some influence on quality and security of employment: stubbornly high underemployment; changing workforce composition by gender and age; rising numbers of part-time jobs; failure of full-time jobs to recover pre-recession levels; rising youth inactivity and falling real wages (although real wages have picked up through 2015 this is attributable mainly to low inflation; nominal wage growth remains weak)².

While these trends can be substantiated by official data they fail to adequately reflect the changing nature of work. Therefore it is important to supplement the quantitative data with credible qualitative information about how people are experiencing the Scottish labour market in real time.

Feedback from trade union workplace representatives across the economy strongly suggests that the quality and security of employment has deteriorated since the recession started in early 2008. Adverse trends which were apparent prior to 2008 – e.g. underemployment, zero hours contracts – have become more deeply embedded over the past seven years with the rising prevalence of insecure work a particular concern. Although concerns around insecurity tend to focus on zero hours contracts, it is important to note that other insecure forms of work – such as pay between assignment contracts – are also increasingly common.

The STUC is also keen to stress that modern management techniques contribute to poor job quality employment. STUC commissioned research, '*Performance Management and the New Workplace Tyranny*'³, published in 2013, describes the hugely detrimental impact on worker wellbeing of new forms of performance management. Strong anecdotal evidence, collected from a number of industrial sectors, suggest that these forms of performance management have increased in use and intensity since 2008.

² See for instance STUC Labour Market Report April 2015

http://www.scottish.parliament.uk/S4_EconomyEnergyandTourismCommittee/Meeting%20Papers/20150624_Public_Papers.pdf and Labour Market Changes and Implications for Policy, Fraser of Allander Quarterly Review, Nov 2014

http://www.scottish.parliament.uk/S4_EconomyEnergyandTourismCommittee/Meeting%20Papers/20150624_Public_Papers.pdf

³

<http://www.stuc.org.uk/files/Document%20download/Workplace%20tyranny/STUC%20Performance%20Management%20Final%20Edit.pdf>

The STUC stressed in its earlier written and oral evidence that the range, quality and punctuality of Scottish labour market information is a barrier to 1) properly understanding current trends and 2) developing effective policy. Some important data is irregularly reported (e.g. underemployment) or simply of very poor quality (e.g. sectoral employment, wages). There is also no Scottish survey of job quality and workplace issues; the Workplace Employee Relations Survey, undertaken across the UK every seven years, is not disaggregated on a national/regional basis.

Nevertheless, there is enough data to support the contention that the labour market is increasingly bifurcated with a tranche of low wage, insecure jobs that is high by international standards. This conclusion is supported by a wealth of credible anecdotal information from trade union workplace representatives and also feedback from non-unionised workplaces (for instance from young workers involved in the STUC's Better than Zero campaign).

Recommendations

To improving labour market information and support evidence-based policy:

- Investment is required in UK labour market data in order that range, quality and punctuality of UK data matches the best performing nations;
- The Scottish labour market data published on a monthly basis by the Office for National Statistics should mirror the data published for the UK as a whole;
- The Scottish Government should match its commitment to fair work by funding a Scottish survey along the lines of the Workplace Employee Relations Survey;
- As part of its work to improve the National Performance Framework, the Scottish Government should consider developing new indicators which better reflect the nature of today's labour market.

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

The STUC believes that a relatively high incidence of low wage/insecure/poor quality jobs would not necessarily represent a major social problem if such jobs tended to act as a stepping stone to better quality jobs. If however, as appears to be the case, 'bad jobs' are a persistent and recurring state for many workers, then they are contributing to broader income and wealth inequality and constitute a threat to social cohesion.

A high incidence of low pay exerts a significant macroeconomic impact: as more income is concentrated among higher income brackets with a lower marginal propensity to consume, the economy will increasingly suffer from insufficient demand. Prior to 2008, demand was supported by rising household debt. The OBR currently assesses that household debt will actually surpass pre-recession levels by 2020. An economy with high levels of low

wage work will not only be less fair and equal, it will also be less resilient and more prone to systemic crises⁴.

An accumulating body of evidence also shows that the hysteresis effects of unemployment (skills erosion, loss of confidence, greater propensity to ill health, long term adverse effect on employment opportunities etc.) are also apparent for workers in low wage, low skill, insecure jobs (and all those who continually move between such jobs and unemployment)⁵. Therefore, it is reasonable to assume that a high and rising incidence of low wage, low quality and insecure work will:

- have a negative long-term impact on economic growth as the stock of readily available skills diminishes;
- increase the demand for health services thereby adding pressure to already stretched budgets.

It is also important to realise that economic growth is not a solution to low wage work. Higher levels of GDP per capita are not associated with a lower share of low wage work nor is rapid growth associated with a shrinking low wage share.

Recommendations

- low pay and insecure forms of work are detrimental to Scotland's economic and social resilience. Therefore, a reduction in 'bad jobs' should be a key economic development target for Scotland.

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

A large and accumulating body of research shows that the quality and nature of a country's labour market institutions affect the levels of bad jobs. This is especially well researched in relation to low wage work which, in the absence of common definitions, is a reasonable proxy for bad jobs.

Appelbaum and her colleagues have argued, "...the most important influence on the observed differences in low-wage work is the 'inclusiveness' of a country's labour market institutions". In their view, "inclusive labour market institutions "Have formal – and sometimes informal – mechanisms to extend the wages, benefits and working conditions negotiated by workers in

⁴ For a helpful discussion of these issues please refer to Stewart Lansley's presentation to the STUC/EETC joint seminar in 2012
http://www.scottish.parliament.uk/S4_EconomyEnergyandTourismCommittee/General%20Documents/Proceedings_v2.pdf

⁵ Low Wage Lessons, John Schmitt, CEPR 2012

industries and occupations with strong bargaining power to workers in industries and occupations with less bargaining power”⁶.

The most obvious of the inclusive labour market institutions is collective bargaining; there is a strong relationship between collective bargaining coverage and low wage work: countries (e.g. Scandinavia) with high rates of collective bargaining coverage have low levels of low wage work. Countries with lower collective bargaining coverage such as the US and UK have comparatively high levels of low wage work.

Collective bargaining, however, is not the only ‘inclusive’ labour market institution. Other important inclusive institutions include minimum wages, employment protection legislation, the enforcement of national labour laws and the benefit system for the jobless and low income households.

Compared to the best functioning labour markets – high employment rates, low levels of low wage work – Scotland has low trade union density, low collective bargaining coverage, very low levels of employment protection regulation and a low net replacement rate. It is also worth noting that the Scandinavian countries do not have a national minimum wage largely because the high rates of collective bargaining coverage force a much narrower dispersion of wages.

Therefore, policymakers should seek to nurture strong and inclusive labour market institutions in Scotland. While scope to do so is limited by the current devolution settlement – the STUC called for devolution of employment law during the Smith Commission process - the Fair Work Convention suggests that progress can be made.

Of course the main threat to inclusive labour market institutions in Scotland is currently the UK Governments Trade Union Bill which seems designed to toxify industrial relations. Pay is higher in unionised workplaces and trade union organised workplaces are safer. Further moves to prevent unions organising effectively will tend to further undermine the institutions supporting good work.

The Scottish Government can also help influence levels of bad jobs through public procurement and grant assistance. Bad employers should not benefit from public contracts, grants or subsidies. It is essential that Government assistance for increasingly successful living wage initiatives is maintained to support individuals and local demand.

Recommendations

- The UK should drop the Draconian Trade Union Bill which, apart from attacking fundamental human rights and the quality of democracy, will further facilitate a race to the bottom in job quality;

⁶ Low Wage Work in the Wealthy World, Russell Sage Foundation 2010

- The Scottish Government should do all in its power to resist implementation of Trade Union Bill measures in Scotland;
- Building on the Working Together Review, the Scottish Government should support free trade unions recognising the benefits in terms of economic development, equality and democracy;
- The Scottish Government should ensure that the Fair Work Convention is properly resourced and able to play a full role in promoting good work and highlighting poor working practices;
- The Scottish Government must recognise good work as a key economic and social issue; the promotion of good work should be firmly embedded in public procurement, economic development and inward investment policies;
- The Scottish Government must set an example as an excellent employer and ensure those organisations it funds or helps to fund in the public and voluntary sectors follow excellent workplace practices.

STUC

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