

SUBMISSION FROM SKILLS DEVELOPMENT SCOTLAND

Introduction

We welcome the opportunity to provide evidence to this important inquiry. Central to our Corporate Plan 2015-2020¹ is our ambition to support the Scottish Government's economic and skills strategies, and helping to take forward its work around the recommendations of the Working Together Review. By promoting fair working practices we can help build a more equitable and productive Scotland. Our corporate goals also directly support this important agenda. We are working with individuals, employers, training providers and partners throughout Scotland, aiming to ensure:

- Employers are able to recruit the right people with the right skills at the right time.
- Employers have high performing, highly productive, fair and equal workplaces.
- People have the right skills and confidence to secure good work and progress in their careers.
- Increased opportunity for all.
- We are a good employer, focused on delivering excellent services.

Q1. Have jobs become better or worse since 2008?

A key focus for us is to create a more skilled workforce and position key growth industries as attractive career destinations, especially for young people. We do this by working with partners and stakeholders to better understand how the job market has, and is, evolving, helping to provide industry and individuals with intelligence to help them make informed decisions. The key issue for us is therefore not if jobs have become "better" or "worse", but to ensure we respond quickly to changes in the labour market and that we help to address any skills challenges that arise. Within this remit, we focus our activity on actions which will create good quality (or "better") jobs.

Context - responding to changes in the job market since 2008

It is important to look further back than 2008 when examining how jobs today compare to those in the market at that time. The Scottish labour market has seen dramatic changes over the last 30 years, most notably since the 1980s, with the decline in manufacturing and traditional industries towards a service economy. The migration to a more service based economy has placed different demands on skills and the operation of the Labour Market. Manufacturing has continued to decline by 2% in real terms since devolution, with agriculture, forestry and fishing falling by 36%.² Between 2001 and 2007 there was strong growth in higher-wage, higher-skilled occupations such as managerial,³ professional, and associate professional and technical jobs.⁴ Business services and finance expanded by 57% and accounted

¹ [Skills Development Scotland Corporate Plan 2015-2020](#) SDS (July 2015)

² [Scotland's Economy: Recent Developments](#) SPICe (January 2014)

³ Although recent research from SKOPE reveals that not all service sector jobs can be considered 'good'

⁴ [The Hourglass and the Escalator](#) The Work Foundation (2013)

for one quarter of Scotland's economy (25%) in 2009. Overall, services have accounted for more than 90% of economic growth since devolution.⁵

The Institute of Fiscal studies argues that the decline in the trade union membership over the last 30 years has contributed to the labour market becoming substantially more flexible.⁶ They highlight that smaller membership has reduced the proportion of employees covered by collective bargaining, which appears to have made it easier for employers to hold constant or reduce insiders' wages; that nominal wage freezes were more prevalent in jobs without collective agreements and average wages have fallen least among those covered by collective agreements at the national or industry level.

The recent recession also caused major changes in the Scottish labour market, resulting in a significant increase in youth unemployment, a fall in real wages, as well as a rise in zero hours contracts,⁷ underemployment (currently standing at 248,000, 32% higher than in 2008)⁸ and part time work.⁹ Real wages, in common with many other advanced economies, still remain substantially below pre-recession levels.¹⁰ Despite the recession, however, there has been an upward trend in overall labour market participation in Scotland over the last 20 years, and a particularly marked increase in female participation.¹¹

These changes, coupled with the emergence of new economic growth sectors that contract for work differently, mean that working patterns have altered and new jobs are emerging, such as those in ICT and the creative industries. The increase in the number of SMEs (including unregistered enterprises, the total number of enterprises in Scotland has increased since 2000 from 240,000 to 343,000 - with the largest increase being in the number of enterprises with zero employees, particularly unregistered enterprises) also means that employees often need to have a wider range of skills.¹²

This is evidenced by the findings of the EET Committee's recent inquiry into the Economic Impact of the Creative Industries. The creative industries are dominated by sole traders, micro businesses and small firms,¹³ and the Committee found that many small companies struggle to expand due to not having the necessary business skills. Games developers, for example, focus their energies on creating a product and can neglect the skills needed to ensure their business is successful.¹⁴

It is increasingly unlikely that people will have the same job with the same employer throughout their career, as has historically been the case, as people will change jobs

⁵ [Scotland's Economy: Recent Developments](#) SPICe (January 2014)

⁶ [What can Wages and Employment Tell us About the UK's Productivity Puzzle?](#) Institute of Fiscal Studies (2014)

⁷ [Analysis of Employee Contracts that do not Guarantee a Minimum Number of Hours](#) ONS (2014) Note ONS report that the rise could, in part, be attributed to a higher awareness of zero hours contracts.

⁸ ONS Labour Force Survey, Jul-Sep 2014, not seasonally adjusted. The ILO definition of underemployment covers those "aged 16 or over who are in work and would like to work longer hours in their current job, in an additional job or a different job altogether, at their current basic rate of pay, given the opportunity".

⁹ [Labour Market Monthly Briefing Summary Tables](#) Scottish Government (June 2015)

¹⁰ [Scotland's Economic Strategy 2015](#) Scottish Government (March 2015)

¹¹ [Scotland's Economic Strategy 2015](#) Scottish Government (March 2015)

¹² [Scotland's Economy: Recent Developments](#) SPICe (January 2014)

¹³ [Creative Industries Skills Investment Plan](#) SDS (2015)

¹⁴ [Economic Impact of the Creative Industries](#) Economy, Energy & Tourism Committee (March 2015)

more frequently due to the existence of a more modern and dynamic job market. This makes it all the more important for us to ensure that people are conscious of these changes and that they are encouraged to diversify their skills base through work-based learning and training. A summary of the support we provide to individuals to up-skill, and for businesses to train existing staff is outlined in our answer to Q5: *What can the Scottish Government and public policy makers do to improve job quality in Scotland?*

Skills Intelligence

Preparing businesses and individuals to respond to changes in the economy and drive economic growth in key sectors, by filling skills gaps, is a key focus for us. Skills Investment Plans (SIP), formulated by SDS in consultation with a broad range of input from industry, trade unions, colleges, universities and other public sector agencies, help the skills system to adapt to the evolving needs of the Scottish economy. They determine essential skills requirements, provide a clear picture of key sectors, the challenges they face, current provision and where priorities for future action should lie. They are a key intelligence tool for key growth sectors, helping them to provide the right people with the right skills and expertise to enable them to continue to grow and attract investment.

Crucially, the SIPs are also increasingly looking to define the challenges faced by under-represented groups in entering the job market and particular sectors – such as women in STEM industries - and illustrate how we can best address any issues. This aligns with our drive to continuously highlight the benefits of a diverse workforce to employers, as well as our ambition to ensure increased opportunity for all and that employers have fair and equal workplaces.

We have also developed 11 Regional Skills Assessments (RSAs) and a SIP for the Highlands & Islands, all of which provide a foundation to better understand, articulate and respond to skills needs in specific localities, such as rural areas, where it can be more difficult to find “good” work¹⁵ and for people to grow their businesses. This local focus is increasingly pertinent with the call to move towards more local autonomy and the creation of city regions to help boost local economies and create jobs.

Careers Information Advice & Guidance (CIAG)

Our CIAG work aligns with the SIPs and RSAs, providing a holistic approach to responding to the skills needs of a changing economy. Our Career and Work Coaches position key growth sectors as positive career destinations for our young talent and foster closer links with employers and the wider education system to ensure that people - especially young people and those from under-represented groups - are better prepared for the world of work, are aware of where jobs are and where they will be. This helps them to make informed career choices.

Beyond our own services, the SIPs and RSAs help inform our partnership work, such as input to Scottish Funding Council Regional Outcome Agreements, to ensure that skills insight informs partner investment and the development of regional strategies.

¹⁵ A definition of good work is outlined in Q2.

Q2. What makes a job “good” or “bad”?

It is widely acknowledged that more highly skilled roles provide increased job satisfaction.¹⁶ They attract an increased level of pay, opportunities to up-skill and re-train, as well as autonomy over decision-making. These factors all lead to greater fulfilment at work.¹⁷ A “good” job is however not necessarily defined only by high pay.

The Work Foundation argues that even a financially rewarding job, regardless of job quality, may not always be enough to fulfil the criteria for ‘Good Work’, and that other factors should be taken into consideration, such as a fair workplace and a culture of employee engagement.¹⁸ Therefore, lower paying jobs can also be considered as “good” jobs, if the employee feels that the employer is creating conditions in the workplace which make them feel valued.

In his research “What makes a good job?”, based on the Employee Skills Survey, Glasgow academic Dr John Sutherland¹⁹ found that workers in Scotland ranked the top five job

attributes as follows:

1. ‘Work you like doing’
2. ‘A secure job’
3. ‘The opportunity to use your abilities’
4. ‘Friendly people to work with’
5. ‘A job where you can use your initiative’

The research also identified variances within the workforce. For example, female workers value ‘good relations with the supervisor’, a job which makes ‘use of abilities’, ‘good working conditions’ and ‘friendly people to work with’ more highly than male workers. Highly-qualified workers (those with SVQ level 4 or 5 as their highest qualification¹) were more likely to value a job which makes ‘use of initiative’, ‘work that they like doing’ and work which makes ‘use of abilities’ more highly than those without qualifications. On the other hand, highly-qualified workers are less likely to value an ‘easy work load’ and ‘good working conditions’ more highly than unqualified workers.

Jobs may also be regarded as ‘bad’ if an individual is underemployed. Underemployment can be measured in terms of hours (as defined in the ILO definition in footnote 8), or skills. The 2013 Scottish Parliament Inquiry²⁰ to collect evidence on the effects of underemployment on the Scottish economy also noted

¹⁶ Chapter 5, “[How’s Life 2013: Measuring Wellbeing](#)”, OECD (2013)

¹⁷ Chapter 5, “[How’s Life 2013: Measuring Wellbeing](#)”, OECD (2013)

¹⁸ [Constrained Work? Job enrichment & employee engagement in low wage, low skill jobs](#) Work Foundation (2014)

¹⁹ “[What makes a good job?](#)”, John Sutherland (2011)

²⁰ Scottish Parliament (2013) Underemployment in Scotland: Economy, Energy and Tourism Committee, 6th Report, 2013 (Session 4), SP Paper 305, Session 4 (2013): Edinburgh: Scottish Parliament.

that underemployment covers circumstances where individuals would like to work more hours or where individuals' skills are not used effectively.²¹

Q3. What effect might low quality/low pay jobs have on the economy?

High quality/high pay jobs have a greater impact on Scotland's productivity and support economic growth - the 'high road' of innovation, efficiency and higher skills. Workers in these jobs can assist economic recovery through the power of consumer spending.

The Institute of Fiscal Studies argues that it is impossible to tell the extent to which lower productivity drives lower wages or lower wages drive lower productivity. They assert that there are a number of factors to take into account when considering the relationship, such as the willingness of workers to accept lower wages during a recession, labour market flexibility and the cost of capital.²²

A recent study by Barclays has however found a relationship between lower pay jobs and the bottom line for employers.²³

- 20% of employees think their financial situation affects their work – lost productivity impacts the bottom line by 4%.
- 38% of employees said that they would move to a company which put financial wellbeing as a priority.
- Discretionary effort at work is five times lower for those with low financial wellbeing.

Evidence does however suggest that higher productivity can be linked to employment relations. For example, the Scottish Government's response to the Working Together Review highlights that while there are a number of possible reasons for the UK's productivity gap, an explanation for poor productivity performance can be linked to the way in which work is organised and the ways in which managers and leaders interact with employees.²⁴ They argue that it is not enough to up-skill employees but that they need to be "upgraded" in combination with a focus on work organisation and job design in order to ensure good utilisation of these skills.

Research by the Joseph Rowntree Foundation (JRF) also supports the findings of the Work Foundation in terms of what constitutes a "good" job. JRF found that employee-friendly human resource management and development (HRM/D) practices in low-paying organisations can bring benefits to both the employer and its employees.²⁵ Practices include systematic performance management and appraisals, workplace training and development, flexible working or the provision of various non-wage fringe benefits that could improve the non-wage aspects of jobs

²² [What can Wages and Employment Tell us About the UK's Productivity Puzzle?](#) Institute of Fiscal Studies (2014)

²³ [Financial Well-being: The last taboo of the workplace?](#) Barclays Wealth (2014)

²⁴ [Working Together for a Fairer Scotland. Scottish Government Response to the Working Together Review](#) Scottish Government (2015)

²⁵ [Rewarding Work for Low Paid Employers](#) Joseph Rowntree Foundation (2014)

and thus the overall quality of working life for low-paid employees. For example, work-related training could help support the career development of low-paid employees and perhaps help them progress to better-paid jobs where there is industry demand. JRF does however warn that while training can result in improved job satisfaction and employee well-being, improved skills should not be presented as the answer to low-wage employment without consideration of labour market structures, workplace power relations, and the true extent of demand for skills across the economy. We believe this is a key point. In Scotland, SIPs and RSAs can provide essential intelligence on industry skills demand, allowing individuals to make informed decisions about how to progress their career and enable employers to best direct investment in their workforce.

Investment in HRM/D can bring an associated financial return for employers, such as:

- Increased productivity from training
- Reduced labour turnover costs if the provision of fringe benefits or the opportunity to work flexibility means fewer employees leave their jobs
- Reduced absenteeism

JRF concludes that enhanced overall employee well-being might make employees more engaged with their work and motivate them to 'go the extra mile' for their employer.

Q.4 What the health impacts of low quality jobs might be.

There is evidence of a relationship between low quality, low wage jobs and wellbeing. Although, as outlined above, financial reward alone does not automatically mean that a job is of "good" quality, low paying jobs are acknowledged as being of lower quality.²⁶ A recent report by the Employment Research Institute (ERI) into the Economic Impact of the Glasgow Living Wage cites a number of studies which have found a statistically significant relationship between psychological health and the Living Wage. The report outlines that employee wellbeing was greater in companies that paid the Living Wage than in those that did not.²⁷

Public Health Information for Scotland recently (2014) looked into providing modelled estimates of the impact of a range of interventions on health and health inequalities. They found that the introduction of a 'Living Wage' generated the largest beneficial impact on health, and led to a modest reduction in health inequalities.²⁸

Q5. What can the Scottish Government and public policy makers do to improve job quality in Scotland?

²⁶ [The Hourglass and the Escalator](#) The Work Foundation (2013)

²⁷ [Evaluating the Impact of the Glasgow Living Wage](#) Employment Research Institute (2014)

²⁸ [Informing Investment to Reduce Health Inequalities in Scotland](#) (III): a commentary, Public Health Information for Scotland (2014)

Although employment legislation is a reserved matter, we are utilising various levers at our disposal in order to make an impact on improving job quality in Scotland. We are therefore involved in a range of activity which aims to complement wider action.

Our aim is to continue to work towards improving the skills system in Scotland, using effective skills intelligence to inform the development of work-based education, training and learning pathways which enable individuals to make informed career choices. This will assist people to secure and sustain better quality jobs, giving them the best possible chance of succeeding in the world of work. Our work helps direct and align public sector and industry investment to support this important aim.

Fair Work

We are committed to helping the Scottish Government take forward the recommendations of the Working Together Review, including supporting the development of union-led learning through Scottish Union Learning (SUL) and engaging with Industry Leadership Groups on employment, workplace and workforce development matters. On a wider scale, we are undertaking a number of activities in alignment with the aims of the Fair Work Convention, particularly in relation to the promotion of progressive workplace policies which foster innovation and improve skills and productivity.

Improving career prospects and creating high quality learning opportunities for young people

Young people have been more adversely affected by the recession and it is therefore one of our key goals to assist the Scottish Government to reduce youth unemployment by 40% by 2021. Job prospects for young people are already improving however. The Chartered Institute for Personnel & Development recently found an increase in employers willing to hire apprentices or school leavers.²⁹

We will continue to build on this momentum, ensuring that young people have the key skills employers need and the confidence to secure good work, progress in their careers and fulfil their potential. Our work is being undertaken in alignment with Scotland's Youth Employment Strategy and the recommendations of the Commission for Developing Scotland's Young Workforce. We are actively engaging employers in the process, helping them to shape the curriculum and ensure that young people acquire the skills to help businesses prosper. Key initiatives include Modern Apprenticeships, and the development of foundation and graduate apprenticeships, as well as providing funding for those furthest from the job market through the Employability Fund (which includes the Certificate of Work Readiness).

Encouraging employers to commit to fair and inclusive business practises

We are working to encourage businesses benefitting from public sector support to commit to a range of business practices such as paying the living wage, workforce and community engagement programmes and progressing gender balance and workplace diversity:

²⁹ [Labour Market Outlook](#) CIPD (Summer 2015)

- Daily employer engagement - we directly engaged with 2,000 businesses across Scotland in 2014-15 (1,700 SMEs). We vigorously promote the benefits of progressive workplace practices and encourage employers to participate in our work-based learning and employability programmes - forging links between the business community, schools and individuals, particularly young people and under-represented groups in society. This can help provide more “good” jobs, as well as skilled jobs which are of better quality.
- Scottish Business Pledge – launched at the end of May this year, this is a vehicle we use to encourage employers to commit to fair and inclusive business practises. We are one of the key points of contact for businesses in a number of the pledge criteria, particularly *Invest in Youth*. Our local employer engagement teams encourage eligible businesses to sign up. We are a key point of guidance, support and expertise to help them meet the core requirement of paying the Living Wage.
- National and Regional Developing Scotland’s Young Workforce Groups – through these we encourage employers to take the lead in investing in young people and the education system.
- Training Providers - we promote fair employment policy and best practise to employers through our network of contracted Modern Apprenticeship and Employability Fund training providers.

Up-skilling existing employees

Opportunities for promotion and up-skilling are both key contributing factors to job satisfaction.³⁰ Skills4Growth is a Workforce Development programme, developed by SDS in partnership with Investors in People Scotland, which offers participating firms (a) support, guidance and time to identify skills requirements (b) recommendations to support their business priorities in the form of a Strategic People Development Plan (c) and support and signposting to access appropriate learning provision. The programme aims to help businesses to utilise the skills of their existing workforce, and up-skill employees.

We support individuals to up-skill, by providing funding for training through Flexible Training Opportunities, the Low Carbon Skills Fund and our web service for employers, Our Skillsforce (OSF). OSF has been designed with the input of employers and other key stakeholders and provides a range of information on good practice and funding in relation to up-skilling staff.

Conclusion

We hope that this provides a helpful contribution to the Committee’s discussion and look forward to following the proceedings of this important inquiry.

Skills Development Scotland

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³⁰ Chapter 5, “[How’s Life 2013: Measuring Wellbeing](#)” OECD (2013)