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Taking the High Road – Work, Wages and Wellbeing in the Scottish Labour Market

I would like to begin by thanking you and the committee for this report and for undertaking this inquiry, which I welcomed and was happy to give evidence to. Since the Scottish Government initiated the Working Together Review in 2013 we have been committed to the promotion of better practice in the workplace. My appointment as Cabinet Secretary for Fair Work, Skills and Training was a clear sign of the importance we place on this issue. I believe that the increasing focus on the links between work, wages, wellbeing – and I would add productivity – was well reflected in the wide and varied evidence you heard and ultimately included in this constructive and helpful report.

The report highlights the areas in which the Scottish Government has already taken action as well as identifying some useful points where we could look to develop our work. I welcome the committee's recognition of the progress we have made on the Living Wage and procurement in particular. It is important that we continue to promote good practices such as these, through initiatives like the Scottish Business Pledge, and we will continue to do this. I also acknowledge the importance of challenging bad practice and I share the concerns of the committee around the Trade Union Bill and the benefit sanctions being applied by the UK Government. Looking to the future, I also note that the report acknowledges the Scottish Government's commitment to promoting workplace justice through the removal of fees for employment tribunals

The Fair Work Convention

As we continue to take forward actions on fair work, the report of the committee will provide valuable context alongside other recent reports such as the Resolution Foundation paper on the Scottish Labour Market, the Joseph Rowntree Foundation's report on A Scotland Without Poverty and, importantly, the Fair Work Convention's forthcoming framework for fair work.

Your report provides much material which is relevant to that work and I know the Convention have considered this and the evidence your inquiry heard. The Convention will report in March and this will provide a practical framework for fair work that employers, employees and others in the workplace can use to understand what fair work might mean for them.

The committee identify a need for the Convention to consider the findings of this report, a recommendation which I support. You also outline a number of other recommendations for

both the current and future work of the Convention. I am sure these will also be given full consideration by the Convention and without wanting to pre-empt what they will recommend, I will set out my response to your specific recommendations.

Defining fair work and research basis

You make some comments about the importance of building the evidence around fair work. Something that has a clear link with some of the recommendations for the Scottish Government on the data and research available. I would assure you that we are in regular dialogue with the Office for National Statistics about the quality of information available, and regularly review the National Performance Framework to ensure that it is fit for purpose in reflecting this important area of work. And we will review these aspects alongside the committee's other recommendations on research and evidence – particularly the development of a Fair Work Index, as part of our response to the Convention's report.

Scottish Government analysts are carrying out a number of research pieces which are helping to close some of the evidence gap around fair work, building on the analysis we published last year in our [response to the Working Together Review](#). It is our intention to publish these papers as they become available.

The Economic Impact of Low Paying Work

Scottish Government analysts are currently taking a full assessment of our information needs around how the Scottish Government may encourage higher pay in low pay sectors, primarily through boosting productivity.

Ahead of that, we continue to take action through procurement and our promotion of both Living Wage Accreditation and the Scottish Business Pledge. As the report suggests, public procurement is a key driver of policy development and service delivery which supports sustainable economic growth. The delivery of high quality services can impact on users of public services and can help create a fairer, more equal society. Service quality levels are often critically dependent on the quality and engagement of the workforce through fair work practices, for those engaged in delivering public contracts. We will continue to use the powers we have in this area to their full potential.

Health Impacts of poor-quality work

The report also made some reference to mental health. I am pleased to note that the partnership on Health and Safety in Scotland (PHASS) has established a working group to develop an Action Plan on Health and Safety in Scotland. The Committee's recommendation on monitoring mental health in the workplace was discussed at a meeting of the working group last month. Workplace mental health will feature in the Action Plan which we expect will be published in the late summer of 2016 and we will work with PHASS to implement their recommendations in this area.

Job Security and Zero-Hours Contracts

I recognise that Zero Hours Contracts can offer some people the flexibility they want, but that in other instances they become exploitative; such as when employers deny staff regular or sufficient working hours or unfairly penalise them for being unavailable or not accepting offers of work.

This Government is taking steps to ensure we are leading by example. We do not directly employ people on Zero Hours Contracts and we condemn the inappropriate use of them. In

doing so I believe we are sending a clear message that unfair work practices like this are unacceptable.

The introduction of the new statutory procurement guidance means all public bodies must now consider how they can address fair work practices when preparing tenders to go out to competition. This includes the Living Wage, but also addresses employment practices like Zero Hours Contracts more widely.

I welcome the call you have made to the Department for Work and Pensions regarding their approach to sanctions.

Ensuring Effective Management

I recognise the important role that effective management and strong leadership can play in promoting better workplace practices. I will continue to work with Skills Development Scotland, SE, HIE and Business Gateway as well as others such as Investors in People Scotland to ensure support is provided in the most effective manner.

Employee Engagement

I believe in a modern and progressive approach to industrial relations and trade unionism is at the very heart of this. That is why I have set out this Government's strong and clear opposition to the UK Trade Union Bill and I will continue to oppose this legislation at every stage. Unions are key intermediaries in the employee-employer relationship and play a central role in creating fairer, more equal and productive workplaces. That is why I gave my support to the recommendations from the Working Together Review and provided funding to the STUC to develop the capacity of trade union representation through leadership and equality programmes.

This Government also continues to fund Scottish Union Learning to support trade unions in accessing skills and lifelong learning opportunities that contribute to collective prosperity, fairness and equality, for workers across Scotland.

Policy Interventions - Procurement

The provisions contained in The Procurement Reform (Scotland) Act 2014 (2014 Act), which help promote the Living Wage and fair work practices through public bodies' procurement activity have been acted upon. The Cabinet Secretary for Infrastructure, Investment and Cities accelerated the publication of new statutory guidance on 'Addressing Fair Work Practices, including Living Wage, in Procurement', which was published on 6 October 2015, and provides practical guidance to public sector purchasers on how to evaluate these matters as part of relevant procurement processes.

Further to publishing this statutory guidance, we have started working in partnership with public bodies to develop examples of best practice which will support its effective implementation across public contracts, including how it applies to sub-contractors and can support effective contract monitoring arrangements. This best practice will be published in the near future.

In addition, the 2014 Act requires public bodies' procurement strategies, which must be produced by 31 December 2016, to include a statement of their general policy on payment of the Living Wage to people involved in delivering public contracts. We are currently developing statutory guidance which will support this requirement, which will be published in the coming months.

Policy Interventions - The Scottish Business Pledge

In terms of the Scottish Business Pledge, during 2016 we will refine and enhance the website, and as part of that process we will address the Committee's comments about clarity of expectations and language. We will also ensure that the Pledge retains the flexibility that makes it accessible and relevant to ambitious, responsible business of all sizes and sectors. While we will also retain the way the Pledge encourages progression over time, we will consider the Committee's suggestion of a firm timescale in 2017, when we will have completed the first phase of planned evaluation and can base a decision on evidence of company behaviours. The Pledge is voluntary – and that is a strength we wish to retain.

We are happy to accept the Committee's recommendation about the way in which zero-hours contracts should be described. We will add text to the Business Pledge website to highlight that such contracts would be considered exploitative if they caused hardship to individuals due to regularly changing patterns of work, denied individuals their basic employment rights, and/or, deterred workers from asserting their basic employment rights.

As evidence presented to the Committee confirms, Scottish Enterprise (SE) and Highlands and Islands Enterprise (HIE) have actively contributed to the development and implementation of the Scottish Business Pledge. In that context and to boost productivity and inclusive growth account managers and others regularly discuss fair work, innovation and internationalisation with individual businesses. That encouragement to commit, voluntarily, to become signatories of the Scottish Business Pledge will continue.

SE and HIE will therefore ensure that a dialogue about the Pledge is initiated with all existing account managed companies, and others moving forward. However, recognising that the Pledge is voluntary, and decisions rest with individual companies, we are not convinced that it would be reasonable to set targets for account managed companies becoming Business Pledge signatories by the end of 2016-17. We recognise the Committee's positive intent and will bear this in mind when considering developments in how we promote the Pledge. We share the Committee's wish to see many more businesses in Scotland making a commitment to the Business Pledge.

Policy Interventions – Regional Selective Assistance

I note the Committee's point around the process for high value awards and I will ensure that we will consider this in the regular discussions we have with SE and HIE about the promotion of fair work.

I hope this response has been helpful. As I have set out above, the Scottish Government's response to the report of the Fair Work Convention will provide the opportunity to address these matters further. In the meantime, I look forward to continuing to work with all interested parties to promote fair work in Scotland.

ROSEANNA CUNNINGHAM