

ECONOMY, ENERGY AND FAIR WORK COMMITTEE

COVID-19 – impact on Scotland’s businesses, workers and economy

SUBMISSION FROM

CIPD Scotland

Background

The Chartered Institute for Personnel and Development (CIPD) is the Professional Body for HR and people development. Our purpose is to champion better work and working lives, and we have been setting the professional standards for HR and people development, as well as driving positive change in the world of work for more than 100 years. We have more than 150,000 members around the world, with 11,000 of these in Scotland.

We are key partners on multiple working groups and serve as a conduit to our network of members who both inform changes in policy and deliver them. Our membership in Scotland is spread across businesses from the public, private and third sectors and across businesses of all sizes. This puts the CIPD in a strong position in the public policy sphere.

CIPD Scotland is building an extensive policy evidence base by working closely with our research and policy experts in London, ensuring the Scottish policy landscape is reflected in any recommendations the CIPD makes. In addition, we conduct dedicated research in policy areas that are fully devolved to the Scottish Parliament, with a particular interest in fair work, skills and productivity. We seek to use our findings to influence practitioners and policymakers, putting the CIPD’s vision of better work and working lives at the heart of the HR, business and policy conversation.

Summary

Covid-19 has created uncertain times for businesses and employees across the country, and indeed throughout the world. HR professionals have found themselves guiding their businesses through the changes which have come as a result of the pandemic and the CIPD is supporting them through this time. We have produced dedicated resources to assist HR professionals and employers, which we made freely available on our Coronavirus Hub: <https://www.cipd.co.uk/news-views/coronavirus>. This has been a very popular resource, with over 968,000 unique visitors and 1.8 million views to date.

In addition to supporting our members throughout the crisis, we are working with policy stakeholders to provide evidence-based recommendations to governments and their agencies across the whole of the United Kingdom. As focus begins to shift to a return to work and medium-to-long term challenges, it is important that employees and their well-being are at the heart of government decisions.

The pandemic will, no doubt, significantly impact on businesses and organisations across Scotland and across sectors. With people at the centre of what we do, we want to ensure

that their voices are heard, and that the right support is available to them at every stage of the pandemic.

Impact on businesses, workers and the economy

With people professionals at the heart of their organisations' response to the Coronavirus pandemic, our members are ideally placed to understand the impact of the virus on their businesses and employees. The CIPD also conducts its own research, sometimes through commissioned surveys, to be able to provide accurate analysis of challenges across the labour market.

Covid-19 employer survey

With much of the labour market in lockdown, according to CIPD's latest employer survey, most companies are managing existing and future cost pressures on lower demand for products and services in an uncertain environment. This has, unsurprisingly, led to several changes to how businesses are operating. One of the first responses (61% of employers) was to stop hiring throughout the crisis. It is likely that this was a decision taken early by employers as it is something which can be done instantly, without consultation with employees.

Evidence from our survey also shows that the Job Retention Scheme has - at the time of writing at least - prevented mass redundancies. Around 374,000¹ Scottish jobs have been saved by the scheme. We found that 43% of Scottish employers have used the scheme when the survey was conducted, furloughing around 58% of their employees on average. Without the scheme, these employers would have had to make around 34% of their workforce redundant – accounting for over 15% of all employees across the country.

To ensure these redundancies are not merely postponed, the CIPD has been calling on the UK Government to introduce more flexibility in the scheme to allow some short-time working, enabling organisations to bring back employees from furlough while rebuilding their businesses – something now reflected in the Chancellor's approach.

Homeworking

Another interesting change in the way we are working as a result of Covid-19 is the shift to homeworking. CIPD's Covid-19 employer survey has found that 52% of Scottish employees are now working from home, with employers revealing that before the pandemic, just 8% of their workforce would typically work from home all the time, and just 18% working from home on a regular basis.

The scale of this shift is unprecedented, but it remains to be seen whether it is reflected in long-term changes to organisations' policies. Our survey finds that 72% employers are

¹ This is calculated by using data from the Businesses in Scotland 2019 publication. The percentage (15.4%) is applied to the number of employees in private sector businesses with 1 or more employees (1,872,110), combined with public sector employees (556,350).

expecting an increase in demand for homeworking once Government restrictions are lifted, with 36% saying they will be more likely to grant these requests.

Of course, the scale of the shift has highlighted challenges for both employers and employees. Employers cite the unsuitability of certain jobs to remote working (57%), an insufficient number of laptops and computers (40%) and reduced mental well-being of staff due to isolation (37%) as the challenges they have faced as a result of the shift.

On the other hand, there have been some perceived benefits too, with the three most commonly cited being better work-life balance for employees (34%), IT upskilling (31%) and greater collaboration through the use of IT tools (26%).

Labour Market Outlook

The CIPD – in cooperation with the Adecco Group - produces a quarterly Labour Market Outlook report, which focuses on employers' hiring and pay intentions. The Spring 2020 edition² is the first report which allows us to estimate the impact of Covid-19 on businesses across the UK. This survey also included a boosted sample for Scotland and therefore allows us to draw some conclusions for Scotland too.

The headline findings are unsurprising. The jobs market is set to take a significant turn for the worse in the next three months. The report's net employment balance, which measures the difference between the proportion of employers who expect to increase staff levels and those who expect to decrease staff levels, has dropped 25 points from 21 to -4 UK-wide. More encouragingly, Scotland's net employment balance is slightly more positive at +6, with over a fifth (21%) of employers expecting an increase in staff levels over the next three months.

Conversely, the survey also finds that almost a fifth (19%) of Scottish organisations expect to make some redundancies in the three months to July 2020. That this number is not higher is in part due to the Government's Job Retention Scheme. Similar to the results of our Covid-19 survey, we found that just under half (46%) of employers said they planned to take part in the JRS. Employers participating in the scheme expected, on average, to furlough 58% of their workforce and they would, on average, have made 30% of their workforce redundant if it weren't for the Job Retention Scheme.

The LMO also shows that many employers have succeeded in achieving a step change in homeworking which, along with other steps to reduce costs, have avoided the need for large-scale redundancies. Popular employer responses to the current crisis include extending homeworking significantly across the organisation (62%), introducing new or more flexible working arrangements (41%), recruitment freezes (40%), freezing or delaying planned pay increases (32%), laying off some staff temporarily (26%), cutting training budgets (22%) and cutting bonuses (21%).

² <https://www.cipd.co.uk/knowledge/work/trends/labour-market-outlook>

Looking beyond the crisis

As we enter into a phase of slowly returning to the workplace, CIPD are naturally keen for HR voices to be a key part of this planning. After all, our members will be at the centre of facilitating employees returning to the workplace.

Returning to work

The CIPD has produced guidance around returning to work, which provides information to practitioners who are faced with navigating a complex set of guidelines – increasingly divergent across UK nations. We have set out five key principles for businesses planning the return to the workplace³:

1. Know your business: There is no ‘one size fits all’ approach – businesses will need to build on government guidance with a response that is specific to their sector, size, business need, environment and people.
2. Put people-first: Employers must put their people’s health and well-being first, protecting them from risk of infection at work and reducing their risk of exposure when travelling to and from work. Employees need assurance they will be working in a safe and supportive environment that supports physical and mental well-being, given the risk of Coronavirus is ongoing.
3. Be Flexible: Businesses will need to adjust working practices to protect employees’ safety and mental well-being. This will mean keeping people working from home where possible then phasing people back into the workplace gradually, staggering working hours and when people are travelling to work. Businesses may also need to reconfigure workstations and common shared spaces to enable social distancing and effective cleaning.
4. Be inclusive: Organisations need to balance fairness and consistency with flexibility to address individuals’ health concerns, given that people will have experienced the crisis in different ways. Line managers will need to be supported to help people transition back into work in a way that recognises their personal challenges and concerns, and helps them feel safe.
5. Be open: Individuals need to be confident that they can raise their concerns and needs about returning to the workplace without judgement. They need to know their concerns will be fairly considered by their line manager and employer and that they will be actively involved in decisions about coming back into work. The return to work must be a two-way conversation between an employer and individuals.

While it is necessary to get the labour market back up and running to help rebuild the economy, it is also essential that we ensure that public health and safety is at the centre of any guidance. The risks to people’s health from this pandemic are psychological as well as physical, and employers’ duty of care includes protecting people’s mental health.

The risks are manifold, including fear and anxiety about infection, continued social isolation, and even illness or bereavement. Many will have been faced with new and challenging work demands that could cause stress. There needs to be much greater focus

³ <https://www.cipd.co.uk/news-views/news-articles/people-first-return-work>

on the measures employers need to take to support people's psychological well-being at this challenging time.

Skills and training

With education and skills entirely devolved, CIPD Scotland has a particular policy interest in these areas. Their importance to the economy as a whole - and employee well-being individually - cannot be understated. Ensuring that our skills system is aligned with the needs of the economy is crucial to productivity and economic growth. However, employees utilising their skills at work and having the opportunities to develop throughout their working lives are also key components of good work.

We believe that skills development has to be at the heart of the Scottish Government's response to the crisis – both in the short- and long-term. The CIPD has written⁴ to Jamie Hepburn, Minister for Business, Fair Work and Skills, in early April, suggesting the use of Individual Training Accounts to encourage furloughed workers to develop their skills. We know that the coming months will likely see a reduction in regular job demands for many workers. Alongside the many challenges we face, this should also be an opportunity to boost skills development when time spent on training will not be crowded out by the usual demands of the job.

There are, however, longer-term challenges, amplified by the pandemic, that need addressed too. Scotland has a highly skilled workforce, but many graduates end up in non-graduate jobs, resulting in high rates of graduate over-qualification. This suggests that there is a clear need to strengthen alternative training routes and provide a better balance between vocational and technical skills and academic qualifications.

There is also a growing recognition that the development of essential or 'employability' skills, such as teamwork, presenting and problem-solving, is crucial in preparing young people to make the transition from the classroom to the workplace. They are also critical to enabling workers to progress and adapt if necessary, as they re-skill or upskill in response to changes in technology, work, or employment. This is especially important with the spread of automation and AI.

While much of the policy focus of recent years has centred on young people's skills development, there has been very little recognition of the importance of lifelong learning - and even less policy action. The speed of changes in the economy, combined with Scotland's demographic challenges, makes it pivotal that policy - and more funding - is directed at developing models that allow for flexible lifelong skills development.

⁴ <https://twitter.com/cipdscotland/status/1247877509623853063?s=20>

Conclusion

Covid-19 has created an unprecedented situation for all of us – employers, employees and policymakers. A public health crisis comes hand in hand with an economic crisis. The people profession is navigating a complex, fast-changing policy landscape and will sit at the heart of any future response too.

Our research shows that the scale of change – be it to business operations or the world of work – is significant. There will be long-term impacts to consider. As we carefully start easing lockdown, the insights of our members can help guide policymakers through the required responses.