



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 16 September 2015

Session 4

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**ECONOMY, ENERGY AND TOURISM COMMITTEE
21st Meeting 2015, Session 4**

CONVENER

*Murdo Fraser (Mid Scotland and Fife) (Con)

DEPUTY CONVENER

*Dennis Robertson (Aberdeenshire West) (SNP)

COMMITTEE MEMBERS

*Chic Brodie (South Scotland) (SNP)

*Patrick Harvie (Glasgow) (Green)

*Johann Lamont (Glasgow Pollok) (Lab)

*Richard Lyle (Central Scotland) (SNP)

*Gordon MacDonald (Edinburgh Pentlands) (SNP)

*Lewis Macdonald (North East Scotland) (Lab)

*Joan McAlpine (South Scotland) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Anne Douglas (Fair Work Convention)

Denise Horsfall (Department for Work and Pensions)

Jane Martin (Scottish Enterprise)

Caitriona McAuley (North Ayrshire Council and Scottish Local Authorities Economic Development Group)

Gordon McGuinness (Skills Development Scotland)

Linda Urquhart (Fair Work Convention)

Charlotte Wright (Highlands and Islands Enterprise)

CLERK TO THE COMMITTEE

Douglas Wands

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 16 September 2015

[The Convener opened the meeting at 09:30]

Work, Wages and Wellbeing Inquiry

The Convener (Murdo Fraser): Ladies and gentlemen, good morning and welcome to the Economy, Energy and Tourism Committee's 21st meeting in 2015. I welcome all members and our witnesses, who I will introduce in a moment. I also welcome visitors in the public gallery. I remind everyone please to turn off, or at least turn to silent, all mobile phones and other electronic devices. We have received apologies from Patrick Harvie, who is running late but hopes to join us shortly.

Under agenda item 1, we are continuing to take evidence for our inquiry into work, wages and wellbeing in the Scottish labour market. We will hear from two panels of witnesses, and I welcome our first panel—Anne Douglas and Linda Urquhart, who represent the fair work convention. We hope to run the first panel for about an hour.

Members have a number of questions to ask about the work that the convention is doing. Perhaps you can agree between yourselves who is best placed to answer each question, although you might sometimes have different views. We would be delighted to hear from you, even if you do not necessarily share the same opinion. We are keen to focus on the work that the convention is doing and to understand what conclusions you might come to in due course.

I will start—you can decide who wants to pick up what I think is an easy initial question. What is fair work?

Anne Douglas (Fair Work Convention): I will start and I will then hand over to Linda Urquhart. I am pretty sure that we will not give different answers on this. Fair work is not easy to define. It is a massively broad theme, and there is no one specific area where the convention can say, "If we sort that, it will be fair." We are identifying a number of themes, which will have a number of subsections that give a very broad view of what fair work is in the convention's view.

We have started to test those themes with a number of stakeholders. It is fair to say that, so far, the stakeholders who we have already engaged

with have not disagreed with the themes that we are considering. However, the themes are pretty cross cutting, which adds to the complexity, rather than aiding simplicity in the work that we are doing.

Linda Urquhart (Fair Work Convention): The convention has been tasked with producing a framework by next March. By then, some of the areas of fair work and our ideas about the themes will have evolved and been defined, to a greater or lesser extent. Given that timescale, we will say that some areas need further work or research.

In arriving at our themes, we have been receiving academic advice from Patricia Findlay of the University of Strathclyde, who has already given evidence to the committee. Along with our engagement with stakeholders, Patricia Findlay's team at the University of Strathclyde will produce summaries of international research on the various subjects. As well as speaking to stakeholders, the convention will have available to it research on each of the themes, which will help us to reach our view on what fair work is.

The Convener: That is helpful for understanding how the work is being undertaken.

Could you say a bit more about the work that the convention has done until now? How many times have you met? Do you have sub-groups that are working on different themes?

Linda Urquhart: We meet monthly as a full convention and the chairs meet Patricia Findlay in addition to that. We have used our preliminary themes as the focal points for each of those monthly meetings. In addition to those meetings, a group is considering our stakeholder engagement. There are so many people with an interest in the agenda that we could spend all our time talking to people, but that would not be practical. We had an initial stakeholder map, and we are considering whether we have the right people on that, who we have seen and who we have not seen. How do we reach the people who might not otherwise naturally be engaged with an organisation such as ours but who have something to say on the subject?

The Convener: How are you resolving that issue?

Linda Urquhart: To reach the people who might otherwise not reach us, we will make a very general call on our website and use social media to reach—we hope—people who might not otherwise see us. We will also use some of the stakeholders, including citizens advice bureaux, which are often the first port of call for people with an interest in this agenda.

The Convener: One issue that our committee has identified is that it is quite difficult to get

sufficient Scottish labour market data to inform some of the work that we want to do. What is your experience of that? Is there enough information to underpin the work that is being undertaken?

Anne Douglas: I do not think that there is any doubt that there is a problem with data. I have read about that in some of the evidence sessions that the committee has had. It is a theme that has come up with the Scottish Trades Union Congress time after time. Most of the labour market data is from throughout the United Kingdom, so people can extrapolate from it, but they cannot be absolutely sure about that.

We are in exactly the same position. That is why we are trying to reach out to people who are experiencing what has been and is going on, whether they are employers or employees, so as to back up some of the theories and themes that seem to be emerging. We agree that there is a lack of credible Scottish labour market information.

Dennis Robertson (Aberdeenshire West) (SNP): You have identified five themes. How do you overlay those themes in the rural and remote areas of Scotland, as opposed to urban areas, to ensure that we cover all the aspects, including access to work, diversity, apprenticeship opportunities and internships? How do you see the work applying to rural Scotland?

Anne Douglas: The convention is charged with working with other public agencies, many of which have input into opportunities in rural Scotland and different parts of Scotland. We have not discussed the issue, but the fair work convention cannot make everything right. We hope to suggest ways in which things will get better.

Dennis Robertson: You cannot make everything right, but are you attempting to make everything fair?

Anne Douglas: We will attempt to make everything fair. My view—this is not a convention view—is that fairness does not necessarily mean being equal. It might be that, to be fair, areas need to be targeted in different ways or opportunities need to be made available to different groups of people.

Dennis Robertson: I understand that. My next question is about diversity. We are interested in ensuring that, when we try to close the gender gap, women get opportunities for jobs that are deemed to have a better impact than previously on their wellbeing—employment with better conditions and opportunities. The same applies to other groups, such as people with disabilities. How will the convention apply the themes in the work that it is doing to address the gender gap and opportunities for people with disabilities?

Linda Urquhart: We are at the what stage of our deliberations. We are asking what fair work might look like and have not yet got on to asking how it might be implemented.

Dennis Robertson: How far down the line of identifying the what are you? When will you be able to identify the how in addressing the questions that I just put to you?

Anne Douglas: We have already engaged with a number of organisations and individuals on the what. We envisage that engagement continuing until at least the end of October, when we will take stock and reflect on what we have heard and whom we have heard from. To date, we have been in listening mode. We have not even been in analytic mode; we have been listening and learning, but we have not gone further than that yet.

Dennis Robertson: That is fine at the moment because, if you are still at the stage of identifying the what and are still in listening mode, you cannot say how we implement fair work to close the gender gap in, and provide opportunities for people with disabilities to get into, the market for better-quality jobs. As you are in listening mode, will you take that away and come back to the committee on it, perhaps as part of the conclusions in your report in March?

Linda Urquhart: I envisage that that is exactly the kind of thing that will be in the framework in March. It is early for us to say to what extent we will have detail on the how at that stage, but that is what we will aim to have in the framework.

Lewis Macdonald (North East Scotland) (Lab): The work that you have described goes along with our inquiry's remit and addresses many of the questions that we seek to understand. One point that caught my eye was the proposition from the Federation of Small Businesses that, to start with, we need a robust and accepted standard or measure of job quality. The framework is working towards that. How far do you expect to be able to create a robust framework that will be understood and accepted by employers, employees and other interested parties?

09:45

Anne Douglas: I hope that we will be fairly successful. We are looking towards a framework that is not static, but rather is a continuum. Fair work does not start with legal compliance—we take that as a given—but at the opposite end of the continuum is an organisation that treats its employees in an exemplary fashion.

We are conscious that the framework should not be so prescriptive as to make employers—or employees or trade unions—feel that it would be

impossible to achieve. We see it as being something that people can aspire to and move on from.

As Linda Urquhart said, we have looked at some international experience. I think that Finland has a system in which there are a number of categories and themes that organisations can move through to become better and achieve best practice. I would say that there is a top, a middle and a bottom, but we see the bottom as being below where we want the starting point to be.

Linda Urquhart: We will encourage organisations to plot their current position on the matrix and look at where they might get to. As part of the ability to support inclusive growth and competitiveness, one of the outcomes that we would like to show is that most of the organisations that are in the upper part of the matrix and performing well on fair work are high-performing organisations.

Lewis Macdonald: That raises a couple of further thoughts. There is no simple rule but, if your conclusions point to the need for improvement in behaviours or structures in businesses or other organisations, some of those issues will be more readily addressed by larger organisations, simply because they will have the capacity to take them on. Do you envisage there being a particular agenda for smaller employers to address? Do you envisage consequences from that for the public sector—or for the Government in particular—in supporting changes that you expect to bring forward?

Linda Urquhart: I will pick that one up, because that is one of the things that I have talked about from the moment that I accepted my role. In the landscape of the Scottish business community, the majority of businesses are small or medium sized. In our work, we have to find routes to help those organisations. They do not have big human resources teams and do not necessarily have the resources to find practical ways to improve on their own fair work agenda.

At the moment, I do not know what those routes will look like, but we have already talked to the public bodies and we will continue those conversations. That is one of the areas in which we would envisage some of the support being delivered by people who work across the public sector.

Lewis Macdonald: The other question that arises as a consequence of the first answer is about controversial aspects of employment practice—I am thinking particularly of zero-hours contracts. I guess that the controversy arises over whether all zero-hours contracts are exploitative. If not, how do you define the difference between a zero-hours contract that is in the interests of all

concerned and one that is simply a form of exploitation? Do you envisage your framework making it easier to come to conclusions about whether such an example is or is not an appropriate employment practice?

Anne Douglas: Linda Urquhart said that we have the benefit of being able to study evidence about employment practices. A body of evidence is out there about zero-hours contracts, the living wage and all sorts of flexible working practices. We will have the opportunity to study and analyse that evidence, but we have not at this stage discussed or made any decisions about how much detail the report and the framework will go into.

Chic Brodie (South Scotland) (SNP): Good morning. I want to ask about job quality. The submissions that we have received from the Scottish Council for Development and Industry and the Confederation of British Industry highlight the difficulty of defining job quality. The impact of job quality on productivity is potentially quite severe. One of the five themes that you identify is “Effective voice”, under the heading of which you identify a number of factors, such as dialogue and decision making, participation, partnership and so on. Do you intend to consider the possibility of equity participation and shared ownership of companies? Given your different backgrounds, how do you view that working from a union or worker perspective and from a management perspective?

Linda Urquhart: The committee got an interesting piece of evidence on job quality from Patricia Findlay, which was about the care that needs to be taken as regards what job quality will mean to different individuals and what their expectations of the job are.

As far as an effective voice and alternative structures are concerned, we will draw on the various examples that there are in the evidence of different structures that work. There are obviously many examples of such structures, including shared ownership and employee ownership, but it is not an issue that we have addressed in any detail at this stage.

Anne Douglas: No, we have not addressed it in any detail. Again, there is evidence in that area. This is something that we will say a lot: we have not ruled anything in, but we have not ruled anything out. This might be a slightly flippant comment, but despite our different backgrounds, Linda and I are working well together as co-chairs—in my view, at least. That might say something about “Effective voice”—unless, of course, Linda chooses to disagree with me.

Linda Urquhart: I am happy to agree with my co-chair on that point.

Chic Brodie: I understand that you have carried out only a cursory review of the international evidence and that you have a lot more to do. Will you look at that as one of the potential areas for improving job quality and therefore productivity in the marketplace because, certainly in my experience, some countries do it quite effectively?

Anne Douglas: Some of the evidence that we will look at was garnered as part of the work of Sir Ian Wood's commission on developing Scotland's young workforce, which I understand involved visits to Germany, Finland and some other countries, where various models of ownership that are used by organisations that operate successfully were looked at. There is evidence on that, which we will look at, but we have not yet discussed or considered it.

Chic Brodie: I have another question that is associated with that. We know that you are going through the process of deciding what you will look at. A frustration that I had in running companies was to do with the issue of people being promoted on merit. There are different agendas going on, such as getting a balance, whether in terms of ethnicity, gender or what have you. Will you give serious consideration to how we can promote merit as one of the criteria that must be taken into account? We will talk about management later.

Anne Douglas: I am not sure that I wholly understand the question.

Chic Brodie: Let me give you an example. It has been suggested that we should have an equal number of women and men on boards. I think that that is unfair on women, because there might be more women than men on a board. The issue that I am concerned about is that of merit and skills. I want merit to be taken account of so that round pegs are put in round holes and we can achieve the level of productivity that we desire.

Linda Urquhart: I will give a personal view on that. I would take equality of opportunity to have a merit element to it. Merit is not something that we have specifically talked about, interestingly enough, but we will take your point away and think about it in that context.

Chic Brodie: Thank you.

Anne Douglas: How appointment processes operate is one issue, but part of what we are looking at is whether people have opportunities to use their skills, upskill, be developed, go through training exercises and so on. If all that works successfully, it leads to your point about merit being addressed.

Johann Lamont (Glasgow Pollok) (Lab): The disproportionate number of white men in power is not a reflection of merit, which is why we need an equal opportunities policy.

I want to follow up what Lewis Macdonald said. The convention will try to define "fair work". Will you also set out what is not fair?

Linda Urquhart: I think that we will get to examples of good practice, and the extent to which we give examples of poor practice will probably be part of that—

Johann Lamont: Are you willing to be explicit about poor practice? I am also interested in how you will get a sense of not just the theoretical issues but the practical implications for people who are on low pay and exploitative zero-hours contracts, which might sound like a label. Is there a place for testimony in your work? Will you hear stories about what it actually means to be a person who does not know how many hours they will get from one week to the next?

There is a big difference between someone who is freelance and gets X hours in one month and Y in another and someone who relies on the local hotel to give them work that will enable them to support their family. Stories about what it means to be in that kind of working situation are persuasive in changing opinion, and I wonder whether you will use such stories to breathe life into the notions of fair and unfair work.

Anne Douglas: We are trying to do that, by engaging with the STUC and its affiliates, representatives and members, as well as by engaging with citizens advice bureaux, through which we can reach out and get case studies. I agree that there are powerful stories—there is no doubt about that. The convention needs to look at those powerful stories and match them to the evidence—or use them to create evidence that enables us to define fair work.

Johann Lamont: I hear what you say about the STUC, but we know that unionised workplaces are likely to be less exploitative. One way of getting beyond that problem is through the CAB, but are there other areas that you can explore?

Will you attempt to provide an analysis of the economic impact of unfair work and poor practice, using the evidence to persuade employers, the FSB or whoever that having people in such circumstances is not beneficial in business or economic terms?

Linda Urquhart: What we might do in that regard is seek to provide evidence of the economic benefits of fair work. That brings me back to the point about engaging the business community. Why would the business community consider fair work? The general assumption is that there is a clear answer to that: employers ought to provide fair work. However, if we are really to engage the business community and help it to improve in that regard, our having a compelling answer to the questions, "Why is this important to

your business?” and “Why will this help you to become a high-performing organisation?” will be one way of showing the economic benefits of fair work.

Johann Lamont: Do you agree that some very successful organisations have very poor working practices—although they may think that their model is working fine? Is it not therefore important to give evidence of the disbenefits of poor practice as well as to appeal to them to be fair?

10:00

Anne Douglas: From a personal point of view, I do not disagree with that. We may need to counter good with bad. The convention has not got into the detail and we are not far enough along the journey, but if we look at a trajectory in which minimum standards are or legal compliance is below what we say is fair, it may be—I have no idea—that we will recommend in our report to increase legal compliance in an area or areas. However, I do not know.

Johann Lamont: I go back to the point about how we can persuade people who use an economic model that works for them: there would not be an increase in zero-hours contracts and increased evidence of exploitative practices if that was not somehow benefiting somebody. That will have to be counterbalanced with evidence of disbenefits. I thought that the fair work convention would have an important role not just in appealing to people but in saying what the longer-term consequences are for businesses.

Linda Urquhart: We have not got to the stage of considering how we might articulate how to engage people in the debate, but I am sure that we will consider that.

Johann Lamont: Thank you.

Gordon MacDonald (Edinburgh Pentlands) (SNP): Part of my first question has been touched on. I was keen to try to understand this matter. You said that there is international research on each of the five themes. Have other countries tried to identify a fair work convention framework? How successful have the approaches been in other countries?

Linda Urquhart: That research is being assembled for us by the team at the University of Strathclyde, so we have not delved into it in any detail. My understanding from the very preliminary presentations that we have had—I think that Anne Douglas referred to this—is that Finland is an example of a country in which work has been done, and Australia is another country in which work has been on-going. However, we have not yet delved into that research and what is to be

presented to us. That will come to us in the near future.

Gordon MacDonald: We are in a situation in which the introduction of employment tribunal fees has meant a massive reduction in the number of cases, the welfare reform changes are coming through, there were tax credit announcements yesterday, and the Trade Union Bill is going through the United Kingdom Parliament. What effect will that have on your work? I know that you have not looked at the how yet, but will those changes make the how more difficult and change your recommendations?

Anne Douglas: Obviously, we are cognisant of the proposals and the changes that are going ahead. I do not know that that will change our recommendations, but we will have to take views on what impacts there currently are against the impacts that there may be if changes go ahead. However, we have not got to that stage yet.

Gordon MacDonald: Thank you.

Patrick Harvie (Glasgow) (Green): Good morning. I apologise for being a couple of minutes late at the start of the meeting.

Still on the question of what the concept of fair work means, the Scottish Parliament information centre briefing that we have been given quotes the Cabinet Secretary for Fair Work, Skills and Training. She said:

“Fair Work means that everyone is entitled to expect access to the labour market, job security, fair reward”

and so on.

The phrase “entitled to expect” is quite interesting. It does not mean that everyone has job security, but that everyone is entitled to expect job security. Is it not pretty clear that that means that it should be for the employee to decide whether, for example, a zero-hours contract suits them, rather than for the employer to determine what they are getting and telling them to put up with it?

Anne Douglas: I am not sure that, as co-chairs of the convention, we could necessarily answer that; however, as individuals, we absolutely could answer that. I just do not think that the convention has reached a position where we can do that. The convention is trying to make access easier, opportunity better and treatment fairer, whatever that fairness is.

Patrick Harvie: I am trying to get to the question of what fairness is. The cabinet secretary’s view is that that means:

“everyone is entitled to expect ... job security.”

Is that what we are trying to achieve here?

Anne Douglas: We have started to have a discussion about what job security is and what it

means. I think that the convention is in a place where that does not mean the same job for life; rather, it means being equipped to continue to work in other fulfilling and quality jobs, whatever that quality may be.

Patrick Harvie: The cabinet secretary also thinks:

“everyone is entitled to expect ... fair reward”.

The gap between what young people earn on the minimum wage and what those over 21 earn on the minimum wage is significant. The introduction of what the UK Government is branding as—but is not—a national living wage for those over 25 will make the gap even bigger, with 16-year-olds potentially earning less than half of what 25-year-olds earn. Will you look at the gap between what colleagues who are doing exactly the same job alongside each other are being paid based on their age?

Linda Urquhart: An interesting theme coming out from a number of the stakeholders is that what is fair may be different at different stages of your career or age. We will be looking at that, taking it into account and trying to reflect it in any framework that we come up with. That particular comment came from a female stakeholder group, which said that what fair meant would mean different things at different stages of their working lives. Older workers also commented that what fair meant might be different at the later stages of their working career. We will attempt to address that in all our thinking. That will inevitably look at reward across our themes because, as Anne Douglas said, our themes will be cross cutting.

Patrick Harvie: I suspect that most people would agree with the general point that fair might mean different things at different stages in their life. Someone who has spent a long time increasing their skills or experience might expect to be rewarded for that. However, if we are talking about jobs at pretty much the bottom end of the pay scale—the bottom end of what employers can get away with—the gap based on age seems to be reaching a point where it is unjustifiable.

A guy was on the radio this morning—I think that he was from JD Sports—talking about how much it will cost to implement the national living wage and whether it will be a burden. He said, “We’ll just have to absorb that with operational efficiencies.” You know what he means by that: he will make sure that he does not employ more people over 25 than he needs to, and that he squeezes more work out of those on the lower rates. If that is the kind of impact that that unequal policy has, it will increase unfairness, and there will be little that we can do about that.

Anne Douglas: As Linda Urquhart says, different stakeholders have raised the issue in a

number of ways. Another stakeholder talked about the impact of the minimum wage and the new living wage, not just on wage costs but in relation to differentials with the rest of the pay scales and equal pay. Those are all massive issues that I have no doubt we will consider but we cannot sit here and tell you what the outcome will be.

Patrick Harvie: I am just keen to know that it is on the agenda. I know that you do not have a list of answers yet.

I have a final question, again to establish whether you are going to look at one particular aspect of fair remuneration and its connection to being treated with dignity and respect. Very often, we hear stories of senior management or chief executives being given huge salary increases or bonuses. Very often, when times are hard, it is people at the lower end of the spectrum who see their pay or their hours reduced. Is it part of your agenda, in looking at what fairness means in terms of remuneration, to think about whether the bulk of the profit that a company is making is going to the bulk of the people whose work is generating that profit? Maximum wage ratios would be one way of achieving that.

Anne Douglas: We have not looked at that yet.

Patrick Harvie: Is it on your agenda to look at the idea of connecting what the highest and lowest paid people in an organisation are getting, so that if the person in the top office gets a big hike, the person who cleans that office gets a fair share of that increased remuneration?

Anne Douglas: There is no reason why we cannot look at it but we cannot commit to there being any particular outcome to the deliberations. We can certainly ask Professor Findlay to give us some evidence to look at.

Patrick Harvie: I hope that that aspect will be examined. Thank you.

Richard Lyle (Central Scotland) (SNP): Good morning. I take it from your answer to Patrick Harvie’s last question that you welcome submissions from people asking you to look at things that you are possibly not looking at yet.

Anne Douglas said in a reply to one of my other colleagues that the convention may look at legal compliance. After looking at legal compliance, might it be the convention’s intention to make recommendations to whatever Government—whether it is the Scottish Government or the UK Government—to amend employment law and employment practice?

We all believe in a fair day’s pay for a fair day’s work but unfortunately that is not happening in some areas. Do you intend to recommend changes in employment law?

Anne Douglas: We are not at a stage at which we can say that we will recommend changes. We have neither ruled in nor ruled out including amendments to employment law—or to other laws—in our report.

Richard Lyle: Basically, what you thought was going to be easy is getting bigger and bigger by the moment.

Anne Douglas: I do not think that either of us ever thought that it was going to be easy.

There is no doubt, from the engagement that we have already undertaken, that there are huge expectations out there about what the convention will achieve. The more we work as a convention, the bigger the agenda gets, so it is not an easy task.

Linda Urquhart: The challenge for us is producing something that is manageable and practical in the first instance and which makes a difference. That is why I would go back to what I said earlier—we may seek to prioritise some areas where we think things can be done more quickly to achieve a better outcome and make recommendations that other areas are looked into further, particularly with things that may take longer to shift.

Richard Lyle: Just to get it on the record, for people who may feel that they are in an unfair job and want to have some input into your work, do you have a website or a way for people to contact you to give their views? There is the example that Patrick Harvie gave of a cleaner in a company where the CEO just got a big pay rise. Do you have a way for such people to contact you?

10:15

Linda Urquhart: We have a website and an email address. We can provide those, so that they go on the record.

Richard Lyle: Would you like to read them out, for the record?

Linda Urquhart: I could do that, if someone gave them to me. Otherwise, we can provide that information so that it is included.

Richard Lyle: Okay.

Linda Urquhart: I suspect that if you google “fair work convention”—

Richard Lyle: It will come up.

Linda Urquhart: Yes.

The Convener: Other search engines are available. [*Laughter.*]

Dennis Robertson has a follow-up question.

Dennis Robertson: It is very brief. Given what Anne Douglas has just said, is March a realistic timeline? From what we have heard this morning, you are looking at the whats, and the hows will have to be incorporated. Is March a realistic timeline to get a report out?

Linda Urquhart: I think that it is realistic, for an outline. We have been asked to produce a framework. Part of what we hope to do this morning is to manage expectations of the extent to which that framework will be fully populated. However, we have undertaken to produce a framework by March, and that is what we will do.

Chic Brodie: I want to follow up on Mr Harvie’s comment about the statement on the radio this morning about operational efficiencies. We currently have a situation with refugees coming into the country, which I believe will continue for some time. I hope that, in your conversation, that is not seen as a vehicle for depression of wages in any particular geographical area.

Your work on job quality will cover all industrial sectors, but the definition of that will vary. How will you approach the task of looking at job quality across all industrial sectors?

Anne Douglas: The convention membership includes people drawn from the private, public and third sectors as well as from the trade union movement. Our stakeholder engagement, with help from the public agencies Scottish Enterprise, Highlands and Islands Enterprise and Skills Development Scotland, is looking at the sector-specific bodies with which those agencies are involved. We hope to reach out to different sectors through those established mechanisms. I cannot say any more than that.

Linda Urquhart: At the moment, we might talk about the characteristics of job quality. We might then seek to engage the sectors and public bodies in helping to define that for their particular areas. It would be a monumental challenge to define it for everyone, and we might decide that that is not achievable, particularly given our timescales.

The Convener: That brings us to the end of our questions. On behalf of the committee, I thank the witnesses for coming along and helping us. We are very interested in seeing the outputs from your work. March is probably not the best timing for us, as we might be slightly preoccupied with other matters then. However, I am sure that our successor committee in the next session of Parliament will be very interested in following up our work with the convention and in looking at where we take the framework and the next steps.

Linda Urquhart: I think that the committee is going to report on its inquiry in December. It will be interesting for us to see your report, and it will be

helpful in our deliberations. Thank you very much for your time today.

The Convener: Thank you for coming. We are a little ahead of the clock, so I suspend the meeting until 10.30.

10:19

Meeting suspended.

10:30

On resuming—

The Convener: I welcome our second panel of witnesses. With us are Gordon McGuinness, depute director of industry and enterprise networks at Skills Development Scotland; Denise Horsfall, work services director for Scotland at the Department for Work and Pensions; Jane Martin, managing director, customer operations, at Scottish Enterprise; Charlotte Wright, sector and business development director at Highlands and Islands Enterprise; and Caitriona McAuley, head of service for economic growth in the economy and communities directorate at North Ayrshire Council—Caitriona is also representing the Scottish local authorities economic development group. I thank you all for coming along.

The session will run for 90 minutes or so. We have quite a large panel, so I do not expect you all to answer every question. The panel is also quite disparate in terms of interests, so I ask members to direct their questions initially to one member of the panel. If other members of the panel want to come in on something that somebody else has said or to answer a question that was directed to somebody else, please catch my eye and I will try to bring you in as best I can, and as time allows.

The range of issues that we want to cover includes public support for businesses, quality of work, productivity and some of the stuff that the DWP is involved in—we will do our best to get through all of that. I remind members to keep their questions as brief and to the point as possible; it would be helpful if answers were the same.

I start with a question on public support, which I address initially to Scottish Enterprise and Highlands and Islands Enterprise. The committee is interested in how the Scottish Government, through its agencies, provides support to try to encourage good-quality work. Earlier this year, the Scottish Government launched its business pledge, which I think 100 companies or organisations have now signed up to. Under the pledge, companies agree, for example, to pay the living wage, not to use exploitative zero-hours contracts, to invest in youth and to play an active role in the community. I am sure that you are familiar with the details of the pledge.

When the business pledge was mooted, it was suggested that it would be tied into additional support from the enterprise agencies. I ask Jane Martin to explain what difference it makes to the support that Scottish Enterprise provides if a company signs up to the business pledge.

Jane Martin (Scottish Enterprise): At the moment, there is no conditionality. We do not support a company if it does not sign up to the business pledge. However, over the past few months, we have been engaging our account managed companies in particular in the agenda. To date, we have spoken to more than 250 businesses—as part of our discussions about their growth; we do not go in with a specific discussion about the business pledge—and those conversations have been going well.

There is interest. Most businesses want to do the right thing. They recognise the importance of good employment for productivity and growing their bottom line, and there are business benefits around all of that.

Therefore, we have been having those conversations with businesses about the agenda, and I think that about 28 of the 100 that have signed up so far are account managed by Scottish Enterprise. We have another 10 or 11 on the waiting list and another 10 or so are actively considering the pledge. Over time, we will have conversations to build momentum—a movement, if you like, and an agenda. That is where we are.

Where we have changed things is around regional selective assistance, and particularly around youth employment. That came about on the back of the work that Sir Ian Wood did, as opposed to the business pledge. From February, every company that has signed up to RSA has agreed to a youth employment commitment. We need to follow that through, track it and consider what it means in practice, but that is one specific change that has happened.

The Convener: Does Charlotte Wright want to add anything?

Charlotte Wright (Highlands and Islands Enterprise): Yes. Other elements of the pledge concern internationalising and innovation, which are critical to our strategic priorities in the Highlands and Islands. If a business wants to sign up to the pledge and needs support to develop in those areas, we are really keen to get in and support it to develop those aspects, which will help to grow its business overall.

On Jane Martin's point about young people, we are using programmes such as our graduate placement programme, which has a number of strands, to support businesses, social enterprises and communities. That is another element of the

support that we can bring in so that businesses can look at how they employ young people.

The key building blocks within the pledge mirror our strategic priorities, and we wish to engage with businesses to support how they tackle those aspects.

The Convener: Thank you for that. Just so that we are clear, will you confirm that, in terms of public support, there is no advantage to businesses from signing the pledge and that they will get exactly the same support if they do not sign it?

Jane Martin: Yes.

Charlotte Wright: Yes.

The Convener: Okay. I am interested in what Jane Martin said about how RSA is being used. I am sure that you are familiar with the case that I am going to mention. When Amazon came to Scotland, it got very substantial support through RSA. There has been a great deal of commentary in the press about some of the company's employment practices. Clearly, people in the company would dispute some of that, but it is one example of the companies that are sometimes held up as using zero-hours contracts quite extensively, and there have been incidents of employees complaining about unfair treatment.

Is it right that substantial sums can be paid in RSA to a company that might not have the highest standards in the way it treats its employees?

Jane Martin: The message that we want to give out in Scotland is that we value excellent employers. As part of my job, I look at how we promote Scotland overseas, and one area that we are looking at is how we can get to the point where, if a company invests in Scotland, it is saying something about itself as an employer. That is a long-term piece of work.

RSA funding for Amazon dates back more than a decade. We are seeking conversations with senior management about some of the recent stuff to see whether we can help them in any way. I do not think that there is a yes or no answer, from my perspective. Amazon has created more than 1,000 jobs in certain communities in Scotland that needed them, so the situation is complex.

The Convener: Okay. I see that other members want to pursue the topic. We understand that it is complex, but what the committee is trying to get at is whether, given the way that the Government uses its policies and its spend, there is more that it can do to encourage fair work. Perhaps giving large sums of money to companies that are not exemplars in that regard is not the best use of money.

Lewis Macdonald is keen to come in.

Lewis Macdonald: I just want to check one point. Jane Martin mentioned engaging with account managed companies on the business pledge and the fair work agenda, and I am sure that Charlotte Wright is in the same position. Is your engagement on those issues only with account managed companies? Are there ways in which you can promote the same proposition in the wider economy?

Charlotte Wright: There are indeed. Although we work with a specific group of account managed companies through our work to deliver in key sectors, our general business engagement and our work with communities give us a number of opportunities, such as networking events and other platforms, to promote good practice and the business pledge as part of that story.

Lewis Macdonald: Is there a difference between what Highlands and Islands Enterprise is able to do, because of its social remit, and what Scottish Enterprise is able to do, in going beyond the business conversation? I am referring here to the wider impact of good practice.

Charlotte Wright: Our activities under our strengthening communities remit will indeed be wider, in that we engage with a number of social enterprises and community businesses, and we account manage a number of whole communities. In helping to build their capacity and to develop people's approach to what they want to do for their community, we often engage more intensively. For example, on building capacity, if people are running social enterprises, we give advice and support on how they might build their own employment networks. In that part of the agenda, the work is quite values driven, and people are often very keen to engage in the process. We support them through the investors in young people framework, graduate placements and capacity building to enable them to respond.

Lewis Macdonald: We had an interesting discussion with the previous panel about evidence for the link that there might be between quality of work on the one hand and high performance and growth on the other hand. Is there anything in the experience of either of the enterprise companies that is relevant to that? In other words, can you offer any evidence to the fair work convention on the link between good employment practice and economic growth?

Charlotte Wright: Between us, we have a wealth of really good case studies at a business level. In Caithness in the north of Scotland, for example, Denchi Power, having worked through research and development support, has exceeded all its expectations in relation to job creation and the wage rates that it is able to pay. It now pays rates in excess of £33,000 on average, which is significant for that part of the country. We would

be really happy to share with the convention such compelling, strong stories about what can be done with that network of support.

Jane Martin: Even at the macro level, a lot of work is going on to understand the evidence base and to ascertain how tackling inequalities can drive competitiveness, rather than viewing the issue through another lens.

We have recently been in discussions with the International Monetary Fund at a senior level to see whether we can learn from best practice elsewhere. What does the evidence look like? How can we use it to measure some of the things that we are doing in Scotland? It is a bit like your discussion with your earlier witnesses. Although this is an early stage for us, we are considering things on a macro level, as well as on a case-study level, to see whether we can garner strong evidence to establish what works and to make the case.

Lewis Macdonald: That is interesting. Do you anticipate that your work with the IMF will ultimately be published? Can it inform the convention and the Parliament? Will it be useful beyond your own internal work?

Jane Martin: I would hope so, but it is at the very early stages.

I discovered that the World Economic Forum is doing a piece of work and has put out a call internationally to seek best practice and examples of how tackling inequality and looking at inclusive growth are driving competitiveness. It is due to report on that in October at a conference in Abu Dhabi. Like you, I suspect, I will be really interested to see that report.

The Convener: Other members wish to follow up on the question of public support.

Patrick Harvie: Following on from the line of questioning that began with conditionality, you mentioned a new level of conditionality attached to RSA around a youth employment commitment. Presumably that includes paying the living wage to young people.

Jane Martin: Yes.

Patrick Harvie: Could you say a bit more about the condition that now has to be met in order for people to qualify for RSA?

Jane Martin: At the moment, we are asking companies to make a commitment to having a youth employment policy that includes a target for the percentage of their workforce under 25. In practice, that means that we work with certain companies on their broader organisational development, examining their recruitment policies, their business strategy, their approach to retention

and their organisational culture. It depends on the company, but a raft of things is involved.

10:45

Patrick Harvie: Does the commitment also require companies to pay the living wage to those young people?

Jane Martin: Yes. I am sure that it does, but I will double-check and clarify that for the committee in case I am wrong.

Patrick Harvie: Is there a case for a broader approach of conditionality when money comes from the public purse in the form of a range of support services, grant schemes and procurement policies? If we want to achieve change in the way that labour markets operate in Scotland, should we not pull every lever that we can? Should we not use such techniques to ensure that, if a company does not pay a living wage, exploits people on zero-hours contracts against their wishes or has a range of other practices, it simply will not get access to the support of the public purse? Is that not reasonable?

Charlotte Wright: It might be interesting to see the impact of the approach that has begun in relation to RSA and what difference it is making. The approach that we have taken to date in our engagement with businesses has been about promoting the good aspects of what can be done without going so far as to make those absolutely conditional. It is more about the carrot than the stick, and about being able to develop the full economic reasons why an employer might want to go down those routes and build up those good stories.

Patrick Harvie: I understand entirely the rationale and motivation for that approach, but it sits alongside a welfare system that is more stick than carrot at the moment. The evidence and the views that the national health service in Scotland and Citizens Advice Scotland have given us are that the welfare system—in particular, the sanctions regime—is being used to bully people, often forcing them into some of the most exploitative jobs that we have. People can be heavily sanctioned—left without food, heating or money for their rent—if they turn down some of the more exploitative jobs. Why is all the carrot going to the employers and the stick going to the workers?

Charlotte Wright: That is an interesting question. I am not sure whether I can answer all the points on welfare, but the approach to our work with business so far has been about developing our priorities in fulfilling the Government's economic strategy. Some of that has been a push agenda around international trade and innovation. In the Highlands and

Islands, where we have a small business base and perhaps not as much penetration as we would like in certain areas, our engagement has been on positive terms—we support, build and develop so that changes will start to be made.

Patrick Harvie: I want people to reflect on the point that this is a relationship between employers and employees. They are all being given welfare, whether through the benefits system or through a corporate welfare system. Surely it is important that at least as much conditionality is attached to the support and corporate welfare that employers get as is attached to the way that employees are treated.

Denise Horsfall (Department for Work and Pensions): I need to respond on the sanctions regime. The Department for Work and Pensions engages with employers that pay the national minimum wage—I know that that is different from the living wage as far as the Scottish Government is concerned—but would not engage with employers that are exploitative. If you have any examples of that, I really need to understand what they are.

Patrick Harvie: Perhaps we mean something different by exploitation. The national minimum wage leaves people in poverty. That is why there is a need for a living wage.

Denise Horsfall: All I am saying is that perhaps the issue is the definition of what we are talking about. We are clear that it is less than the living wage, but it is the national minimum wage.

The Convener: That is a slightly different line of questioning. We will come on to questions about sanctions later, so perhaps we can park that issue for the moment.

Johann Lamont: To go back to Jane Martin's point about Amazon, is she saying that, if the decision on RSA were made today, Amazon would not qualify for the money?

Jane Martin: No. I am saying that, because of the way that we currently work with businesses, we would have a conversation with Amazon now that we would not have had 10 years ago.

Johann Lamont: But there is no obligation to respond to that conversation. I know what you are saying about job creation, but we know that individuals have traded off their employment conditions in times of recession. It seems that, when the Government is funding something, you are happy for that trade-off to happen, too. Is it not ironic that, on the one hand, the Scottish Government has a fair work commission and, on the other hand, it is rewarding a company that has no obligation to address the issues that the fair work commission will consider?

Jane Martin: That is a fair challenge, and the organisation is wrestling with what that might mean. As Charlotte Wright said, we are keen to develop a strong partnership with business and industry around the agenda, and we always take the carrot approach. I cannot say, hand on heart, that we would categorically say no to Amazon at this point in time.

Johann Lamont: On the carrot and the stick, you have a lot of carrot at your disposal—significant amounts of money that organisations and companies would not mind being able to attract. Would it not be reasonable to use the power of the public purse to drive up standards in work, especially given some of the evidence, which is that some jobs are so exploitative that people's health is better if they are unemployed? Surely that is a pretty stark statement for people to reflect on.

Jane Martin: I think that that is fair.

The Convener: To be fair, I think that these might be policy matters that are better addressed to the Scottish Government than to one of its agencies.

Johann Lamont: I want to confirm that Scottish Enterprise is not operating in a policy framework that says that its funding decisions should include conditionality around the quality of work and an expectation that people who are to qualify for funding will have basic standards.

Jane Martin: To confirm what I said at the start, we do not operate conditionality at the moment, with the exception of the youth employment policy that I talked about. Obviously, we absolutely comply with legislation and so on, but there is no current policy—

Johann Lamont: So, the notion of conditionality is accepted, given the decision on youth, but it is not broadened to address the question of fair work.

Jane Martin: That is correct.

Richard Lyle: I want to concentrate on the positive aspects of Scottish Enterprise.

Scottish Enterprise has committed to invest around £32 million each year in "inclusive growth". That amounts to 10 per cent of its total budget. Of that, £19 million is for job creation and safeguarding grant support schemes, which includes regional selective assistance spending. Over the next three years, Scottish Enterprise forecasts that the inward investment that is attracted will result in 22,000 to 28,000 jobs.

I had an excellent meeting with a Scottish Enterprise representative to discuss bringing local job clubs and job fairs to my area. Do you believe that Scottish Enterprise should be the powerhouse

to promote better jobs and conditions? Do you promote that locally by talking to companies that you are not micromanaging in order to bring more and better-quality jobs to areas? Do you have local job fairs? I know that you are doing many other things, but would you consider bringing local job fairs to areas in order to inform and entice people to bring better-quality work practices and jobs to those areas?

Jane Martin: Yes, absolutely. Where we have done that in local areas, it has tended to be as part of a strong partnership between Scottish Enterprise or Highlands and Islands Enterprise and local authorities, the business gateway, colleges, chambers of commerce and so on. That strong partnership approach means that we are all saying the same thing and championing the same agenda. That is where we see the best impact. We are represented on all community planning partnerships, for example, and we are having those discussions at a local level. We are happy to support those initiatives in any way.

Joan McAlpine (South Scotland) (SNP): I want to ask the lady who is representing local authorities about the points that have already been made about support to companies. In my area, most of the support is delivered through the business gateway. Do you apply any criteria in relation to fair work and employment practices when the business gateway is advising and supporting companies?

Caitriona McAuley (North Ayrshire Council and Scottish Local Authorities Economic Development Group): I would be happy to explain the role of local government to set the context. I am here to represent SLAED, which is made up of all 32 local authorities. We are in a unique position, in that we have a role in both supporting people into employment and supporting small businesses. To give you an idea of the scale of the work that we do, last year we provided support to 17,000 businesses across Scotland and supported 25,000 unemployed people into work. We are probably in a unique position, in that we have an understanding of the issues for business and the challenges around the fair work agenda, as well as an understanding of the impact of unemployment and poverty on local communities.

I will return to some of the points that were raised previously and which connect to your question on the business pledge and local authorities' role in that. There is broad support for the aspirations around the business pledge and, through COSLA, support has been indicated for the business pledge. The challenge comes with the resource implications behind supporting companies that are working to achieve the pledge's nine commitments.

If you look on the business pledge website, you can see that something like 95 businesses have signed up to the pledge and only two of those are business gateway growth companies, so clearly the focus has been on the larger companies. Our members feel that the larger companies should be leading the way on the fair work agenda.

The challenges for smaller businesses are different. When we speak to smaller businesses they either have no awareness of the fair work agenda or, if they do, they are very supportive of the broad principles and aspirations behind it. We have examples of companies that we work with whose motivation and desire for growth is driven by the need to improve terms and conditions, and opportunities. Such companies are very driven to do those things.

Joan McAlpine: When Jane Martin responded on that point, she said that there was no conditionality with regard to the Scottish Enterprise supported companies. Are you saying that there is no conditionality at local authority level either?

Caitriona McAuley: There is no conditionality.

Joan McAlpine: Right. Thank you.

The Convener: We have dealt with that line of questioning for the moment. Dennis Robertson has questions on a slightly different topic.

Dennis Robertson: Thank you. SDS said in its submission that it aligns a lot of its activities with the fair work convention, looking at things such as innovation, productivity and skills. Will you expand on the activities that you are undertaking?

Gordon McGuinness (Skills Development Scotland): We heard in the previous evidence session that "fair work" is still to be defined, so we are looking forward to the outputs of the fair work convention and how we can incorporate those into our operating activities.

In terms of skills, particularly around apprenticeships and the Scottish Government, the SDS has held a firm line on employment and the conditions that are attached to it. We are looking for full-time employment over a sustained period. In order for a company to qualify for the Scotland's employer recruitment incentive that we deliver in conjunction with local authorities, there must be an offer of a contract for at least a year or more, paying the living wage. For apprenticeships, the minimum guidelines are for the national minimum wage and many employers pay above that, but the Scotland's employer recruitment incentive pays an additional bonus of £500 if the local employer is paying the recognised Scottish living wage.

The work that we are doing around apprenticeships aligns to the youth employment strategy, which has been heavily informed by the work of the commission on developing Scotland's

young workforce. One piece of work that we are doing is to boost the number of apprenticeships to 30,000 by 2020.

11:00

We have an aggressive programme of work under way on foundation apprenticeships. We have built on models of international best practice—as was mentioned earlier—from countries such as Switzerland, Germany and Norway. We have run two pilots this year in Fife and West Lothian. The first year of an apprenticeship scheme has been undertaken—with employer input—as a transition phase in the senior phase of school. The pilots have both involved the engineering sector, but we will roll out schemes this year in 19 local authorities across a number of occupational areas.

We hope that—as Sir Ian Wood's commission recommended—young people at school will get a much better experience of work-based learning. We are not seeking to channel everybody down a modern apprenticeship route; the educational tariff that young people can achieve through the scheme will stand them in good stead whether they move on to further or higher education.

Dennis Robertson: You will be aware of the questions on rural and remote areas that I put to the witnesses from the fair work convention. I will probably come on to gender and diversity in a moment, as you would expect from me.

How successful can SDS be in rural and remote areas, given some of the challenges that are faced by people living in those areas?

Gordon McGuinness: It is a challenge. I am a member of the University of the Highlands and Islands FE regional board, and I know that Michael Foxley is passionate about addressing the challenges that rurality presents.

From looking at employers of scale in those areas and how we would connect them to foundation apprenticeships, we know that there will be challenges. Interestingly, some of the most positive responses that we have had have come from areas such as the Western Isles and Shetland. Employers there see a real opportunity to highlight the opportunities to young people while they are at school. Young people will then learn that, rather than getting into the mindset that they have to move off the island for opportunities, they can connect to employers through a structured programme that will keep them anchored. They can see that, rather than having to leave, they may find real economic and development opportunities in the islands.

We have done some work in the Highlands and Islands around the regional skills investment plan.

We have recognised the outward migration of young people to the central belt not only for education but for employment, and there has been a concerted effort across the Highlands to address those issues. We will report back to the convention of the Highlands and Islands on 4 October on our progress in that area.

The big investment in UHI is helping, alongside the development of apprenticeship models with companies such as Capgemini. This year, Capgemini is on to its 50th apprenticeship in Inverness since it started up. Such opportunities provide a starting point for young people and may lead them to a great career path with a global company with HIE investment, training and development.

We can point to a number of examples in which we have used training and collaboration with employers to anchor opportunities for young people in their own localities.

Charlotte Wright: I endorse the comments about the development of the regional skills plan for the Highlands and Islands, which SDS has led on and which is taking a different approach. That work, and the way in which the University of the Highlands and Islands operates through colleges and outreach centres across all our rural areas so that it is getting into communities to help to support and develop skills, is very important. Working with communities to understand their needs so that they can be supported is particularly important.

Dennis Robertson: The Highlands and Islands Enterprise submission mentions that some aspects of wellbeing can be attributed to location. It is sometimes very nice to live in rural areas, and that can impact on a person's wellbeing. However, we still need to focus on people having a living wage and good employment conditions. As I said, rural Scotland is a wonderful place to live, but people still need to earn a decent wage.

I wonder whether anyone was surprised to read the Aberdeenshire submission, which suggested that there was too much emphasis on young people to the detriment of others.

Gordon McGuinness: I have to put up my hand and say that I have not read every submission. However, on the Aberdeen one—

Dennis Robertson: I was referring to the submission from Aberdeenshire Council.

Gordon McGuinness: Apologies.

Statistically, on those who are above the age of 19, we recently published participation measures, which is a step on from the school leaver destination records. On unemployment, we see a disparity even with 19-year-olds. There is a heavy focus on 16 to 18-year-olds. I would need to come

back with statistics but, anecdotally, I would say that not the full weight of support from the public sector, but a lot of it, has swung round to address youth unemployment, probably to the detriment of those who are a bit older.

Dennis Robertson: On positive destinations, how are we meeting some of the challenges that we have been trying to meet for many years regarding gender equality and people with disabilities? The positive outcomes such as the availability of apprenticeships or opportunities for women so that they can go into better-paid jobs, or opportunities for people with disabilities, just do not seem to be coming yet.

Gordon McGuinness: I will not steal the thunder from my colleague who is appearing in front of the Equal Opportunities Committee tomorrow to give an update on equal opportunities, but we are finalising a significant piece of work that has been done in response to the report on developing Scotland's young workforce. That involves working with organisations from black and ethnic minority groups such as BEMIS. We have commissioned significant pieces of work through Equate Scotland, and we are investing in projects through the Institute of Physics. The work is nearing finalisation, and that might be an opportunity for colleagues to come back and present that work to the committee, either in this format or in a private session, and set out some of the outcomes and future programmes that we will deliver.

Dennis Robertson: Does anyone else want to comment?

Jane Martin: I will add just one thing. I was at a session the other week in which six local authorities laid out to Scottish Enterprise and other partners the work that they are doing around the Edinburgh and south-east Scotland city region deal. They have done work on the idea of productivity. The essence of the approach is about how they ensure that all six local authorities across that side of Scotland can benefit from the proximity to Edinburgh. They have mapped areas of deprivation and considered travel to work and the transport system. Those are the main objectives behind the deal for which they have put in a bid.

Scottish Enterprise did not initiate that work, but I was encouraged by that way of thinking, which is about looking at the much broader and more regional piece, but with very clear outcomes in mind about productivity and ensuring that all parts of the region will benefit from their proximity to Edinburgh. That is starting to grow quite a lot of traction in lots of areas, which is interesting.

Dennis Robertson: It would be remiss of me not to say that the work on the Aberdeen regional deal is probably in a similar vein.

Chic Brodie: My first question is for Caitriona McAuley from North Ayrshire Council, for which I have a lot of respect given the efforts that it is putting into economic development. I have had meetings with Karen Yeomans and Willie Gibson, in which they have outlined future plans.

SLAED has an important role. We received four responses from councils to our request for evidence, and I note that Dumfries and Galloway Council and North Ayrshire Council have called on the Scottish Government to take a more "sectoral and geographic" approach to job quality. Joan McAlpine and I share an interest in the issue, and we have had a conversation with Jane Martin about investment by the enterprise agencies in the south of Scotland.

Without declaring my overall colours, I do not understand why, in Ayrshire, we have three economic development agencies that might end up overlapping with one another, whether in terms of inward investment or a sectoral approach. What does SLAED understand a "sectoral and geographic" approach to mean?

Caitriona McAuley: I think that there is some acceptance that the issues around fair work are more prevalent in some sectors than in others, so instead of having a blanket approach across all businesses, we should target resources where we want to see change. That is probably what that comment was driving at.

As far as a sectoral approach is concerned, we are probably talking about sectors such as the care sector and the hospitality sector. We support those sectors by putting unemployed people into jobs, and we are familiar with the terms and conditions that are offered. We feel that a targeted approach of working with those sectors to understand how we can get better progression and better growth—

Chic Brodie: I understand that, but Ayrshire is not a huge region and it is easy to contact people. There is no consistency of approach in getting fair work and job quality, is there? I know that you are making progress in East Ayrshire and, to some extent, South Ayrshire, but that is happening at different levels. I do not know what cohesion there is when it comes to a geographic approach to fair work. You say that there is no conditionality. Why is that?

Caitriona McAuley: I suppose that the comment about a geographic approach might be related to Government policy and how it impacts on the geographies concerned. Mention has been made of the city regions and the growth that they are expected to bring, but not all areas in Scotland

fall within a city region. We might well ask how a young person from Ayrshire could access the job opportunities that might be created in Glasgow—if that is where the growth and the quality jobs are to be—on either an apprenticeship rate or a national minimum wage. We would like a targeted approach to be adopted to addressing that.

Chic Brodie: I think that the economic structure in Ayrshire is slightly different from that in Glasgow, but I recognise the work that you are doing.

I have a question for Gordon McGuinness and Jane Martin. One of the big issues that we have discussed is the impact of management. Higher productivity can be linked to employment relations, as we need good employment relations to increase productivity. It is true that we have poor management. I have been guilty—as other directors have been—of promoting the best sales manager so that he or she becomes the sales director, but although they were great as a sales manager, they were dreadful in the job of sales director.

I know that Scottish Enterprise and Highlands and Islands Enterprise are doing a lot of work in providing leadership programmes. Some people believe that leaders are born and managers are made. What are you doing across the skills spectrum to train managers?

Gordon McGuinness: There is a bit of overlap with Scottish Enterprise and HIE in the space that we occupy. Scottish Enterprise and HIE tend to work in an account team structure in such areas. When Skills Development Scotland was formed and we came away from Scottish Enterprise, not a huge amount of resource was identified in that area. It is something that we have sought to build up over the past seven or so years.

We have tried to make flexible training opportunities as easy as possible for companies to access, and the work that we have done in the sectors has identified a need for management and supervisory development. We often look at the leadership element or the management element and forget about supervisory work, which quite often has the biggest impact from the point of view of changes and improvements in productivity.

We are working with industry leadership groups and the sectoral trade bodies to support them and to encourage that. That is reflected in nearly all—if not all—our skills investment plans. We need to invest in staff not just at the top end but across the spectrum in order to encourage good workplace practice and workforce planning that will ensure continuity of business. I cannot give a specific figure off the top of my head for how much we will spend on management.

11:15

Chic Brodie: I understand. You talked about leadership again, which is different from management. I wonder how much people are inhibited by the term “leadership”. If they are asked to go on a leadership programme, they might be doubtful, but if they are asked to go on a management programme, that is different. Is that a problem? Are we calling people leaders when they are not, in effect, leaders and they simply manage groups of people?

Jane Martin: That is a fair challenge. It is something that we have been wrestling with. Over the past few years, we have invested in leadership development. We have supported something like 1,000 company leaders in companies of all sizes in the past year. However, we have now started to talk much more about organisational development in order to tackle exactly the perception of leadership that Mr Brodie talked about. We are working with our colleagues at HIE and SDS on a new kind of workplace innovation service. We are trying to get across the broader message about management practice and employability practices and why those things are good for business and for the economy. Work is under way to try to counter exactly that challenge.

Chic Brodie: I address my final question to Charlotte Wright, although the other witnesses are welcome to answer it as well. Rightly or wrongly, we are obsessed with the minimum wage and the living wage. Those who want to see a very high wage and high productivity economy look at capital investment, particularly in manufacturing, for the growth of the economy, wages and income and—as I mentioned earlier—the equity and income participation. Because of the living wage, or worse still the minimum wage, it is easier to employ X number of people than to make capital investment, because the depreciation and finance costs of investing in equipment are greater than those of employing people. Have you found that there is an inhibition on capital investment in the Highlands and Islands because of that?

Charlotte Wright: You have summarised the productivity challenge for the Highlands and Islands, and Scotland. Investment in technology and innovation is not taking place at the pace that we would like, which would achieve the outcomes that Mr Brodie talked about. We are targeting businesses to encourage innovation, technology and the kind of support that will really drive productivity, and the evidence that we have from companies that have done that is that it drives up wage rates as well.

There is a specific challenge for companies in the Highlands and Islands. They are often small or micro businesses, although there are some notable exceptions in the form of significant

multinational companies, which help us to take a leadership role across the Highlands and Islands. We are also looking at being innovative in finding creative ways of helping small businesses that employ fewer than five people to address the productivity challenge.

Chic Brodie: Is it true that lack of investment is denying us more rapid growth, and therefore more income growth for employees?

Charlotte Wright: It is definitely a challenge. Investment in capital, machinery, tooling, innovation and technology will help to drive that change.

Chic Brodie: It will also help job quality.

Charlotte Wright: Job quality will be helped as a result of that.

The Convener: Richard Lyle has a question on local development.

Richard Lyle: I know Caitriona McAuley from North Lanarkshire Council. I ask her, with her commitment to local authorities, whether there is a greater role for them in promoting fair work. Could there be more local authority engagement with the DWP, SDS and the enterprise agencies in order to promote fair work?

Caitriona McAuley: Yes. There is a role for local government in promoting fair work through its work with small businesses and, in particular, the support that is offered in the context of employability. We deliver on what we agree with Government, which it often funds us to deliver, so in that regard we are a partner with Government in delivering some policy.

We have a lot of resources out there working on the ground and in companies, and we are sometimes best placed to engage with small and local businesses and to understand some of the issues. SLAED and local authorities are keen to work with Government on the agenda and are broadly supportive of the ambitions and aspirations that are associated with it.

Richard Lyle: Thank you.

Denise Horsfall: In preparation for this meeting, we teased out an example from the cluster of local authorities that is made up of Scottish Borders Council, Midlothian Council and West Lothian Council. West Lothian, in particular, has been looking at the quality of jobs and salaries that are offered and has engaged with the DWP.

We have employer engagement people out there on the ground, and one of the things that we are looking at is the promotion of the living wage to employers. There is more that we can do, but that is a good, grass-roots example. It is not something that I have asked people to do. It is always best when people understand what is right

for their local environment and find and work with partners to make improvements, and we can build on such examples. The committee might want to get further information from West Lothian Council about what is going on.

The Convener: We move on to some DWP issues.

Johann Lamont: As I said, I am interested in situations in which there is, on the one hand, a statement in favour of fair work but, on the other, the potential for Government-funded agencies to let people be in jobs in which they are exploited. Denise Horsfall is probably aware of the evidence from Citizens Advice Scotland, which said of the sanctions regime:

“This is also leading to claimants becoming fearful of declining job offers, or leaving jobs even if they are inappropriate, exploitative or they are unfairly treated, for fear of being left without income due to a sanction.”

I do not want to debate sanctions just now, although there is a strong debate to be had on the merits of having a sanctions regime at all. However, if the DWP applies a sanction, what checks does it make on the quality of the work that people are required to take?

Denise Horsfall: The only time when we would apply a sanction concerning someone actively seeking employment or their availability would be to do with the person's indication about applying for jobs in the labour market. It is more about whether they are engaging in all the activity that will make them a successful jobseeker.

We refer very low numbers for refusing employment. I do not have the figures with me, but I can tease them out for the committee and send them to you. The number is extremely small—we are talking about penny numbers.

Johann Lamont: I met someone who said that, for fear of sanctions, she accepted a job in a hotel. She was told that she would get 15 or 16 hours or whatever, but when she arrived she was told that it was piecework and that she would be paid per room cleaned. She was not going to be able to make enough money to pay her bus fare. Is that acceptable to the DWP, and what would you do to the employer?

Denise Horsfall: The first point is that, if an advert is put on the universal jobmatch service or another website but the job does not meet the published conditions, someone needs to come and talk to us. We have no power over such employers, but we can try to understand why the job that was described was different from what the individual experienced.

Johann Lamont: Under those circumstances, would the person be sanctioned for refusing to take the job?

Denise Horsfall: No, because they had already started the job. They would need to come and talk to us about the inappropriateness of the job, if they thought that it was inappropriate. It is about the relationship between the customer and the work coach.

Johann Lamont: In the context of sanctions, it is difficult to see how that conversation would take place. However, you are saying that you would not expect anyone to be put in such a position.

In a sense, we are talking about rewarding employers for bad practice. There are companies that recognise that there will be a throughput of people who have been relying on benefits and are in fear of sanctions. The companies can treat those people very badly, but they know that if they leave there will be another batch of people coming along. Do you do any research on how long people are able to stay in work?

Denise Horsfall: First, I have never had that said to me in the 10 to 15 years for which I have been in the employment space, whether in England or Scotland. That is interesting, but I do not have any examples of it.

Will you repeat the second part of your question?

Johann Lamont: It was about evidence coming to you in particular local communities in which there is a lot of poverty and people are under pressure to work that the only work that has been made available is poor quality work, but also that people who have been through the process have not been retained and the employer is confident because it knows that another load of people will come along from the jobcentre who will pick up the work, even if it is very short term.

Denise Horsfall: If we are talking about high-wastage employers, we know that, historically, contact centres, for example, have had high turnover rates, although that is less so now. However, they also have very good progression for people who want to stay and be given an opportunity to progress in employment.

If we are talking about high-turnover employment, we cannot affect that. I suppose that that takes us back to the quality of the work, but we do not do anything about that.

Johann Lamont: You could affect that by not advertising those jobs and encouraging people to apply for them.

Denise Horsfall: But the content of the job is perfectly appropriate for the individual—

Johann Lamont: So you would not ask any questions if there was evidence that people never lasted in a particular job. That might suggest that it was not about the individual; it might be about the

context. However, you would not ask that question.

Denise Horsfall: I think that there is an acceptance that some sectors are high-fturnover ones.

Gordon MacDonald: What is the view of the Department for Work and Pensions on the evidence that we received from the social and public health sciences unit and the Scottish collaboration for public health research and policy? It states that some employment is more harmful to individuals than unemployment. It says:

“studies from Australia provide some evidence that moving from unemployment into a low quality job (measured by job strain, job insecurity, and ability to get another job) can be worse for mental health than remaining unemployed”.

Denise Horsfall: I am afraid that you have a DWP person who is operational. You are posing policy questions to me. From an operational perspective, all that I know is that trying to support people into employment rather than leaving them out of employment is absolutely the right thing to do. How we go about that and how we are equitable and careful about how we do it are important issues for me.

I do not think that things are as black and white as that. However, I do not have examples from Scotland. We move people through a process in which we engage with them with a route way into work and they then go into work. I have examples of people then walking away from that work from a health inequalities perspective, and they believed that they were worse off.

I really cannot answer the question that you want me to answer.

Gordon MacDonald: Is there any type of employment that claimants would not be encouraged to take?

Denise Horsfall: We would not expect somebody who is very far away from the labour market to enter employment without the relevant support. It is about the individual, not the specific job. It is about asking what the individual needs, what their aspirations are and how we can get them into the right place to access the jobs in the sector or in their locality.

Sometimes, jobs in the sectors that people want to go into are not available. For example, I think that around 54 per cent of graduates, when they come out of their courses, cannot access the jobs that they would perhaps choose to access. They come into a locality, and we probably present them with lower-qualification jobs than they would really want. However, that is the labour market.

Gordon MacDonald: A lot of the stress that people must put up with revolves around financial

uncertainty, and people who are given zero-hours contracts do not have financial certainty. What is your view on encouraging people to take up zero-hours contracts?

11:30

Denise Horsfall: I will answer that in a slightly different way. We recognise that some people want zero-hours contracts but that not everybody does. We work with the employers and the individuals to put a bit more certainty into such contracts. However, the market drives some of that. Edinburgh, for example, has been working with the business gateway on zero-hours contracts, particularly in the care sector, and has been able to change employers' conditions. That was done in partnership, through the business gateway, and by ensuring that the market lets us get our foot in the door to make changes.

In other areas, the issue with zero-hours contracts is more to do with exclusivity. The legislation changed in May. That was a good thing. It is better for people to be able to access work and to have the opportunity to put a number of jobs together if necessary than to be unemployed.

Universal credit is going to be much more flexible, which will really help us. It will be a top-up process. We will not have the problem of people going into work one week and then having to reapply for a benefit the following week. Universal credit will flex if someone makes a claim and their hours or contract changes, so it takes away the risk when someone is reapplying or waiting for a benefit or is trying to find another job while managing their benefit claims.

Gordon MacDonald: If somebody thought that a zero-hours contract was not appropriate for their circumstances, would they be sanctioned for not taking up a job with such a contract?

Denise Horsfall: If the work in the zero-hours contract—rather than the hours—were appropriate, I think that they would be sanctioned.

The Convener: I have a follow-up question. The business pledge says that employers should not use exploitative zero-hours contracts. What is the definition of an exploitative zero-hours contract?

Denise Horsfall: To my mind, that is about the exclusivity clause. Before May, employers could say, "You're on my contract. You can't supplement your work through another means. You've got to stay with me; you can't go to another employer." The ability to do that has been taken away; it was absolutely not appropriate.

The Convener: I put the same question to Jane Martin.

Jane Martin: We have not formed a view on that. It is interesting that not deploying zero-hours contracts has been one of the easier things for the companies that we have engaged with to do and something that they have been happy to oblige on. For sectors such as tourism, where work is seasonal, that becomes more challenging. However, the account managed companies with which we have been dealing have not raised that issue. It has been an aspect of the business pledge that they have found easy to deliver on.

The Convener: This is quite an interesting area. I suspect that, even among committee members, there would be a difference of views. Some would take the view that all zero-hours contracts are bad; others would say that they have a place, as long as they are not exploitative. It is interesting that the business pledge is explicit that, in order to sign up to it, you have to commit not to use an exploitative zero-hours contract. You are telling me that you, as a Government agency, do not know what an exploitative zero-hours contract is. If you do not know what it is, how is a company signing the pledge supposed to know?

Jane Martin: That is a fair challenge. I suppose that I am also saying that the companies with which we are engaging are happy not to deploy zero-hours contracts. In our discussions to date with the account managed companies, albeit that this will depend on the sector and whether the work is seasonal and so on, it has not been a major issue.

Charlotte Wright: There are some very specific examples, particularly in relation to seasonality. For example, it is difficult for the ski centres not to be at the mercy of the weather, so they use zero-hours contracts in that way.

The Convener: A number of members want to come in. I will go back to Gordon MacDonald first, as it was his line of questioning.

Gordon MacDonald: You stated that it would suit some individuals to take a zero-hours contract. Presumably you are talking about students or people who are looking for a second job to supplement their income. However, that is their choice. By saying that you may sanction somebody who does not accept a zero-hours contract, you are giving them no choice in the matter. For people such as students or nurses who have been in full-time employment who work in bank nursing, it is their choice to accept a zero-hours contract. You are saying that your emphasis is on reducing the unemployment figures and that people will have no choice—they will be put on a zero-hours contract and they will have to deal with that financial uncertainty.

Denise Horsfall: Just to clarify, that will be what happens under universal credit. Universal credit

flexes, so there is, I assume, a policy belief that zero-hours contracts will not be punitive in any way, because somebody can take a zero-hours contract that will be complemented by universal credit going up or down instantaneously. Under existing benefits, we would not do that.

Gordon MacDonald: Are you saying that, if someone's hours change from 30 hours one week to 10 hours the next, their benefit will change instantaneously under universal credit? That does not happen with housing benefit. People constantly have to reapply.

Denise Horsfall: What happens is that employers are signed up to a real-time information—RTI—system, which is run by Her Majesty's Revenue and Customs. The employer signs into a system that has a download of all their employees' wages. The information then flicks across to the information technology system in the DWP. That is how it works and, because universal credit is paid a month in arrears, there is a month in which to catch up with fluctuations.

Lewis Macdonald: You said in response to Johann Lamont that there were very few cases—penny numbers of cases—where a claimant had lost benefits because they had refused work. Are there cases where you have declined to advertise jobs because a company has failed to reach appropriate standards? Can you give us some examples of how that might happen?

Denise Horsfall: There is a national complaints process for the DWP, so if an employee or another employer thinks that there is something wrong with an advert that we put on—we cannot control the whole of the labour market—that complaint is investigated through that complaints process.

I do not have any figures for that. It is done nationally. I am not even sure that there will be Scottish figures specifically. There will be a national set of figures.

Lewis Macdonald: But there are such cases and there are employers who are blocked from access?

Denise Horsfall: Absolutely. I do not know what the volumes are compared with the volumes that advertise, but there are such cases.

Lewis Macdonald: That is helpful. I have a similar question for Gordon McGuinness from Skills Development Scotland. Clearly, your role is to promote access to apprenticeships and to training programmes. Not all employers seeking that access will meet the standards that we have been discussing today. Are there cases where you decline to accept such employers or such posts into your systems?

Gordon McGuinness: I will not go into our contractual relationships with our training

providers, but there are clear guidelines to our training organisations that contract with employers on what is acceptable. I touched on some of those guidelines earlier—it has to be a full-time job and there are conditions for the rate of pay. We tend to deal with young people in particular, so the training provider has a kind of policing role in assessing things such as health and safety in the workplace, the level of induction that a young person will get and the type of kit that they will require. Our contractual relationship with our training providers sets a quality threshold for that type of assessment.

Lewis Macdonald: So the interface with the companies is through the training providers rather than directly through SDS, but you set the conditions in contractual relationships with the training providers.

Gordon McGuinness: Yes.

Lewis Macdonald: In doing that, do you provide guidelines on quality to your training providers that might be of interest to the committee in our inquiry?

Gordon McGuinness: There is a programme. Previously we had a Scottish quality management system, which ran across multiple standards. To prevent things such as colleges having a different person in to inspect activity every week, we had agreements with the Scottish Qualifications Authority and others. I would need to come back on the detail of the quality framework that we use just now so that I do not mislead the committee. I can come back and share that level of information.

There are quality thresholds for the support that is given to young people. Our weight of funding is based on the output of young people achieving the qualification, which obviously requires a degree of support from the employer. It does not make great business sense for a training provider to be working with an employer who does not have good terms and conditions and who the young person might not stick with and achieve their qualification with. If an employer had a turnover of young people, that would be a clear message that something was wrong and we would investigate that further.

Lewis Macdonald: But there is a quality threshold for that?

Gordon McGuinness: Yes.

Lewis Macdonald: Would SDS and the DWP both investigate if there were concerns?

Gordon McGuinness: We would investigate concerns; health and safety issues are paramount. The DWP and SDS have slightly different roles.

A consultation document is out just now on future activities and the devolution of the work

programme and work choice to Scotland. That is open until 8 October, if my memory serves me right. It is an important step for us to look at support for individuals and how that can be aligned with support from local authorities in particular, such as social work and housing support. There is an opportunity for us to be more creative in how that support back to work is structured.

Lewis Macdonald: I will paraphrase Denise Horsfall's reply and check that I have got this right. Is it correct that the DWP will investigate in certain circumstances but that what you are looking into is not set against a quality threshold in the way that SDS has described and instead is about misleading content?

Denise Horsfall: Yes.

Lewis Macdonald: Thank you very much.

The Convener: I have several members who want to ask supplementary questions, so I ask that they all be fairly brief.

Patrick Harvie: I have a specific point, which I do not want to let slip, about the meaning of the pledge not to use exploitative zero-hours contracts. I appreciate that we are still working toward a clear definition, but Denise Horsfall seemed to imply that, from her point of view, it relates simply to exclusivity, which has been banned. It would be meaningless to ask politely if employers would pledge not to do something that has already been banned, so can I just check that, from Jane Martin's point of view in the context of the Scottish business pledge, whatever definition we arrive at will be something significantly different from just zero-hours contracts that are exclusive? Surely it has to mean more than that.

Jane Martin: Yes, absolutely. If we arrive at a clear definition, we will implement that policy.

As the business pledge currently works, it has the living wage as a fundamental principle and a number of other themes. Businesses have to sign up to another two themes, with a commitment to work through all the rest. As I said earlier, what is interesting for me is that committing not to use zero-hours contracts is one of the most popular things that the businesses we work with are happy to sign up for.

Patrick Harvie: However, that might imply that we are not yet engaging the pledge with the kind of employers who use such contracts. The definition will certainly have to mean more than that legal minimum.

Joan McAlpine: The questioning is understandably focused on the employers that you engage with. When people are desperate because they have been sanctioned and do not have any benefits, they will go wherever they can in order to

eat and to get an income. Some of the evidence that I have heard in the Welfare Reform Committee—we were in Glasgow meeting people who had no benefits at all—is that people are working in what is called the black economy, for rates such as £2 per hour in car washes and so on. I imagine that that sort of employment is getting a boost given the number of people on sanctions who are willing to take any work at all.

I know that you are not responsible for it, but what is your understanding of the enforcement regime for exploitative employers? Is it adequate? I understand that the United Kingdom Government is consulting on the appointment of a new director of labour market enforcement and exploitation, but that post is not in place yet. HMRC has a role. However, if people are working for £2 an hour, as I have been told they are, that has an effect on the whole economy, other jobs and responsible employers. Is the enforcement adequate to deal with that? Perhaps Caitriona McAuley could answer that as well.

11:45

Denise Horsfall: I have no information about that. It is a question for HMRC.

Caitriona McAuley: I have nothing to add to that. We are not aware of the specific examples that you have raised, but it could be a trend. All local authorities have a trading standards operation and perhaps it is the kind of thing that we should start to get our feelers out about through our trading standards services.

Joan McAlpine: Do you have dealings with the Gangmasters Licensing Authority, which also has a role?

Caitriona McAuley: No.

Joan McAlpine: Perhaps we do not have the operational mechanisms in Scotland. If somebody knows that it is going on, who do they report it to?

Caitriona McAuley: I will take that conversation back to my local authority colleagues and give some thought to it.

Joan McAlpine: Thank you.

Dennis Robertson: This question is for the DWP in the first instance, but others might want to answer it too. Do you take into account the availability of transport for people to get to a workplace or visit a jobcentre? People in rural and remote areas do not have the transport or infrastructure available to enable them to get to a job that is offered to them because they have the skill and ability. What do you do in that instance?

Denise Horsfall: The legislation—the guidance—says that it should take less than 90 minutes by public transport to come into a

jobcentre and 90 minutes to get to a job so, yes, we take that into account. We have maps up in jobcentres that show the travel-to-work areas, but each of the offices also works through the travel arrangements. We work with a variety of people at a local and national level. We have an agreement with ScotRail, which provides us with subsidised tickets for unemployed people to go to job interviews or to a job.

Lots of work is being done in that area. It is frustrating to me and my offices, as it has been for many years in England as well as in Scotland, that we cannot influence local transport arrangements as much as we want to, particularly when we know that suitable jobs and good jobs are available. Sometimes, there is no connectivity with those jobs. We work with local community partnership planning arrangements and raise those issues, but it is a continuing challenge.

Charlotte Wright: It is a particular challenge in the Highlands and Islands. The work that we did earlier this year on the rural cost of living demonstrates that people in rural areas have to have cars and, generally, have to pay more for their fuel from rural petrol stations to be able to travel to work, so it is a challenge.

Dennis Robertson: I put it on record that people who do not manage to get to the job that is offered will probably get sanctioned because, although the DWP applies the 90-minute rule, in some cases people have to take two or even three buses to get there.

Denise Horsfall: They would not be sanctioned.

Dennis Robertson: Would they not? That is not the evidence that we have.

Denise Horsfall: I would like to see that evidence, if I can have it. If you have information about individual cases, I would love to see it, because that should not happen.

Richard Lyle: We have a mandatory minimum wage and the living wage, so why should we not have a mandatory minimum weekly number of hours of work and do away with zero-hours contracts? I do not want to get at the DWP, and Ms Horsfall has done well in answering some of the questions, even though some members did not like some of the answers.

People who work 16 hours a week still get housing benefit and other benefits. Ms Horsfall says that the new system of universal credit flexes—that is an interesting word—but I believe that, in the real world, someone who continually gets some hours one week and no hours the next will get behind and will not get their benefit or housing benefit, and they will have to take a loan, which they will have to pay back. Why do we not

ensure that people get a minimum number of hours?

People out there spend half their lives filling in forms for you guys to give them benefits, or they have to go on computers. In the real world, not a lot of those people have access to computers. Should we not solve the issue by setting a minimum number of hours of work that meets DWP criteria, and then we can do away with zero-hours contracts? I would like your views, people.

Denise Horsfall: I come back to universal credit. If we park the issue of zero-hours contracts, the point of universal credit is that it gets away from people having to stop and start benefit claims. I have been in this business a while and I get the fact that there is a risk for individuals. Universal credit will take that away. Without doubt, it will be a much better benefit for people. It will take away the risk of stopping and starting benefits.

Richard Lyle: I would love to have your card, and I am sure that every other member here would like it, so that we can send you all the cases we have. I have been impressed by what you have said, but I say with the greatest respect that you are defending the indefensible. I totally agree with the point that Johann Lamont made. I apologise for going on, convener, but that is the real world that we are living in.

I would love to have your card after the meeting, Ms Horsfall.

Denise Horsfall: You can have it, Richard.

Richard Lyle: Thank you.

The Convener: To be fair, I think that Mr Lyle's broader issue is more of a policy question but, if any member of the panel wants to attempt to answer it, that is fine.

Caitriona McAuley: I will give it a go. Local authorities apply certain criteria when we support people into work. Although the approach is not uniform across all 32 local authorities, generally, if we are providing financial support to an employer to take someone on, we ask that that creates a genuine new opportunity and that no one is displaced out of a job. We also ask that the person should be an employee. Sometimes, small businesses ask for a person to be self-employed, but we would not support that—the person has to be an employee of the company. There must also be a minimum of 16 hours a week on offer. Therefore, we apply a level of guarantee.

There are cost implications for employers in guaranteeing those hours. Even for local authorities, which might have banks of staff who do not have minimum-hours contracts, introducing such a measure in legislation could have a cost

implication. However, on a delivery level, we operate a minimum of 16 hours.

The Convener: We are almost at the end of our time. We have one more question from Chic Brodie.

Chic Brodie: I have listened with interest and I have previously met 80 per cent of the panel. Gordon McGuinness mentioned four programmes and we have talked about various organisations. Do you agree that the landscape of who is doing what on work accessibility and job quality seems to be very cluttered? If so, how would you resolve that?

Charlotte Wright: Because the strategic and policy position on the issue is emerging, it is perhaps not as clear as it might be. Following the findings of the committee and those of the convention, those who are round the table can see whether anything needs to be changed in the roles that we carry out.

Gordon McGuinness: A lot of work is often done behind the scenes. Charlotte Wright mentioned the ScotGrad programme, which SDS, the universities, Scottish Enterprise and HIE are all part of a management group for.

As for our own activities, we have modern apprenticeships and the employability fund, which supports people who are unemployed and furthest away from the labour market. The procurement for that involves a co-decision-making process with each of the local authorities' local employability partnerships and it involves community planning partnerships. There is a structure.

I mentioned the consultation document on the work programme and work choices. I was always frustrated by the fact that many people in the system in the DWP environment had a policy agenda from down south that was often detached from the social inclusion agenda north of the border, with the result that there was a lack of harmonisation or alignment of services. The work that Caitriona McAuley and others did in North Lanarkshire—our programmes were used as a core, and then discretionary support from local authorities was bolted on—probably came closest to achieving that harmonisation.

Could the landscape be improved? Things can always be improved. It is better than it was. Whatever shape the work programme takes north of the border, I think that, by working with local authorities and the Government, in conjunction with the DWP, we can come up with better products. I understand that there will still be an element of conditionality when people come into the labour market.

Caitriona McAuley: Local authorities definitely recognise the challenges that are involved in

working with two Governments and a number of national agencies, which we see played out at local level. We would always argue that the decisions in this area need to be determined and are best delivered at a local level. We need to have the partnership approach that local authorities want to have so that we can design services and deliver products that are best suited to what the local labour market and local communities need.

Johann Lamont: We have talked about the extent to which your agencies try to encourage good behaviour among the employers that you work with. To what extent should your agencies be role models as employers? You might be aware of the Public and Commercial Services Union's campaign. Pay negotiations are a separate matter but, as part of that campaign, PCS has produced testimonies about people's experience of low pay, lack of progression and so on in their workplace. What work do your agencies do to live up to the notion of what fair work is, both by being fair to those you employ and by acting as a model for employers in business more generally?

Charlotte Wright: That is a really good point. As a public agency, we recognise that we need to play that role. We pay above the living wage. We have looked at what we do in supporting youth, and we have received the investors in young people award. We support graduates and graduate placements, and we have found that massively beneficial to the organisation. We have also examined our procurement to make sure that it is living-wage compliant. I absolutely agree that we must practise what we preach.

Jane Martin: I echo that. It is important that we are seen as exemplars. Like HIE, we have received a double tick for our employment practices. We are a living wage-accredited employer. We are looking at our procurement practices to ensure that our suppliers are doing the same kind of stuff. We focus a lot on employee engagement. Every two years, we follow the great-place-to-work survey that *The Sunday Times* carries out, which involves being benchmarked against not just other public sector partners but the best employers in the private sector. We are serious about this, and it is important that we are seen as exemplars.

Gordon McGuinness: We received living wage employer recognition from the living wage coalition earlier in the year, and we have achieved the investors in young people standard. We have a heavy programme of engagement with modern apprentices and interns and, through our employer services team, we offer a service through which we share with other public sector agencies that practice and provide support, particularly on apprenticeships. We have been doing a good

piece of work in partnership with the national health service as well, so there are plenty of examples that we can point to and share with others.

Johann Lamont: Would you be open to reflecting on the testimonies that I mentioned, which perhaps tell a slightly different story from a very individual perspective?

Gordon McGuinness: Absolutely. If there is stuff out there that is relevant to Skills Development Scotland, of course we will do that.

The Convener: That is immaculate timing—that takes us to 12 noon. On the committee's behalf, I thank all the panellists for coming along and contributing. The discussion has been useful.

12:00

Meeting continued in private until 12:11.

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