



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Economy, Jobs and Fair Work Committee

**Tuesday 1 May 2018**

**Session 5**



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**ECONOMY, JOBS AND FAIR WORK COMMITTEE**  
**15<sup>th</sup> Meeting 2018, Session 5**

**CONVENER**

\*Gordon Lindhurst (Lothian) (Con)

**DEPUTY CONVENER**

\*John Mason (Glasgow Shettleston) (SNP)

**COMMITTEE MEMBERS**

Jackie Baillie (Dumbarton) (Lab)  
\*Colin Beattie (Midlothian North and Musselburgh) (SNP)  
\*Kezia Dugdale (Lothian) (Lab)  
\*Jamie Halcro Johnston (Highlands and Islands) (Con)  
\*Dean Lockhart (Mid Scotland and Fife) (Con)  
\*Gordon MacDonald (Edinburgh Pentlands) (SNP)  
\*Fulton MacGregor (Coatbridge and Chryston) (SNP)  
\*Gillian Martin (Aberdeenshire East) (SNP)  
Andy Wightman (Lothian) (Green)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Keith Brown (Cabinet Secretary for Economy, Jobs and Fair Work)  
Gary Gillespie (Scottish Government)  
Carol Tannahill (Scottish Government)

**CLERK TO THE COMMITTEE**

Alison Walker

**LOCATION**

The Adam Smith Room (CR5)



**Scottish Parliament**  
**Economy, Jobs and Fair Work**  
**Committee**

*Tuesday 1 May 2018*

*[The Convener opened the meeting at 09:30]*

**Interests**

**The Convener (Gordon Lindhurst):** Good morning and welcome to the 15th meeting in 2018 of the Economy, Jobs and Fair Work Committee. We have received apologies from committee members Jackie Baillie and Andy Wightman.

I welcome to the committee Fulton MacGregor and, under agenda item 1, invite him to declare any relevant interests.

**Fulton MacGregor (Coatbridge and Chryston) (SNP):** Thank you, convener. I have no relevant interests to declare.

**Decision on Taking Business in**  
**Private**

09:31

**The Convener:** Agenda item 2 is for the committee to decide whether to take in private items 5 and 6. Do members agree to take those items in private?

**Members** *indicated agreement.*

## Witness Expenses

09:31

**The Convener:** Agenda item 3 is for the committee to decide whether to delegate to the convener responsibility to arrange payment of witness expenses arising from our inquiries on bank branch closures and European structural and investment funds. Does the committee agree to delegate that responsibility to me?

**Members** *indicated agreement.*

## National Performance Framework

09:32

**The Convener:** Agenda item 4 is consideration of the national performance framework. I welcome our three witnesses, who are Keith Brown, the Cabinet Secretary for Economy, Jobs and Fair Work and, from the Scottish Government, Gary Gillespie, who is the chief economist, and Carol Tannahill, who is the chief social policy adviser.

Cabinet secretary, what evaluation has there been of the national performance framework over the past decade? Have there been any reviews on, or has any consideration been given to, improvements in how economic development and public policy are delivered? I want to know about specific improvements that have been made.

**Keith Brown (Cabinet Secretary for Economy, Jobs and Fair Work):** Yes—there have been two light-touch reviews. However, I was going to make comments by way of an opening statement. Would it be possible to do that, convener?

**The Convener:** Certainly. If you want to do that first, and then come on to my question, please do so.

**Keith Brown:** First of all, as you mentioned, convener, it is 10 years since the national performance framework was launched. It sets out a vision of national wellbeing for Scotland and charts progress towards that vision through a range of social, environmental and economic indicators.

Over the past 10 years, a considerable amount of change has occurred, and we recognise that it is time to update the performance framework. We have consulted widely with citizens of Scotland and asked them about the kind of country that we want to be. The result of that conversation is the proposed framework that I am here to discuss.

Some elements will stay the same. For example, progress on the national outcomes will continue to be available to everyone through our Scotland performs website, and some of the indicators that were present in the 2007 version will remain in the NPF.

However, there have been significant changes and improvements. The refresh has resulted in a streamlined NPF that illustrates clearer alignment and tracking with the United Nations' sustainable development goals. We have also reviewed the purpose statement and included 11 national outcomes with 79 indicators. We have introduced new indicators on gender balance, child wellbeing and happiness, and contractually secure work. Our aim was that the revised outcomes would not

only reflect current strategies and policies, but reflect what matters to stakeholders—hence the extended consultation.

“Scotland’s Economic Strategy”, which we published in 2015, set out the goal of achieving inclusive growth, and was supported by two mutually reinforcing pillars: boosting competitiveness and tackling inequality. We have also recognised that there is an economic case for many of our key social interventions—which goes back to the convener’s question about specific changes that have taken place over the years—such as tackling poverty, increasing attainment in schools and significantly increasing childcare provision. The refreshed NPF sees the purpose of the Government move in line with that vision. In addition to focusing on opportunities for all to flourish through sustainable economic growth, the updated purpose at the heart of our refreshed NPF acknowledges the importance of wellbeing and ensures that growth is inclusive.

The ambition of Scotland’s economic strategy is captured in the national outcomes and their indicators. They include the two outcomes that are linked directly to my portfolio, which we will discuss today, and other outcomes, including that

“We live in communities that are inclusive, empowered, resilient and safe”.

That now includes an additional indicator on social capital, which we know is important for supporting people in all aspects of life, including employment.

Part of the economic strategy is to encourage progressive employment practices and the promotion of fair work. We see our trade unions as partners that have an important contribution to make to our strategy, so I welcome the inclusion of a new indicator on the employee voice in workplaces, which sits under the outcome that

“We have thriving and innovative businesses, with quality jobs and fair work for everyone”.

It is important to note that the work does not mean that there have been wholesale changes to the framework. For example, a key part of our approach is to support the living wage. That will continue to be a key focus, as evidenced by the indicator that employees should be paid the living wage being retained under the same national outcome. Changes and new indicators reflect the consultation process. They also reflect our changed view, based on our experience over the past number of years, which is what the convener asked about.

The other national outcome that is directly related to my portfolio is that

“We have a globally competitive, entrepreneurial, inclusive and sustainable economy”.

That includes indicators on innovation and research and development, as well as overall income inequality, and measures that reflect our commitment to environmental sustainability. By aligning the whole public sector around the process, we hope that we can deliver lasting collaboration and partnership working.

The NPF also provides a transparent mechanism to monitor the performance of Scotland across a range of outcomes. I welcome the views of the committee and individual members on the updated framework for my portfolio. I know that the committee is interested, of course, in measurement and performance of the economy across a range of measures. I highlight, for instance, that our focus on inclusive growth has helped to achieve considerable results.

Scotland currently outperforms the United Kingdom in terms of dealing with income inequality, and in female and youth labour-market measures. Scotland remains the best-performing of all four UK countries, with the highest proportion of employees being paid the living wage or more. Between 2007 and 2016, Scotland’s productivity growth was higher than that of any other country or region of the UK, including London. I am also pleased to see additional indicators in the updated NPF that reflect the breadth of my portfolio.

In addition to changes that have happened over the past 10 years through the two reviews, the committee will have seen the appointment of a minister with specific responsibility for youth and female unemployment—there have been other ministerial appointments—as well as initiatives in the economic area, such as the growth scheme and many others. Those things have been done in response to our ambition to achieve the outcomes that were set out in the original NPF. It is also true to say that the changes that we are now proposing are reflective of our experience.

**Gary Gillespie (Scottish Government):** The convener asked about a review. A review of the framework is being undertaken at the moment by the Organisation for Economic Co-operation and Development, which is looking at the impact of the framework over the past 10 years. It is currently interviewing stakeholders and will report in June.

**The Convener:** The cabinet secretary mentioned a number of specifics. In passing, you mentioned education. Has education performance been monitored? What has been the result of that?

**Keith Brown:** There has been a huge focus on attainment generally, but I would not say that that focus has necessarily come about directly from the different parts of the previous NPF that relate to my portfolio. However, there have been changes in relation to skills, education—particularly further

education—and vocational training. There has been a huge expansion in the number of modern apprenticeships, for example, and there has been regionalisation of the colleges. There have been substantial changes that are linked to the very high level of youth unemployment that we had in 2011-12 in particular, in common with the rest of Europe. Some of the changes were deliberately designed to help us to achieve outcomes in the previous NPF.

**Fulton MacGregor:** Will there be any areas of conflict in the new NPF?

**Keith Brown:** That is always possible. The design of the NPF and the consultation process acknowledge that stakeholders have different priorities. From my reading of the outcomes—I am most concerned with the two that I mentioned—I do not think that there is any in-built tension.

At another committee, there was a debate about whether sustainable economic growth contains an inherent tension between sustainability and growth. In my view it is possible, not least because of announcements that have just made on low carbon and the environmental policies of the Government and Parliament, to achieve both growth and sustainability, and not just in the narrow sense of environmental sustainability, but in terms of a more sustainable society.

There may be perceived tensions, but when we put the NPF together and listened to stakeholders, we tried to make the outcomes as consistent with each other as possible.

**Fulton MacGregor:** You have answered the second part of my question. Will the Government continue to monitor for tension or conflict and react appropriately?

**Keith Brown:** Yes. Tension can be productive at times, if it leads to discussion about how to achieve growth properly, which is a big challenge for Scotland and the UK, at the same time as looking after sustainability.

As I have mentioned before at this committee, economic growth of, say, 10 per cent could be achieved in a way that touched only 5 per cent of the population. That would not be inclusive economic growth.

Similarly, on sustainability, high levels of growth could be achieved by maximising job opportunities in industries that are environmentally damaging, so there is a tension there. Our ability to achieve what we are setting out in the NPF, which is

“sustainable and inclusive economic growth”

will be challenged by the various stakeholders, who have differing priorities. We will keep that under review and look forward to the process. The process that the Government is involved in with

the committees across Parliament will be useful in helping to inform the debate.

**Gillian Martin (Aberdeenshire East) (SNP):** During the recent consultation, which stakeholders did you engage with? I imagine that you engaged with a range of people in the business sector, but what engagement was there with groups outside front-line employment—the third sector, community groups and education interests?

**Keith Brown:** The consultation was wide-ranging. On the first part of Gillian Martin’s question, we had a second think on business engagement and spoke twice to the Scottish Council for Development and Industry and the Confederation of British Industry Scotland to make sure that we got full input from the business community. As the committee will know, the Government and Parliament regularly engage with the big six in particular, but we wanted to go back and check.

I was not directly involved in the mechanics of the consultation, which was handled by Derek Mackay’s portfolio, but Carol Tannahill was, so she can answer that part of the question.

**Carol Tannahill (Scottish Government):** The consultation had a number of parts, as the committee will be aware. The workshops that were held specifically on indicators attracted good attendance, in particular from the third sector and the public sector. A wide range of organisations were invited to the workshops on outcomes in which they have specific interest: a number of organisations have interests in a range of outcomes.

There is a full report on the consultation; if the committee has not seen it, we can provide the detail of all the organisations. I am confident that we had good representation from across all sectors.

In addition to the workshops, the refresh used information from the healthier Scotland and fairer Scotland consultations, which were significant and reached tens of thousands of people. We built on those consultations, rather than repeat the process. Individual organisations were also able to make submissions. From my perspective, the consultation offered a full set of opportunities for organisations to contribute to the process. We should be confident that the outcomes reflect the views of a broad cross-section of Scottish society about the sort of country we want to live in.

09:45

**Gillian Martin:** We talked about how youth unemployment is no longer the problem that it was. Did the consultation identify sections of society that are not reaching their full potential,



and did it give you a focus on what the issues are, these days?

**Carol Tannahill:** Issues about inequality in outcomes came through really strongly across all the outcomes. It is now integral to the framework that indicators across all the outcome domains are reported on and broken down according to protected characteristics and, as much as possible, by geography, so that we can keep a close eye on what is happening to the gaps over time, as well as on the aggregate performance of individual indicators. That message came out very clearly from the consultation process.

**Gillian Martin:** The new focuses on gender balance, well-being and secure work jumped out at me from Mr Brown's statement. Many of the powers that could tackle those issues are still reserved—I am thinking particularly of employment law. Does the framework take into account such constraints? How are you dealing with that dichotomy?

**Keith Brown:** At the higher level, the framework is intended to be an all-Scotland—not just Government and public agency—statement of ambition. We acknowledge that we do not, as Gillian Martin said, hold all the levers. In a recent exchange in the House of Commons, the Secretary of State for Business, Energy and Industrial Strategy, Greg Clark, was asked whether he accepts responsibility for growth in the economies of the nations of the UK and he said that he does. That underlines that there are two Governments involved in the economy, and that we do not have control of all the levers.

We also do not have full control over employee rights. One of the major changes in this iteration of the NPF is the emphasis on fair work and the employee voice—we have had a substantial response from the Scottish Trades Union Congress on those issues. It is interesting to note that five years ago, the issues were youth unemployment and unemployment among women, but now the issues are equality in the workplace and gender equality. We will still report on those issues in the labour-market statistics, but other things, including the ability of employees to make their voices heard and whether work is fair—we have seen issues around blacklisting and insecure work, for example—are taken into account.

We recognise the moral jeopardy of establishing a target that we—or, indeed, everyone in Scotland—cannot achieve by ourselves because we have to rely on other agencies, including the UK Government. We have tried to reflect that in the two outcomes that apply to the committee's portfolio, and in the indicators. This iteration of the NPF is perhaps more subtle than the one from 10 years ago.

**Gillian Martin:** I suppose that is why the alignment of economy goals with the goals of your colleagues' portfolios is important. Can you give me an overview of how alive the sustainable development goals are in other areas of Government?

**Keith Brown:** The sustainable development goals have been taken into account in establishing all the indicators; they have been taken into account both in the outcomes that we have mentioned and those that relate to the economy. There has been a lot of discussion on that.

We were one of the first countries to say that we were taking into account sustainable development goals. Once we have had feedback from the Parliament and its committees, we intend to ensure that we fully acknowledge the UN sustainable development goals as a fundamental building block of the framework, when it is properly launched.

As for examples of cross-portfolio working, some of the goals around sustainability, and in particular environmental sustainability, are incorporated in our push towards a low-carbon economy, including our support for electric vehicles and hybrid buses, which has been substantial over the years.

That crossover happens in a number of areas. More broadly, if we look at people being happy in the workplace and whether they are participating and have the ability to participate without fear, we see that that crosses over to the health and wellbeing side of things.

Those are the initial examples that I can think of. Gary Gillespie or Carol Tannahill might want to add to them.

**Carol Tannahill:** I do not have much to add to what Mr Brown has said, other than that we have aligned a number of sustainable development goal indicators to several of our outcomes. Another one is gender equality, which we see as being very important in relation to the educational outcome, the communities outcome, the health outcome and others.

We will report on the sustainable development goal indicators that we have identified as being particularly relevant to Scotland's national performance framework at the same time that we report on our own NPF indicators. That should help us to achieve the sort of integration that you are asking about.

Because it is a whole framework, we are not reporting on individual things in isolation. Anybody who looks at it should be able to see the whole package, including where those relationships that we all want to have in place are or are not working

as well as possible. When they are not, we should look to reprioritise in the light of that information.

**Gillian Martin:** I guess that it is very difficult to measure wellbeing as such, and that is one of your goals. How can you possibly measure an improvement in wellbeing?

**Carol Tannahill:** There are a number of wellbeing frameworks. The OECD framework is the most widely used and has a range of indicators, and the way that it measures wellbeing relates very strongly to the economy. There are a number of ways that we measure wellbeing, but we will look at population wellbeing in terms of the totality of the indicators that we have in our NPF.

**Keith Brown:** The chief statistician has a responsibility to go away and look at how the indicators are best used. We are still in the process of working through how we can say that we are achieving against many of the indicators and how we measure that over time. That will appear on the Scotland performs website. Statisticians do things, such as looking at protected characteristics, that make each indicator as robust as possible.

I come back to the point about wellbeing in my portfolio. Participation at work, gender equality and equality more generally, for example, are factors that contribute towards a sense of wellbeing.

**Colin Beattie (Midlothian North and Musselburgh) (SNP):** How will the Scottish Government track and report on progress toward the sustainable development goals?

**Keith Brown:** The progress that we track—which is happening pretty much now for the NPF—will be published on Scotland performs. Anybody will be able to go to that website and see how we are achieving against the indicators, notwithstanding what I have just said about the workstreams that we have.

The sustainable development goals are often expressed in the same way as the outcomes and the indicators that we have laid out. The way to see whether the SDGs are being achieved is through looking at Scotland performs. The fact that we have taken into account the sustainable development goals in the NPF will contribute to the achievement of those SDGs. Carol Tannahill may have more to say about that.

**Carol Tannahill:** We are also continuing to work with the Office of National Statistics on how we monitor the SDG indicators. As you are aware, there are a lot of them. Some of them do not particularly apply to Scotland and others are very specific—they might be about levels of malaria or HIV. Those are things that we can report on, but we have not put them in our overall national

performance framework because they are so specific.

Our reporting on things that relate to our NPF will be on Scotland performs and in the annual statement that we produce when the budget is proposed. We also link in with ONS on reporting on the wider set of indicators.

**Colin Beattie:** I have been on other committees that have talked about the weakness of the data that comes forward and how uncertain it is. I am a newbie on this committee, but I have seen that weakness and uncertainty in relation to data on gross domestic product and all sorts of other things, on which a lot of extrapolations and assumptions are made. How robust is the data that is coming out, and can we really rely on it?

**Keith Brown:** Well, that depends on which data sets you are talking about. However, you make a very good point in relation to the economic data, into which this committee has just had a very substantial investigation. We acknowledge—and, indeed, have offered up the fact—that some of the data is not as we would wish it to be. For example, I think that I am right in saying that Scotland's export figures for 2017 will not come out until next year.

**Gary Gillespie:** They will come out in January.

**Keith Brown:** It will be January next year, because we have to wait until the last input, which is energy data from the UK Government, is available before we are able to produce that set of data. Producing data in 2019 for exports in 2017 is less than ideal, in my view. I know that the committee has looked at that.

There is also data in relation to how robust and timeous the labour market survey is, which the committee has examined. Through the Strategic Board for Enterprise and Skills, we have established an analytical unit that is headed by Stephen Boyle, who is on secondment from the Royal Bank of Scotland, to see how we can look at more rounded and relevant data. Currently, we get much of that from the ONS, but the process that we are going through is to ask whether we should do some of it ourselves—as Northern Ireland does in many cases, because of its business surveys being compulsory—or ask the ONS to change the basis on which it produces its data.

In the labour market surveys, we already have data on a number of the new indicators such as gender, underemployment and many others. That is probably true across most of the indicators that we have here. However, Colin Beattie raised a valid point: we have to make sure that the data on which we base decisions is as robust and as relevant as it can be. We are well aware of that—as I think the committee is.

**Colin Beattie:** On a slightly different point, why are particular sustainable development goals shown under some national outcomes and not others? I have some examples here. Under the economy outcome, goal 1, which is to end poverty, is not included, but goal 10, which is to reduce inequality, is. Goal 12, which is to ensure sustainable consumption and production, is included, but the previous national outcome has been dropped. Why is that?

**Keith Brown:** Each one has been looked at on its merits. Some of those goals will relate to other portfolios, but, in relation to mine, the feedback that we had from stakeholders was about what was the most relevant measure to have and what was not covered elsewhere. I would say that part of the process that we are going through—and this is true of all other cabinet secretaries as well—is to find out what the Parliament's views are, so I am more than willing to listen to suggestions if there are issues about how well covered elements of the indicators are. Carol Tannahill might want to come back on the particular examples that have been raised.

**Carol Tannahill:** I would simply restate what the cabinet secretary said. What is included is what seemed to be the best fit on the basis of what we heard in the consultation, but we recognise that some goals could sit in other places. If the committee feels that there are important omissions or that goals are sitting in the wrong place, please tell us. We would be very grateful for that feedback.

**Dean Lockhart (Mid Scotland and Fife) (Con):** Good morning, cabinet secretary. My first question will be on purpose targets, before I move on to the new national indicators.

The Government's national performance framework has been supported by 11 purpose targets, seven of which relate to the economy. During the committee's inquiry into Scotland's economic performance, we have heard evidence—including from Nora Senior, who is head of the Strategic Board for Enterprise and Skills—that, in the board's interim report in February 2018, it identified a number of performance gaps between what is happening in the economy and the purpose targets. Those areas include productivity—in which there is a shortfall of 27 per cent against the purpose target—and others, including internationalisation, investment and inclusive growth, in which Scotland's economy has failed to match the purpose target of reaching UK levels of growth over the past 10 years. My first question is: did you agree with the strategic board on the performance gaps that it has identified with regard to the purpose targets?

10:00

**Keith Brown:** Some of the examples that you have raised are borne out by the figures, which I am not challenging. However, there are different measures, and you mentioned economic growth. In a recent quarter, our economy substantially outperformed the UK economy, although that has not been sustained as a pattern. We heard this week that economic growth in the UK is 0.1 per cent; when that has been the level in Scotland, it has drawn extreme criticism from you, but I have not noticed that criticism in relation to the UK Government's performance.

Our level of economic growth reflects two factors in particular: oil and gas and Brexit. The purpose targets were established back in 2007, but I think that we all acknowledge that since then there has been a substantial change in the global economy, which includes the UK's economy. We have had to deal with what has been described as the worst recession in living memory. We have also had the downturn in oil and gas and we have had Brexit, which is now weighing substantially on the UK economy. There is no question that those aspects have affected the Scottish economy, although other things might have affected it as well. However, we have substantially exceeded what the UK has done in productivity growth. I accept that we have not reached the level in the purpose target, but the level of activity growth in Scotland is about three times that in the rest of the UK.

With regard to the living wage, we do not have the legal ability to impose that, but we have the highest level of all four UK nations with regard to people taking up or being paid the living wage. We also have a lower level of female unemployment and a good level of youth employment. In addition, for 13 of the past 14 periods, Scotland's unemployment rate has been the same as or less than the UK level, which is a substantial achievement.

I have therefore no doubt that the figures are varied and that, in some cases, we have not met the targets, but there have been substantial external factors involved in that.

**Dean Lockhart:** Thank you. For the avoidance of doubt, I point out that the strategic board identified gaps in all four of the core target areas. However, I will move on to national indicators. My understanding is that national indicators will replace purpose targets with respect to monitoring and tracking the performance of the economy. Will we see the same specific targets, be they time-measured or percentage targets, in the new national indicators? The enterprise and skills review focused on hard alignment and evidence-based policy, and the Audit Scotland report on the enterprise agencies focused on the ability to

measure the impact of policy. Will the new national indicators set out specific targets in the same way as the purpose targets did with respect to, for example, productivity and economic growth?

**Keith Brown:** It would be useful to hear Gary Gillespie's take on this, but there are two different things going on here. First, there was the enterprise and skills review, which you are right in saying was partly designed to ensure that the strategic board was able to examine and change the nature, extent and relevance of the economic statistics on which decisions are based. We established the analytical unit to ensure that economic decisions are based on evidence. However, the national indicators have a different purpose and, except for the climate change indicator, will have no targets. The rest of the national indicators are indications of where we want to go. Our achievement in that regard can be examined by reference to the Scotland performs website. I do not think that any of the information that we currently provide, such as the labour market statistics, will be used. However, all that information will continue to be there so that people can make judgments about it. We will judge our ability to achieve the indicators on the basis of the Scotland performs website and the data that we currently have. I think that that gives us some security about knowing whether we are going in the right direction. I do not know whether Gary Gillespie wants to add anything.

**Gary Gillespie:** I have just a couple of points. Scotland's economic strategy set out the Government's ambition to be in the top quartile for productivity in the OECD and in the top quartile for wellbeing and sustainability. The national performance framework is now starting to get into the issues around how we measure wellbeing. The initial Scottish economic strategy had the OECD's better life index as a potential measure for wellbeing. In a sense, we are seeing a continuation of the initial targets, but they are now reframed in the NPF.

Mr Lockhart mentioned Nora Senior and the work that was done for the strategic board. Essentially, she reported on how Scotland compared to the top quartile countries across a range of measures, including investment, R and D, enterprise, skills, innovation and so on. It was interesting to see from the analysis that Scotland is green in some of those areas; for example, it is in the first quartile for skills and innovative enterprises. It is lower down on the number of high-growth enterprises and businesses and on investment, but the interesting point is that a country does not have to be green in all areas to reach the top quartile. In a sense, the gap analysis was early work to inform the strategic board's strategic plan and prioritisation for the whole system. It is important to view it in that context.

The new NPF does not have time-specific commitments, because it is about continuous improvement.

**Dean Lockhart:** During the inquiry, we have heard that inclusive growth means different things to different people. Cabinet secretary, you said yourself that there is work still to be done to define what inclusive growth means and to move from a subjective definition to a more objective one. If we move from having specific national purpose targets with hard measurements that can be tracked to less-focused national indicators that do not give time-specific targets, how can we measure the impact of policy? How can we say that the four Is are working in a particular area if we are not tracking and measuring the impact of the policies over a time-specific horizon?

**Keith Brown:** There is nothing to stop us doing assessments of the extent to which we are achieving economic targets. We have been public about that. We will still have that ability and that information. In addition, the current indicators will be available for a further year and, as I have already said, we are more than willing to listen to any suggestions that from parliamentary committees—or the Parliament as a whole—on how to look at.

Dean Lockhart is right to say that we must ensure that everyone shares the same definition of inclusive growth. Our definition is:

“Growth that combines increased prosperity with greater equity; that creates opportunities for all and distributes the dividends of increased prosperity fairly.”

If I were asked—I think that I have been previously asked at this committee—to give my version of it, it might not have exactly the same words, but it would have the same points about distribution, equity and fairness, which are fundamental to inclusive growth. I think that there is a common understanding of what inclusive growth seeks to achieve.

On the substantive point, all the information that is currently available will continue to be available. Much of that information is not produced by us, but the information that we produce will still be there. The Scotland performs website is key in that. It is open and anyone can go into the information to track it and see whether things are improving.

I am sure that Dean Lockhart will be keen to know that the strategic board will maintain its ability to set targets, to judge how the economy is performing and how it needs to improve, and to instigate changes to economic data if that is relevant. There is no shortage of data to allow us to know in which direction we are going and whether things are improving.

**Dean Lockhart:** Do you still retain the ambition for Scotland to reach the first quartile of OECD countries in terms of productivity?

**Keith Brown:** We are always ambitious for Scotland. I have previously explained some of the global factors as well as the local ones, if you can describe Brexit or what has happened with oil and gas as local factors. We know that those are challenges and we have seen improvement in exports, productivity and so on. Most people concede that the ability to achieve that improvement has been impacted by a substantial recession, the fall-off in oil and gas and the fact that we are not the only Government involved. I know that Dean Lockhart is not keen to concede this, but the UK Government has explicitly conceded that it has responsibility for growth in the economies of all the nations of the UK. I make the point that we are not the only actors or even the only Government in the process, so we have to influence the things that we can influence and others have to play their part, too.

**Jamie Halcro Johnston (Highlands and Islands) (Con):** Good morning, cabinet secretary. We have covered this issue a little bit already, but what role did the enterprise agencies and the strategic board have in developing the new outcomes and indicators?

**Keith Brown:** The individual agencies had more of a role than the strategic board, simply because the board met for the first time last December, which is when it became involved. Each of the agencies were involved in the development process and had been working towards delivering some of the measures for a number of years. The strategic board has subsequently discussed the measures, but it was not involved in the development part of the process. Nevertheless, the strategic board comprises, in large part, representatives from the enterprise and other agencies who have themselves been involved in the work.

Do you want to add anything on the agencies, Gary?

**Gary Gillespie:** As I have mentioned, the NPF follows Scotland's economic strategy. Since 2015, we have been working with all the enterprise agencies to discuss how we incorporate and measure inclusive growth and develop frameworks for that. Some of that work is now in the NPF, so, in that sense, they have been involved. There was also discussion of outcomes in phases 1 and 2 of the enterprise and skills review. Perhaps, as Mr Brown said, the establishment of the board was a bit late for it to be part of the formal consultation, but the people around the board table certainly have been involved to that extent.

**Jamie Halcro Johnston:** They have had considerable involvement. Does that level of involvement in designing their own performance measures run the risk that they set their own standards?

**Keith Brown:** No, I do not think that anything in the discussion that we have had with the agencies has involved changing, for example, the data that we collect. In some cases, they are responsible for collecting data—I understand that point—but there is no sense of their writing their own report card, if that is what is being suggested, or even of their writing the criteria by which they will be judged. The benefit of there being a strategic board is that, were an agency tempted to do that, it would undermine the work of the other agencies, so there is less likelihood of that happening.

The measures are objectively assessed. The Carnegie Trust and Oxfam have been involved in that process. Furthermore, the measures will continue to be judged against international criteria. We have had substantial and encouraging feedback—from Joseph Stiglitz and others—about how we have gone about this work, and we will be judged on it in the future, too.

I remind members that the chief statistician is entirely independent in his ability to say what statistics are gathered and what their relevance is. I do not think that what you have asked about has happened.

**Jamie Halcro Johnston:** Is it the strategic board or the Scottish Government that is accountable for holding the enterprise and skills agencies to their performance measures?

**Keith Brown:** The Scottish Government, through ministers, is responsible for the enterprise agencies and their performance. The strategic board will seek to make sure that they are more effective and aligned to a much greater extent than they have been previously.

**Jamie Halcro Johnston:** Nora Senior told the committee:

“The strategic board does not have any input to the agencies' operational plans, but we can review them and measure the outcomes.”—[*Official Report, Economy, Jobs and Fair Work Committee*, 27 February 2018; c 13.]

How can the board hold the enterprise bodies to account in that regard?

**Keith Brown:** As was said, that happens through reviewing and measuring the outcomes.

I will comment on what happens at the practical level. When the strategic board has a discussion about, for example, the performance of Highlands and Islands Enterprise, which is relevant to your region, the HIE chairperson will be involved in that discussion. The line of accountability is through the individual minister, who provides a letter of

guidance to the agency involved, and, of course, taxpayers' money goes to those agencies.

The purpose of the strategic board is to see the extent to which the agencies are working together and aligning what they are doing. I will try to give a concrete example. If the strategic board considered that the economy required more graduate apprenticeships as opposed to something else, it could raise, propose and discuss that measure with the different agencies that are part of the board's membership. However, in the final analysis, the Government and the taxpayer provide the funds, so the Government is responsible and accountable for the performance of the individual agencies.

**John Mason (Glasgow Shettleston) (SNP):** I will continue that line of questioning. Sometimes, in the past, there has been a feeling that the enterprise agencies are totally focused on bringing in businesses or creating jobs. That is what they are there for, and we all support that. However, when we conducted the gender pay gap review, there was a feeling that they were not always focused on getting in more businesses run by women, for example, or considering whether the gap between the top and bottom pay is wide, narrow or whatever. Will the review of the national performance framework and related issues help them to take that wider view?

10:15

**Keith Brown:** I think that it will, through some of the indicators. However, the agencies are already on that journey. To be fair to Scottish Development International, it will be judged in any event—and not just because that is how it wants to be judged—on the number of jobs and projects that it brings in and, at least, the amount of money that comes in through inward investment. For some time, SDI has been taking a more holistic approach and has been considering the quality of the jobs, whether they are sustainable and whether they address things such as the fair work criteria. For a number of years, Scottish Enterprise has been undertaking initiatives in relation to women's employment, on issues such as women entrepreneurs. Also, the statistics that we produce are much more relevant to those issues than they were previously.

That has been happening up to now, but the indicators and outcomes that we want to agree will be a big signpost to the agencies that the issue is not just about particular pressures in the economy. For example, I mentioned the high level of female unemployment in 2011-12, which we had a response to. However, the indicators are not a temporary thing; they set out what a fair and inclusive economy looks like to us. I think that that

helps the agencies on a journey that they are already on.

**Kezia Dugdale (Lothian) (Lab):** You have been in post for around two years now, cabinet secretary. Will you reflect on your relationship with the trade unions over that time, both in crisis situations, when companies such as BiFab have gone into administration, and in more proactive situations in which you have tried to bring jobs to the country? What is the value of trade unions to you?

**Keith Brown:** As a former trade unionist, I think that they are very valuable. They help us to achieve some of the outcomes that we have talked about in relation to employee voice and fairness in the workplace. We value trade unions. In my view, we have a productive working relationship with them through the fair work convention and other fora. Those include the newly established Scottish business growth group, which involves the UK Government and us and which the trade unions were instrumental in setting up.

The trade unions have come back with suggestions on some of the indicators, which we have been happy to accommodate. There are, of course, sometimes creative tensions between the Government and its partners, but our relationship has been very productive. The most obvious recent example is what we were able to achieve in relation to BiFab. One thing that was perhaps not so obvious or talked about in that process was the extremely constructive and positive relationship with the trade unions throughout the process. Actually, it had to be that way, because there is every possibility that, had we not had that constructive relationship, our ability to get to where we eventually got to could have been undermined.

With crisis relationships and on some of the things that we have sought to achieve on fair work, such as the living wage and the business pledge or the broader concept of fair work, we have a very good relationship with the trade unions. The relationship has tensions, but they are mostly creative tensions.

**Kezia Dugdale:** That feedback is hugely encouraging, and I agree whole-heartedly with it. I therefore wonder why you have not referenced trade union membership in the national performance framework indicators but have referred to "employee voice". There is a stark difference between an active trade union industrial policy and a staff association. Are you open to using the terminology "trade union membership" in that indicator?

**Keith Brown:** The information on the take-up of trade union membership will still be available, and there will be an ability to discern whether it goes up or down as a percentage of employees in the

workplace. We will still be able to judge that. The idea of employee voice is partly a result of the discussions that we have had with trade unions. Obviously, we should look at other things such as the ability to have collective bargaining as an indicator of fairness in the workplace. The idea of employee voice is broader than just trade union membership, which is why we have used that.

I do not know whether Gary Gillespie wants to say more about that.

**Gary Gillespie:** The final indicator for that still has to be decided. As Mr Brown said, the issue can be slightly wider than trade union membership. There is the potential to look at the percentage of employees whose pay is affected by collective agreement to try to get a sense of how open and transparent workplaces are on pay setting.

Carol Tannahill might want to add to that.

**Carol Tannahill:** This is one of the areas where we have not tied down the indicators.

**Kezia Dugdale:** The terminology “employee voice” sounds like a singular act of an individual, whereas the whole point of a trade union is that it is a collective action.

**Carol Tannahill:** Absolutely.

**Kezia Dugdale:** The value of that has been borne out over BiFab. You should have a much clearer sense of trade union membership. In other countries that are actively growing their economies, such as in Scandinavia, the level of trade union membership is a key indicator of the health of the economy. We should aspire to that.

If that is on the face of the indicators, what would the role of the Government be in promoting membership of trade unions, particularly in the private sector, where levels of trade union membership are historically lower? How would you encourage more people to join?

**Keith Brown:** We do that through encouragement. Every public statement that the First Minister or I have made on the issue says that, in all sorts of different cases and instances, it is good to have trade unions as active partners in the workplace. It is good for a number of reasons, but it is good for businesses.

If there is a more secure and fairer workplace, in which people feel valued and—not to confuse the two things—that they have a voice that can be heard, that protects them and they do not have to take on issues themselves every time, which is good for business. We have said that consistently.

We have made a number of different statements. Most recently, when we had the bad weather, some employers were not reacting sympathetically to the fact that some employees

were unable to get into work or that, if they had tried to get into work, they would have risked life and limb, and employees were being penalised. Although we do not have the ability to legislate in the area, we put out a very strong statement, after discussion with the trade unions, about what we thought should be the expectations on employers. We were clear about that with public sector employers, too.

At every juncture, and in debates in the Parliament, we have been supportive of trade union membership as a vital part of the economy. We have not had real opposition to that, although I accept that there is much further to go, especially in the private sector, on take-up of trade union membership and recognition of trade unions.

**Kezia Dugdale:** One of the indicators that you plan to withdraw from the system is on underemployment. There is a sense or suggestion that removing the indicator suggests that the Government cares less about the issue. If the Government is no longer measuring underemployment, is it the case that any job will do? How will you ensure that people are fulfilling their capacity in the workplace?

**Keith Brown:** I will ask Gary Gillespie to provide the statistics, but we have seen that underemployment as a percentage has reduced. That is not to say that insecure employment is not a major factor, and we are trying to look at the issue through security of employment and a number of other indicators.

The statistics that contribute to an appreciation of the level of underemployment have a different meaning to the one that they are sometimes perceived to have. They are about people not being able to work as much as they want to, although there are other aspects to underemployment.

There has been growth in interest around the issue of secure work, which is why we are focusing on the issue. The indicator, as it is currently constructed, will be there for at least a year, however, and we are willing to listen to views.

It might be worth Gary Gillespie saying why the indicator has been chosen.

**Gary Gillespie:** The underemployment definition on which we report relates to those in employment who want to work more hours. That was important following the financial crisis, when unemployment was at nearly 9 per cent. People were back in employment but were constrained in the number of hours they worked. Underemployment has now come down from 12 per cent, in 2011-12, to 8 per cent.

Underemployment is still important, but the focus now is on Ms Dugdale's point about the type of jobs that people do. The proposed new measure is on skills utilisation and will look at the extent to which those in the workplace feel that they are in the appropriate job for their skills. That would pick up graduates in low-paid or low-skilled jobs. It is a better quality measure for the type of interaction that people are having with the labour market.

We will still report underemployment in the labour market statistics, which are published monthly. Those national statistics are produced by the ONS and are reported in Scotland. We are not losing the measure—it will still be there.

The NPF will pick up what people tell us are the issues in the labour market: the types of job, tenure of employment and skills utilisation.

**Kezia Dugdale:** A graduate could be in a secure job in a bar but would still not be fulfilling their capacity relative to their degree. Where exactly is skills utilisation on the face of the indicators?

**Gary Gillespie:** Let me show you. It is a new indicator that has been proposed.

**Keith Brown:** While Gary Gillespie is looking for it, it is worth saying that that indicator is not currently picked up but we want to try to achieve that.

**Gary Gillespie:** It is called "Skill underutilisation" and is another measure that came about following consultation with the STUC. In essence, it will try to pick up issues relating to people being overskilled, underqualified or overqualified in work, which I have talked about. There is an ebb and flow of indicators to reflect where we are at a particular point or cycle in the economy and what matters to people.

**Gordon MacDonald (Edinburgh Pentlands) (SNP):** The proposed national outcome on tackling poverty has six new national indicators. Why was it thought necessary to increase the number of indicators?

**Keith Brown:** That partly touches on my portfolio, but some indicators relate to other portfolios. I can only imagine that that came about as a result of the same process that we have gone through in discussions with stakeholders and third sector organisations and that those indicators give the most rounded view of progress. Carol Tannahill would have been involved in that process, and she might know the answer to that question.

**Carol Tannahill:** The message on tackling poverty was one of the really strong messages that came out of the consultation. The number of

indicators reflects that and the importance that the people of Scotland place on tackling poverty.

Gordon MacDonald asked why there are six new indicators. I think that tackling poverty was thought to be underrepresented in the previous iteration of the NPF, and people felt that it is really important that it is strongly represented in the new iteration of the NPF.

**Gordon MacDonald:** The new indicators include "Cost of living", "Unmanageable debt" and "Wealth inequalities". When we were producing our report on economic data earlier in the year, we found that the Scottish sample sizes in UK surveys were pretty small in a number of cases. What data are available to help us to measure the new indicators? Does anything need to be done to address small sample sizes?

**Keith Brown:** I will let my officials respond on the cost of living and the national data relating to that, which we rely on.

On unmanageable debt, it is worth saying that we are taking on new powers on debt advice and that a bill dealing with consumer awareness will go through the Parliament. Depending on what the Government and the Parliament eventually agree, that will allow us to get more detailed information than we currently have. Some of the other aspects are wider than the subjects that my portfolio covers.

Members will be aware that the consumer prices index, which is produced by the UK Government, measures the cost of living. Gordon MacDonald is right to say that there are examples of statistics for which the Scottish sample is quite small and hard to get a real feel for. It is also true that the CPI can be quite different in different parts of the UK—the contrast is not just between Scotland and England but between the north of England and the rest of the UK.

There is no question but that there are sometimes issues with the data that we have. The committee knows that well enough, and it has discussed the matter.

I do not know whether my officials want to add to that.

**Carol Tannahill:** As members will know, there is a range of ways of recording the cost of living. In the past, we have depended quite a lot on Joseph Rowntree Foundation data. The Joseph Rowntree Foundation has just increased its presence in Scotland, and it is increasing its Scotland-level analysis. That will help us, particularly with the cost of living indicator.

The unmanageable debt issue is interesting, and it relates to something that we are very aware of. Some of the data will be more accurately gathered locally, so the relationship with local



government and community planning partnerships will be extremely important in getting a real understanding of how some of the measures are concentrated in different parts of Scotland and in particular population groups. That goes back to the issue of the quality of data that we sometimes cannot get at a national level.

We thought that the indicators were important and that they should be national indicators, but we may depend on different data sources to get a complete picture. Some of them might not be individual indicators. In his introductory remarks, Mr Brown mentioned social capital, and we will present a dashboard of indicators that give us an overall sense of social capital. Some issues, such as the cost of living, might fall into that dashboard approach rather than there being individual measures, because they are multidimensional.

10:30

**Gordon MacDonald:** We have highlighted that poverty indicators are important and that there are various ways in which we will collect the data in order to look at the position in Scotland at any moment in time. However, what levers does the Scottish Government have with which to address those issues? If some of the levers reside with the UK Government, how can we influence the UK Government to address those issues?

**Keith Brown:** Some of the levers that we have include our childcare proposals, which are fundamental to trying to alleviate poverty and will allow people to get into work. Some of our targets will be met through things such as the Child Poverty (Scotland) Act 2017. We have also set out proposals for a progressive income tax policy, which would allocate £179 million to the attainment Scotland fund. We can reduce poverty by improving educational outcomes.

We are taking a wide range of actions on poverty and inequality. We have just passed the Social Security (Scotland) Bill, which is another basis on which we can address inequality. We have also taken on some new employment powers under my portfolio, which have allowed us to do things a bit differently in terms of how we get the people who are furthest away from the employment market back into employment and how we keep them in employment. Those are the levers.

Beyond that, there are other things that we would like to do to influence UK Government policy—whether it is policy on benefits and the impact of universal credit or general economic policy. A big factor is that the UK has dealt with the global recession in a different way from many other countries. The UK Government has gone for austerity, which has had an impact on poverty and

has increased inequality. We will continue to make the case to the UK Government that the austerity path that it has gone down for a number of years is not the right one for the Scottish economy and our attempts to reduce poverty.

**The Convener:** There are no further questions from committee members. I thank the cabinet secretary for coming today.

10:32

*Meeting continued in private until 11:48.*



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