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STATE OF THE FAIR WORK NATION

Dave Hawkey and
Philip Whyte

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IPPR Scotland
5 Rose St
Edinburgh, EH2 2PR
T: +44 (0)131 281 0886
E: info@ippr.org
www.ippr.org/scotland
Registered charity no: 800065 (England and Wales), SC046557 (Scotland)

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ABOUT THE AUTHORS

Dave Hawkey is senior research fellow at IPPR Scotland.

Philip Whyte is director at IPPR Scotland.

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SUMMARY

Fair work is crucial to delivering financial security in Scotland. Without decent pay, secure work, or reliable hours, and without opportunities to progress in work, financial security will be difficult if not impossible to achieve for many.

That is a sentiment backed up not just by research but also public opinion. In an opinion poll commissioned by IPPR Scotland in summer 2022 found, **80 per cent of people felt that fair work has an important role in in ensuring that nobody falls below a reasonable standard of living**.

This places fair work at the heart of delivering financial security, and financial security at the heart of delivering an inclusive economy that prioritises the wellbeing of people – however, for too many people, work is still not a reliable route to financial security.

In response to the work of IPPR Scotland and others in recent years, the Scottish government have made ambitious commitments to work towards our vision for a 'living income' – ensuring an acceptable and dignified standard of living for everyone in Scotland. These have included:

- Delivering a minimum income guarantee (MIG) – an income floor people could be assured of not falling below – with the establishment of a cross-party steering group to lead its development.
- Ensuring the contribution of a universal basic services approach underpins decent living standards. That sees collective services vital to people's living standards provided free, subidised by the state, or delivered through 'social tariffs' by companies for those on the lowest incomes.
- Boosting the role of fair work which provides people with greater job security, flexibility, and pay and conditions.

While, to date, social security has done most of the 'heavy lifting' to increase household incomes and drive down rates of poverty in Scotland – not least through the introduction of the Scottish child payment – as the Scottish government's own tackling child poverty delivery plan recognises, fair work and employment represents one of the most enduring ways to lift people into financial security and secure a Scotland free from poverty.

Recognising the important role of fair work in securing a fairer Scotland, the government has made several key commitments – not least its ambition to become a 'fair work nation' by 2025 (Scottish government 2022a). As part of this plan, the Scottish government has set itself four headline actions. This briefing starts to assess progress against these and, importantly, where further effort is needed if we are to achieve that ambition by 2025 – principally through a prism of pay, given its central role in boosting incomes and bringing people up to a minimum income standard.

In summary, we find the following.

1. **Leading by example:** Evidence shows that workers in the Scottish public sector typically see higher incidences of fair pay and living hours. However, this leadership too often does not follow through into the private sector.

2. **Use of conditionality:** While the government has taken good steps to ensure fair working practices are a core part of the public sector contracting process, our research finds that workers in the sectors most likely to experience low pay and/or precarious work are the least likely to benefit from this.

3. **Supporting employers to embed fair work:** While voluntary schemes have helped to raise the profile of fair work, this has not translated into improved pay and hours for workers across the board. Our research indicates Scottish government fair work policy is making little difference to overall rates of low pay, or discouragement of zero-hours contracts, as compared with the rest of the UK.

4. **Supporting workers to access, remain and progress in fair work:** At the current rates of scale and delivery, Scotland's devolved employability programmes are not delivering the outcomes that are required to ensure work is viable route out of poverty for everyone.

Overall, if the Scottish government is serious about meeting its stated ambition to become a fair work nation – and put that central to its wider commitment to develop a minimum income guarantee – the evidence points to a need to go further, faster. That is especially true in ensuring that people receive fair pay and secure hours – however, this is also where the government experiences some of the most significant policy reservations under the current devolution settlement.

On that basis, **to address those twin challenges requires:**

- More intensive engagement between government and business to drive this agenda forward – using the leadership shown by government, together with clear expectations and requirements on businesses, to ensure progress.

- Increased opportunities to employ more of a 'carrot and stick' approach – where both are used – under wider powers, not least fiscal measures.

- Perhaps most pressingly, a need to revisit the powers available to the Scottish parliament to deliver more meaningful reform.

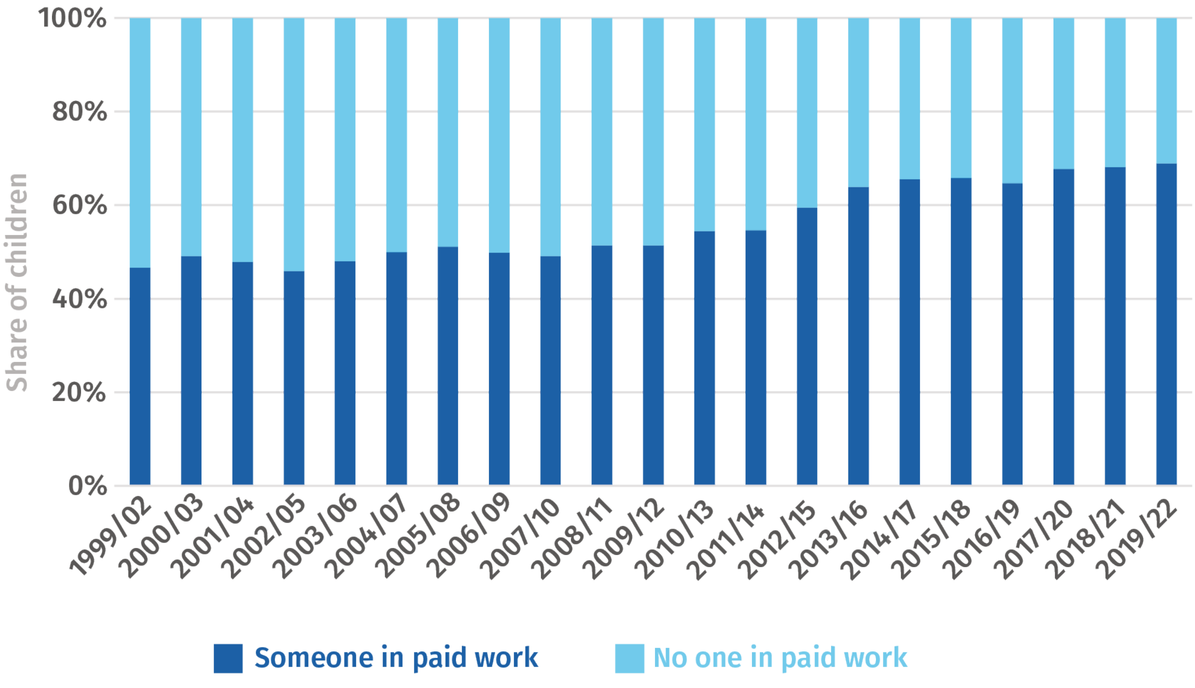
1.
IMPACT OF THE REAL LIVING WAGE ON FAMILY INCOMES

To date, most of the 'heavy lifting' to drive forward the Scottish government's ambitions to tackle poverty and boost financial security has been done through social security – particularly the estimated impacts of the Scottish child payment. However, as the government's own child poverty strategy recognises, that alone will not be sustainable in meeting its overall commitments (Scottish government 2022b) – or at least not without, likely, billions of pounds additional investment. A more enduring settlement will need to come through economic transformation and boosting the role of employment.

However, while the biggest poverty risk factor is to live in a household where no one works, there has been a steady and worrying increase of in-work poverty over the last decade, driven in part by stagnating wages and a growth in precarious work (figure 1.1).

Figure 1.1: More than-two thirds of children in poverty are in a working household

Share of children in relative poverty, after housing costs, by household work status



Source: Authors' analysis of Scottish government (2023a)

On the basis of this it is clear: just helping people into work isn't enough when, once there, they can often be trapped in low-paid and precarious jobs – boosting wages must be a central focus, though, ultimately, universal adoption of the real-living wage.

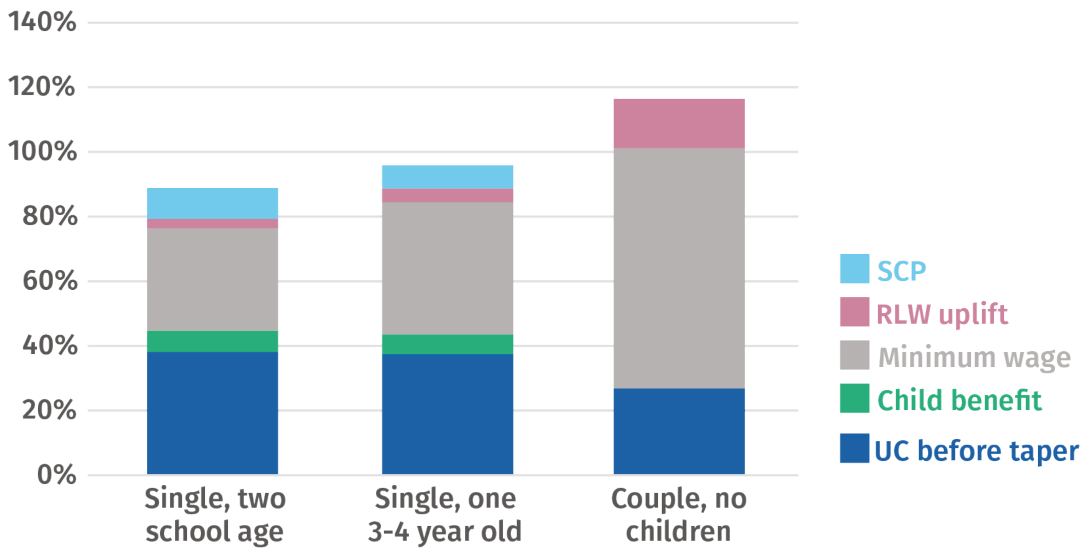
The Resolution Foundation calculates the Real Living Wage by considering the wage needed for a family's disposable income to reach the minimum income standard (MIS) as calculated by the University of Loughborough. As the MIS varies across household types, so the wage rate also varies. While different family configurations may impact the hours adults are able to work, the Resolution Foundation's calculations make an across-the-board assumption of 37.5 hours work per week. Living wage rates are calculated taking into account various factors including housing costs and benefits income.

Rather than a single living wage, these calculations produce multiple wage requirements, ranging from £7.70 per hour for a couple without children to over £30 per hour for a single parent with three children (Resolution Foundation 2022). The headline Real Living Wage is calculated as a weighted average, meaning it is above the wage needed by some families, and below the wage needed for others.

While the difference between minimum wage and the real living wage is considerable, 15 per cent in 2022, this does not always translate into an equivalently higher household income. The tapering of universal credit as incomes increase reduce the impact of a higher wage rate. Figure 1.2 illustrates this for three illustrative households. All adults meet the Resolution Foundation's hours assumption and are assumed to receive all benefits they are entitled to.

Figure 1.2: The difference between minimum wage and the real living wage contributes to single parent household disposable incomes, but the Scottish child payment is more significant

Contributions to modelled disposable income in 2022/23 as a share of minimum income standard



Source: Authors' calculations using the IPPR benefit entitlement model. Disposable income is after housing costs and excludes childcare costs. All adults in each household assumed to work 37 hours per week.

The difference between a minimum wage and a real living wage job for the single parent households translates into 3 to 4 per cent of their minimum income standard. By contrast the real living wage uplift contributes 15 per cent of the minimum income standard for a couple without children. This is because a couple without children each working 37 hours on the minimum wage have seen their benefits taper to zero (at around 23 hours) meaning they retain much more of the impact of the RLW.

In Scotland, our modelling shows that the Scottish child payment – currently £25 per child per week – makes a more significant contribution to single parent's ability to reach their minimum income standards, representing 7 to 10 per cent of MIS for the families modelled.

Ultimately, this leads to several conclusions. Most pressingly, and in the context of this briefing, while the government's fair work agenda is right to focus on fair pay, the action it can take is highly constrained. Initiatives to increase pay (particularly across the private sector) are delivered primarily by creating 'PR' opportunities – encouraging businesses to sign up to fair work pledges – due to the limitations of the devolution settlement. But these often lack real teeth or meaningful action, and do not come with any repercussions or sanctions for failure to deliver – potentially, at least in part, driven by a desire to maximise sign-ups and so a need to not push requirements too far.

In its long-term efforts to eradicate child poverty, **Scottish government needs to recognise the role different policy levers have in relation to different household configurations**, and whether similar work assumptions are appropriate to all households (particularly whether its approach to a minimum income guarantee should assume lone parents of young children have capacity to balance full time work and caring activities). That ultimately creates a need to decouple the payment from reserved benefits – an issue which we will be returning to in future briefings.

More immediately, however, **urgent reforms are needed in how fair pay is determined and delivered in Scotland – and the role of the private sector in delivering that**.

2.

LEADING BY EXAMPLE

A vital starting point for securing a living income for more working people in Scotland is tackling low rates of pay and insecure/low hours of work. While increases in the national minimum wage have supported faster pay growth among lower earners in Scotland, low pay continues to be a persistent barrier to financial security, while we have seen a growth in zero-hours contracts, insecure jobs, and the 'gig economy'.

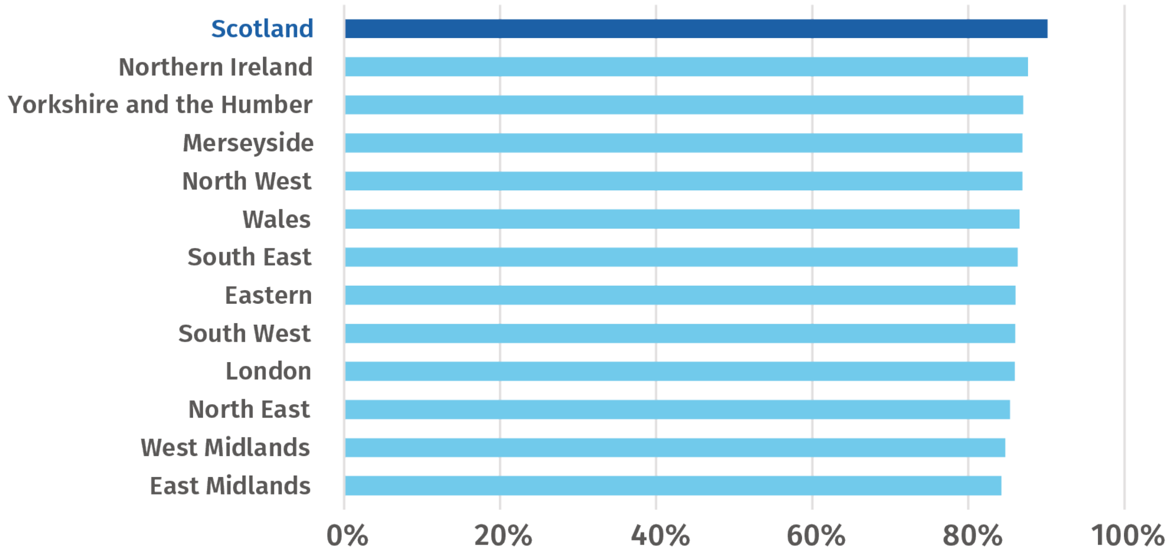
While Scottish government policy has a central focus on fair wages – benchmarked by the living wage – in the public sector, it has so far struggled to find an effective way of spreading fair pay to the private sector. That in no small way is due to the reservation of employment legislation (including pay), meaning efforts have focussed on 'softer' power.

Scottish policy has sought to drive wage rates above the RLW in the public sector, including accreditation by the Scottish government itself, the Scottish parliament, local authorities (23 currently accredited), and health boards. In addition, Scottish government has allocated funding to support RLW payment for the direct adult social care workforce (Scottish government 2022a).

This effort by the public sector to get its own house in order is reflected in official statistics, where the proportion of employees earning more than the living wage has been consistently high, resulting in a small but not insignificant difference with the rest of the UK (figure 2.1).

Figure 2.1: Public sector employees in Scotland are more likely to be paid the real living wage than their counterparts elsewhere in the UK

Share of workers receiving the real living wage by region

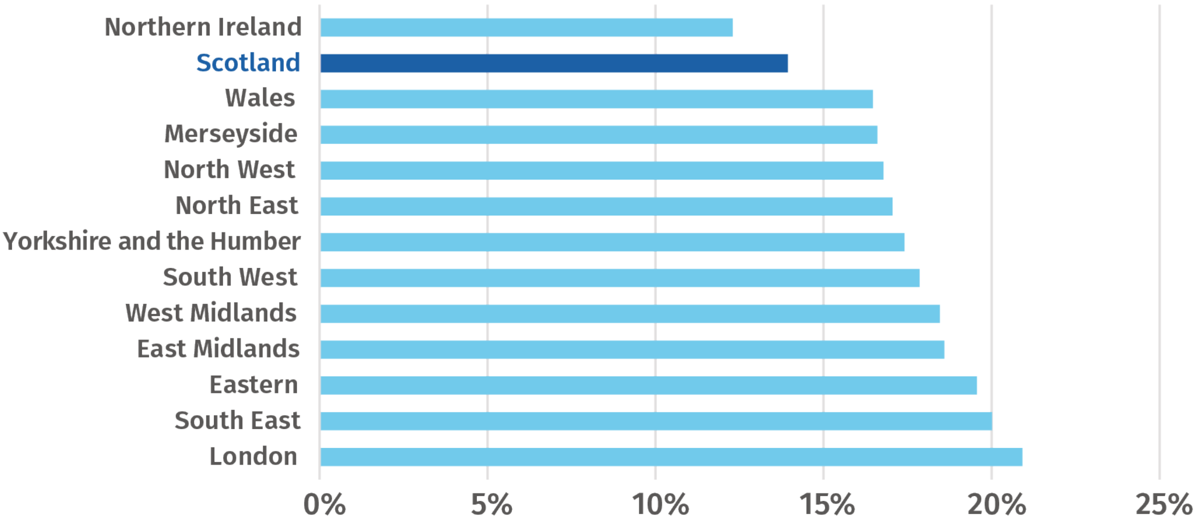


Source: Author's analysis of Annual Population Survey 2022. Three-year average rate over 2020, 2021 and 2022 calendar years, excluding employees working fewer hours than usual in the survey reference week. Note, this statistic differs from the Scottish government's preferred measure due to differences in survey design.

To secure a living income, work must not only offer a decent rate of pay, but also offer sufficient and reliable hours. Here again we see that the Scottish public sector has, largely, led by example, showing relatively low rates of unsatisfactory hours compared to the rest of the UK (figure 2.2).

Figure 2.2: Public sector workers in Scotland are second least likely to have unsatisfactory hours

Share of workers reporting unsatisfactory hours by region



Source: Author's analysis of Annual Population Survey 2022. Three-year average rate over 2020, 2021 and 2022 calendar years. Unsatisfactory hours defined, following ONS convention, as employees who either wish to work more hours than they currently do, or who usually work 48 or more hours a week.

This, however, this still represents more than one in 10 people surveyed being unhappy with the extent to which their work offers them stable and predictable pay/income – indicating that insecure working patterns or contracts, which can often translate into financial insecurity, still affect tens of thousands of public sectors workers in Scotland.

Taken together, this evidence demonstrates where the public sector has shown leadership and ensured fair work becomes the norm. That has particularly been seen in practice through more generous pay settlements for public workers – however, as we see across the areas considered in this briefing, that is still not following through to the private sector.

3.

CONDITIONALITY IN PROCUREMENT

While the current devolution settlement means that the Scottish government can be constrained in the action it can take around employment, one significant area where it can act is in the 'conditionality' it attaches to companies taking on public sector contracts.

Since passage of the Procurement Reform (Scotland) Act 2014, the Scottish government has issued guidance to public authorities in Scotland on fair work criteria to be used in public contracts, with procurement practices strengthening over time. In October 2021 Scottish government moved to routinely mandating payment of the real living wage in procurement contracts, rather than including a tenderer's approach to pay as one of a range of factors to be balanced, and later extended this to other public authorities (Scottish government 2022a). Tenderers are also required to give evidence of a range of fair work practices (Scottish government 2021), including:

- appropriate channels for effective voice, such as trade union recognition
- investment in workforce development
- no inappropriate use of zero hours contracts
- action to tackle the gender pay gap and create a more diverse and inclusive workplace
- providing fair pay for workers (for example, payment of the real Living Wage*)
- offer flexible and family friendly working practices for all workers from day one of employment
- oppose the use of fire and rehire practices

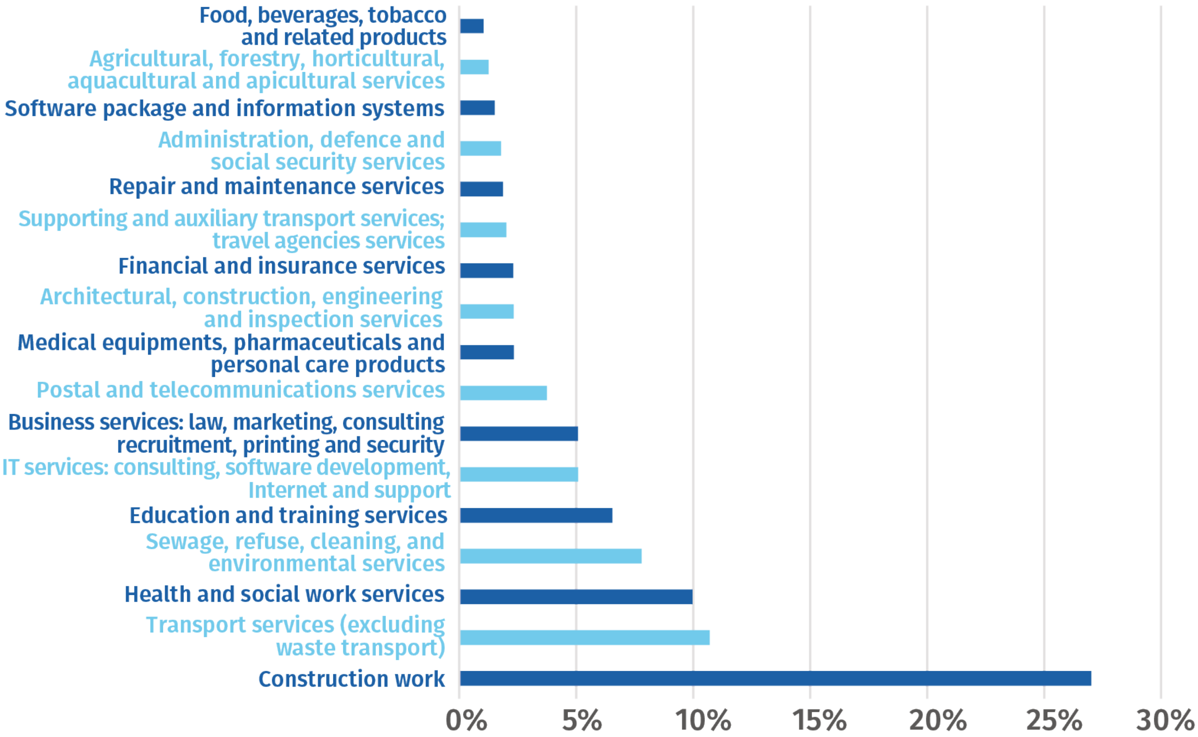
Most recently, this has been further strengthened to now make payment of the real living wage, along with other measures, a requirement of all public sector grants – not just through procurement. While this represents a strong use of the limited powers available to the Scottish government, we need to also ask the extent to which it has an impact and where gaps might remain.

Which workers does procurement conditionality reach?

Public procurement is naturally concentrated in some parts of the economy more than others. By far, construction contracts represent the largest share (by value) of public contracts (figure 3.1). Other large areas relate directly to public service provision (such as health and social work, or education), or ancillary support.

Figure 3.1: Construction work by far makes up the largest share of public sector contracts by value

Share of public sector contracts by value from 2015 to date by CPV category



Source: Authors' analysis of Public Contracts Scotland (2023)

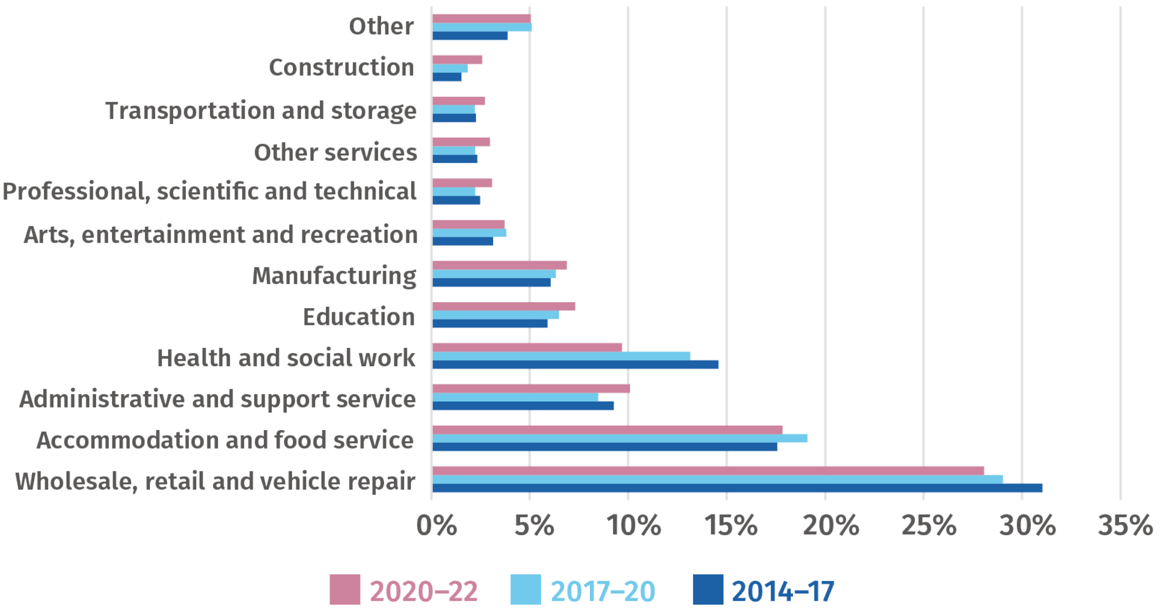
Note: Database downloaded June 2023. Value of frameworks (which show similar concentration on construction) not included in analysis. Sectors representing less than 1 per cent of contract value omitted (collectively these account for 4 per cent of contract value).

In some of these areas, workers have traditionally received low wages, meaning procurement conditions have a potential impact. For example, over the 2010s around ten percent of workers in transportation and storage were paid below the real living wage (Scottish government 2022c) – representing around a tenth of public procurement, workers in this sector may be reached by the Fair Work First policy.

However, when we consider where low paid workers are concentrated in the Scottish economy, we find a mismatch with where public procurement is concentrated. Low paid employees commonly work in sectors with which public procurement has very little relation, particularly retail and hospitality (figure 3.2).

Figure 3.2: Low pay is concentrated in a handful of sectors of the Scottish economy, with little overlap with public procurement

Employees in each sector earning below the real living wage, as a share of all employees earning below the real living wage



Source: Authors' analysis of Annual Survey of Hours and Earnings 2022

Health and social work stands out as an area where both low paid work and public procurement have traditionally been concentrated. Over the last decade, this sector has seen a reduction in its share of all low paid employees, indicating faster progress on pay than the rest of the economy. Procurement conditions have likely contributed to this improvement, backed up by more recent Scottish government funding to take pay for direct carers in adult social care above the real living wage (Scottish government 2022d).

The construction industry represents a very small proportion of employees paid below the real living wage. However, this does not represent an impact of procurement on industry practices.

The Fair Work Convention's (2022) inquiry into the construction industry found that rates of pay are relatively high compared with the wider Scottish economy, due to collectively agreed rates being higher than the real living wage. In this case, public procurement can do little beyond underscoring the pay rates unions have already bargained. The same inquiry also noted limitations to the use of wider fair work provisions in construction contracts. While Scottish government guidance is well written, the inquiry heard that understanding within contracting authorities is variable.

Fair work conditions are given a weighted score when evaluating tenders, with the inquiry finding this score being an average 5 per cent of the total (as low as two per cent in some cases). A low score on fair work criteria, therefore, would have very little impact on which bid wins a contract. The inquiry found only limited evidence that commitments made in tenders are monitored by contracting authorities, meaning the criteria may be treated as a tick-box exercise. The risk that these issues apply to fair work criteria in wider public procurement is clear.

The evidence suggests that fair work requirements may have driven some of the increase in better pay and other associated benefits (particularly health and care), while having limited direct impact in other sectors (not least construction). However, it is equally apparent that the full scale of the impact may not yet be being realised – in part because the system does not require it to be. To do so:

- The **weighting for fair work criteria within the tendering process should be increased**. Ultimately, fair work should not just be a contributing factor to the award of public sector contracts, but the deciding one.

- **Stronger monitoring and evaluation process should be introduced following the award of tenders and contracts**. While the decision-making process will consider the evidence and commitments made by tenderers, there is very little follow up to this once a contract has been awarded. Stronger fair work-linked metrics (stemming from the Fair Work Nation action plan) should be included in contracts as standard with regular monitoring that these are on-track to be met.

4.
SUPPORTING EMPLOYERS TO EMBED FAIR WORK

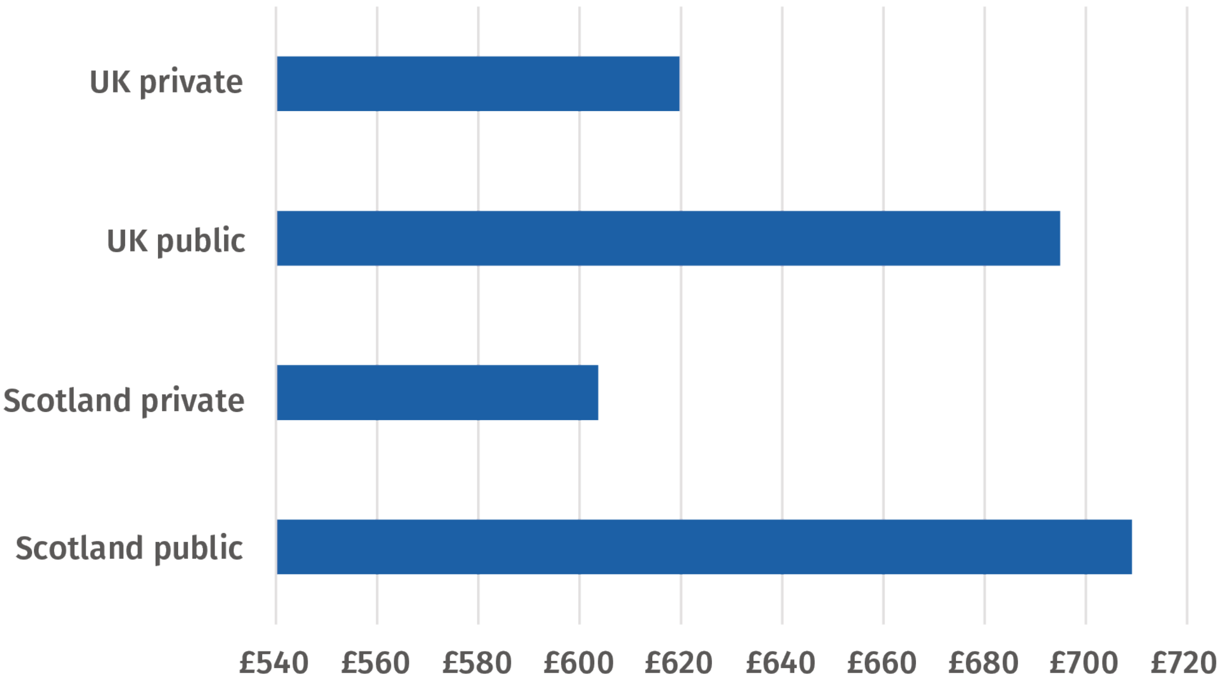
While fair pay is central to helping lift people out of financial insecurity once they're in work, that requires an equally concerted effort to ensure they are supported into work.

Particularly given the constraints of the devolution settlement, any efforts to boost fair work – and crucially, fair pay – must be led by employers. As such, the third strand of Scottish government's fair work action plan (2022) focuses on voluntary commitment among employers, and provision of resources to facilitate adoption of fair work practices.

While we have seen the positive effects that public sector leadership has had – to an extent – within its own sector, our evidence shows that fair pay between the Scottish public and private sectors, and Scottish and UK private sectors has yet to catch up (figures 4.1 and 4.2)

Figure 4.1: While median public sector pay is higher in Scotland relative to the UK, the opposite is true for private sector workers

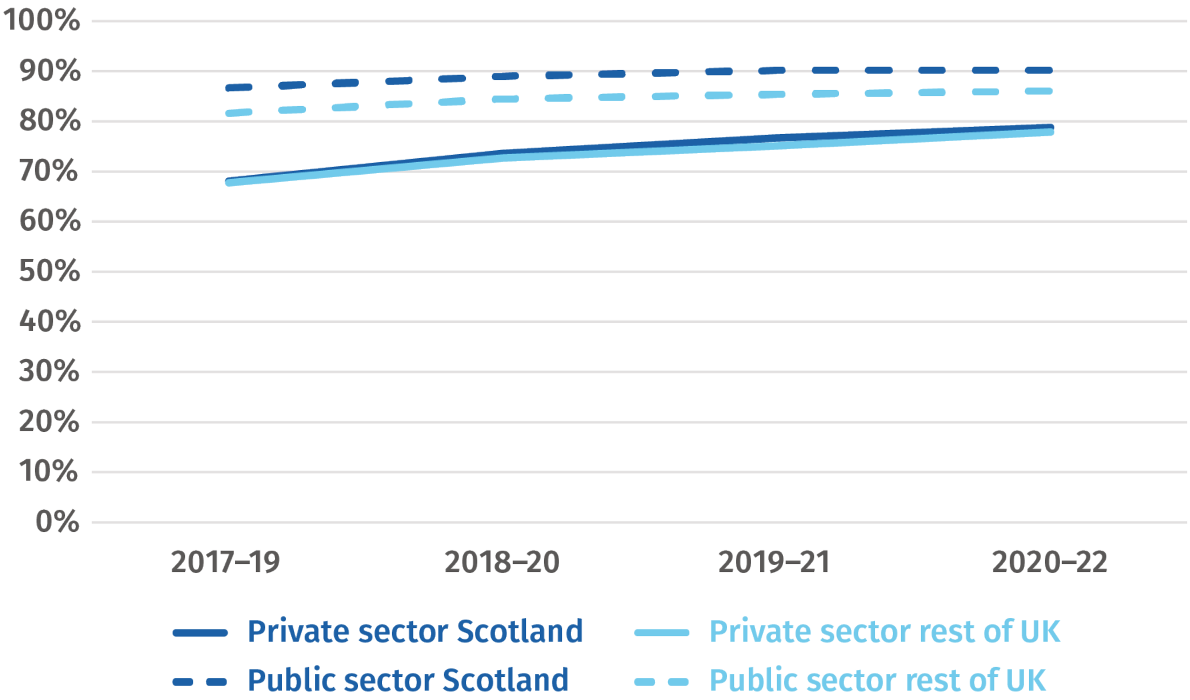
Full-time gross median weekly pay between sectors - Scotland vs UK, 2022



Source: Authors analysis of Annual Population Survey 2022

Figure 4.2: The proportion of public sector employees earning above the real living wage in Scotland is higher than the rest of the UK, but the proportion of private sector employees is virtually identical

Proportion of employees whose gross pay per hour worked in the survey reference week was above the applicable real living wage level



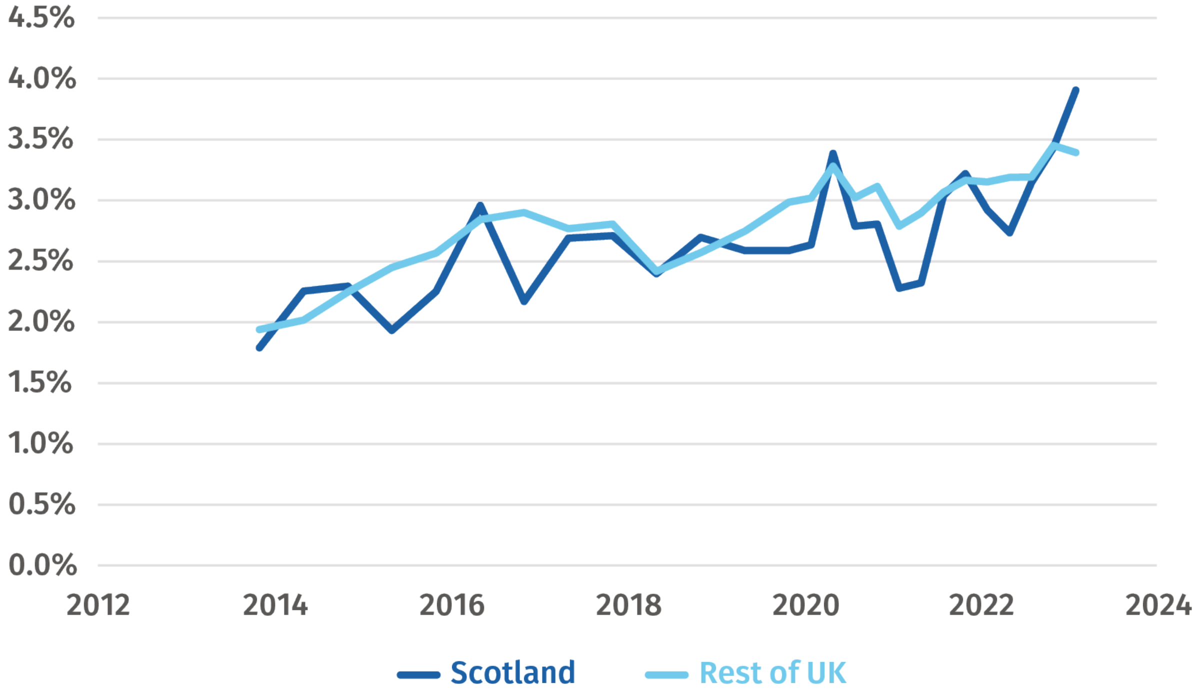
Source: Scottish government (2022c)

Note: due to methodological differences absolute rates of pay below the real living wage are different to those calculated with the Annual Survey of Hours and Earnings. However, the national and sectoral differences highlighted here are based on a consistent methodology.

These statistics indicate Scottish government's fair work policy is making little difference to private sector rates of low pay as compared with the rest of the UK. Similarly, efforts to discourage the use of zero hours contracts in Scotland have not made a significant difference relative to the rest of the UK (figure 4.3). While in the past Scotland has tended to see slightly lower use of zero hours contracting, the rising trend is consistent with the rest of the UK. Worryingly, the most recent data shows zero hours contracts are more prevalent in Scotland than the rest of the UK.

Figure 4.3: Similar proportions of people are on zero hours contracts in Scotland and the rest of the UK, and rates have begun to increase again

Proportion of people in employment who are on zero hours contract



Source: Authors' analysis of ONS (2023)

Voluntary action

Given the limitations of the current devolution settlement, the Scottish government has relied on voluntary schemes to encourage employers to adopt fair work practices. These include real living wage accreditation, and the (now paused) Scottish business pledge.

Real Living Wage accreditation

The Scottish government funds Living Wage Scotland who promote the scheme and manage accreditation. Take up is relatively high in Scotland, representing a quarter of all accredited organisations in the UK.[1] Living wage Scotland estimate over 59,000 workers have had a pay rise as a result of accreditation. Had these workers been paid below the real living wage in 2022, the total below that benchmark would have been around 25 per cent higher.[2]

However, in sectors where low pay persists, the reach of the campaign has been relatively limited. Specifically, across hospitality, retail and wholesale sectors – which together comprise just under half of all employees below the RLW – we estimate a total of 12,000 workers are employed by the roughly 450 employers who have accredited.

[1] 24 per cent of living wage accredited employers are based in Scotland (calculated from data on https://www.livingwage.org.uk/accredited-living-wage-employers, accessed 21 June 2023).
[2] Based on 221,000 employees paid below the RLW in 2022 (Scottish government 2023).

By contrast more than eight times as many workers – 98,000 people – in these sectors are paid below the real living wage (Scottish government 2022c).[3] While accreditation has an important effect inspiring employers who may be close to paying the living wage, the limits of a voluntary approach leave important parts of the economy with persistent low pay.

To put these figures in context, voluntary accreditation in these sectors has taken nine years to reach coverage of around 12,000 employees, and so would take another 75 years to reach the remaining 98,000 people paid below the RLW at the same rate of growth. This is not a reflection of any shortcomings of the Living Wage Scotland campaign in itself, but the limits of a voluntary approach in these sectors.

The Scottish Business Pledge

The Scottish Business Pledge was launched in 2015. In its original form, businesses making the pledge were required to meet the single core commitment of paying the real living wage. Businesses also committed to fulfilling at least two of eight additional commitments immediately, and to deliver the remaining elements over time.

The pledge was refreshed in October 2019, expanding core elements to include commitments not to use zero hours contracts inappropriately, and to take action to address the gender pay gap. The latter element had been the least commonly adopted voluntary element of the original pledge, with only 36 per cent of pre-October 2019 businesses delivering.

The pledge was launched in May 2015. Following an initial burst, the growth in signatories settled to around ten per month in the years prior to the pandemic. However, since the onset of the pandemic, the number of signatories recorded on the Scottish Business Pledge website has only grown by 75, with no growth since November 2021 (figure 4.4). The pledge is currently undergoing a review and not accepting new members. The pledge does not feature as an action in the most recent Fair Work Action Plan (Scottish government 2022a).

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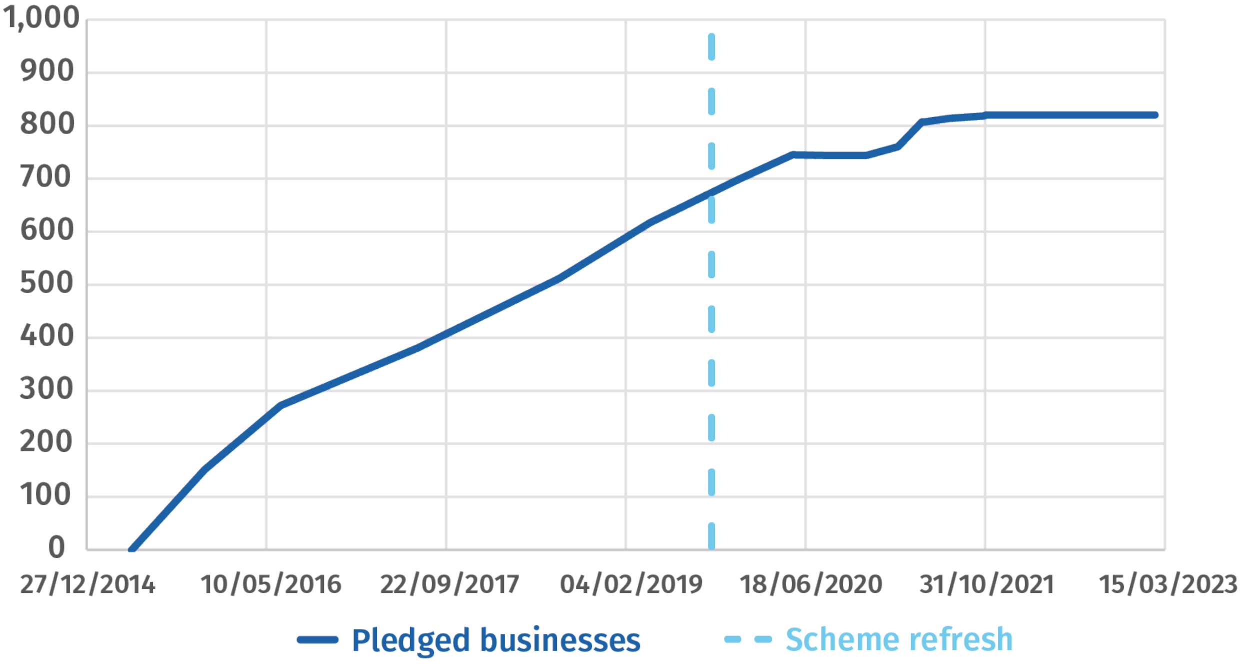
[3] Figures for accredited employers are rounded to nearest 50 and based on data kindly provided by Living Wage Scotland, also available at https://scottishlivingwage.org/employer-directory/. We have estimated the number of employees by matching accredited employer size bands to average employee numbers of different sized organisations (Scottish government 2022e).

Figure 4.4: The Scottish Business Pledge stopped recruiting new businesses during the pandemic

Total Scottish Business Pledge signatories, 2014 – present



Source: Authors' analysis of the Scottish Business Pledge website using the internet archive

Arguably, the decision to cease sign ups during the pandemic was a mistaken one – rather, it should have presented a key opportunity for the government to intensify its engagement with businesses to demonstrate the benefits of far work and ensure its delivery. At the same time, however, the history of the Scottish Business Pledge also underscores the limits to the use of generic voluntary approaches.

The number of businesses making the pledge represent a minority of the 175,000 businesses in Scotland (Scottish government 2022e).[4] Whether the drop off in businesses willing to make the pledge was a result of the pandemic, making mandatory the least commonly voluntarily delivered pledge element, or a drop off in efforts to sign more businesses up, the disappointing results suggest this 'seal-of-approval' approach may have reached its limit.

Sectoral fair work agreements – retail

In our first report on Fair Work in Scotland (Statham et al 2021) we noted that those sectors hit hardest by the pandemic were also among Scotland's lowest paid. We recommended recovery support should be made contingent on new sectoral minimum terms and conditions on pay, hours and wider conditions.

[4] The Scottish Business Pledge does not publish figures on the size of businesses making the pledge. Even if we make the unrealistic assumption that all are large businesses employing more than 250 people, the total number of signatories would still be a minority of the 2,340 businesses in that size category.

The Scottish government has begun a process in the retail sector, though the opportunity to link this with covid recovery support appears to have passed, particularly as support is channelled through place-based rather than business-based interventions. Its retail strategy (Scottish government 2022f) committed to establishing an Industry Leaders' Group to produce a 'Fair Work Agreement' that retailers can sign up to. This group has now established a subsidiary Fair Work Working Group to develop the agreement.

Retail in Scotland is dominated by a small number of large companies. 70 per cent of the retail workforce is employed by large companies (Scottish government 2022f), and UK analysis shows the ten largest retailers account for more than half of turnover (CMA 2022). While such concentration may not be economically desirable, it does afford an opportunity for robust engagement with a small number of organisations to reach a large share of the workforce.

Ensuring the Fair Work Agreement has greater impact in the retail sector than previous voluntary pledges is an obvious route for Scottish government to advance its fair work agenda. Although the process is ongoing, **Scottish government should set a clear expectation that a meaningful sectoral fair work agreement must include commitments to pay at least the real living wage**. At present, RLW is just one of a list of nine items the ILG is expected to consider.

The **Scottish government should also shine a clear spotlight on the impact the forthcoming fair work agreement has on employee incomes**. There is a clear risk that the breadth of the ILG's considerations (spanning economic strategy, skills development and net zero alongside fair work) means the opportunity to raise standards on wages and hours is lost in the range of the group's output. Given the concentration of the sector, a high degree of publicity around a fair work agreement that includes commitments on pay, coupled with clear identification of those retailers signing up, will implicitly name and shame those large companies who decline the request to pay their employees a fair wage.

Finally, while voluntary schemes may be one of the few opportunities currently available to the Scottish government to drive fairer working practices, they are inherently 'all carrot, no stick' (outwith potential PR consequences). Ultimately, **we need a new approach to business taxation and reliefs which helps to deliver fair work**.

In 2023/24, non-domestic rates reliefs are expected to save businesses (and forgo income to government) £693 million (Scottish Fiscal Commission 2023), with this figure expected to rise over the remainder of the parliament – but with little requirements around environmental or social responsibility in return.

Within the current devolved settlement, **the Scottish parliament's powers over local taxation can offer perhaps the best opportunity to introduce new and innovative forms of taxation**. This could help to drive the behaviour change needed to meet the challenges facing Scotland, all the while offering opportunities to potentially increase tax revenues and protect public funding over the long-term. We will be returning to this topic in a follow up briefing later ahead of the draft Scottish Budget 2024/25.

5.

SUPPORTING WORKERS TO ACCESS, REMAIN AND PROGRESS IN FAIR WORK

As noted previously, ensuring people receive fair pay in secure jobs is only part of the problem – they need to be supported to access those in the first place. The fourth strand of the government's headline actions on fair work therefore focuses on supporting people into work, with a specific focus on its two main employability programmes: Fair Start Scotland and No One Left Behind.

The scale of the problem

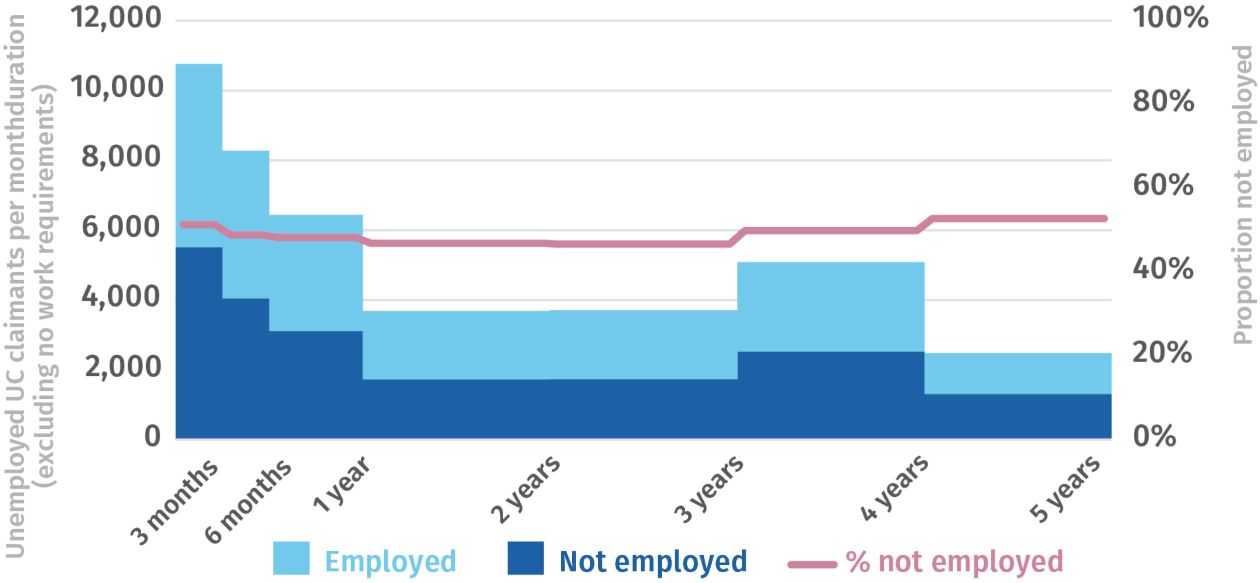
The Scottish government has made employability a central plank of is overall child poverty ambitions. Its commitment to employment support through Best Start, Bright Futures should be welcomed – particularly targets to reach 86,000 parents by 2025/26 through its employability offer, with 51,600 supported through out-of-work support and 34,400 through in-work support.

While this does represent a significant increase it comes with a significant caveat: even if those targets are reached, the government's own modelling assumes only 6,385 people will be supported into work over the period, and a further 2,160 will be supported to increase their in-work earnings.

As we explore later, the current scale of the system and delivery does not lend itself to optimism there – but even those figures pale in comparison to the total number of people who are on long-term benefits, and so would most benefit from training, upskilling and employment support, but which once again hits up against the current devolution settlement with many of these people remaining separate to devolved support and instead going through a reserved Job Centre (figure 5.1).

Figure 5.1: Most people starting universal credit receive it for less than a year, but a long tail continue to depend on it for years

Number of universal credit claimants in Scotland (excluding those with no work requirements) by months since first claim, April 2023



Source: Authors' analysis of DWP (2023)

The most recent Scottish data indicates most people deemed able to work who join universal credit stop claiming within a year. However, a significant number – almost 200,000 people – continue to receive universal credit long after this first year. In particular, the number of people who have been claiming universal credit for two to three years is almost identical to the number who have been claiming for one to two years, showing a core group who continue to depend on benefit payments.[5]

Strikingly, the proportion of UC claimants who are not employed is stable at around 50 per cent as claim durations grow. Only a minority, if any, of these people will have been continuously unemployed. The punitive sanctions regime is designed to push claimants into work, and the 100,000 people without work who have been claiming UC for more than a year is a much larger group than the 30,000 people unemployed for more than a year.[6] Instead, these data reflect people cycling in and out of low paid work, a pattern that the UC sanctions regime has been found to actively promote, driving people into work that is either temporary, unsuitable, or both (Dwyer 2018).

The stability of the proportion of people out of work as UC claim duration lengthens indicates this cycling is persistent. It also means periods of unemployment are regularly experienced by more than the 100,000 people who happen to be unemployed when snapshot data is recorded.

[5] The bulge in people who have been claiming between three and four years likely reflects the spike in take-up at the beginning of the pandemic, when 110,000 additional claimants began receiving UC in April 2020.
[6] The number of people unemployed for over a year in Scotland has remained fairly stable at about 30,000 (authors' analysis of ONS Annual Population Survey January to December editions 2017 to 2023).

That such a large share of the workforce experiences this cyclical pattern indicates a failure of the labour market to provide stable employment, more than individual challenges holding a job down. While in-work poverty is a clear symptom of the failure of the labour market to offer fair work, so too is out of work poverty.

Fair Start Scotland

Fair Start Scotland is Scotland's first devolved employability support service. Participants voluntarily receive support (12-18 months pre-work, and 12 months in-work support) with specialist support for those who require it. Its intention is to support those furthest from the labour market enter and sustain work. However, the precarity of work available in the Scottish labour market is reflected in Fair Start Scotland outcomes. Long term employment has been the exception when it comes to outcomes (table 5.1).

Of around 42,000 people who started with Fair Start Scotland, a little over a third went on to start a job, and of these jobs only two in five lasted more than a year, representing just 15 per cent of those who started the programme.

Table 5.1: Fair Start Scotland struggles to convert participation into lasting work outcomes

Fair Start Scotland outcome figures for participants where more than a year of data is available (April 2018 – October 2021)

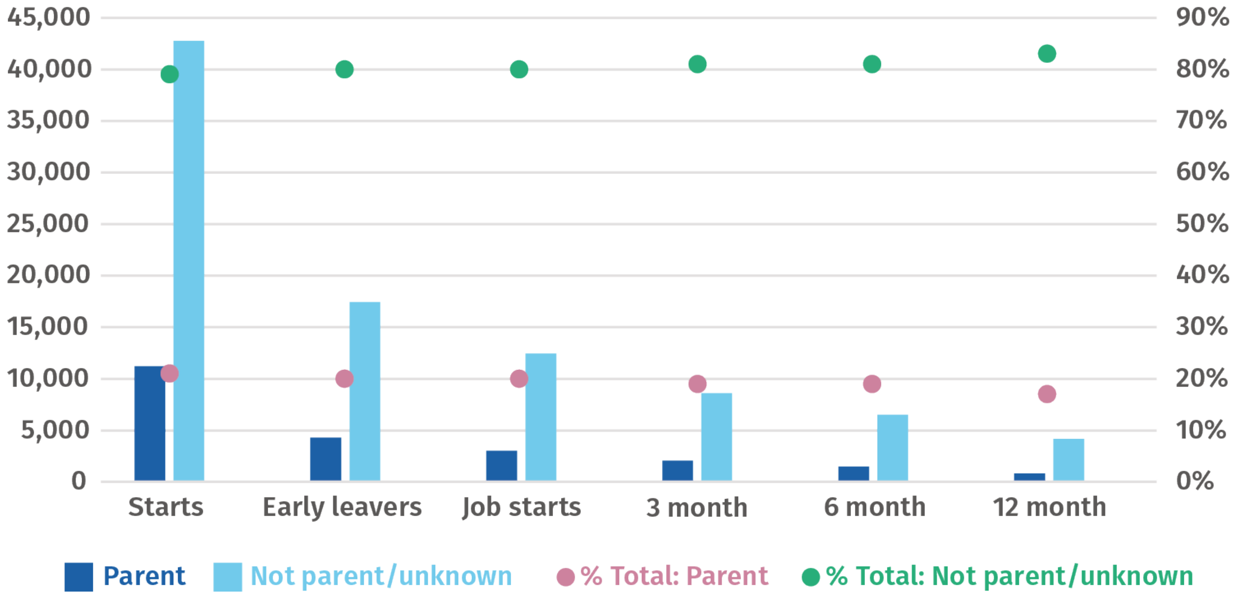
	Number	Share of programme starts	Share of job starts
Programme starts	41,849		
Left programme	21,764	52%	
Started a job	15,512	37%	
Job lasted less than three months	4,256	10%	27%
Job lasted three to six months	2,218	5%	14%
Job lasted six to twelve months	2,568	6%	17%
Job lasted more than twelve months	6,470	15%	42%

Source: Authors' analysis of Scottish government (2023b)

Perhaps most pressingly, in the context of the Scottish government's child poverty commitments, only a fraction of these starts are parents – as shown in figure 5.2.

Figure 5.2: Parents make up a small proportion of FSS starts – and experience a lower rate of long-term positive outcomes

Fair Start Scotland – starts and outcomes by parental status, April 2018-December 2022



Source: Author's analysis of Scottish government (2023b)

Since the programme began, starts and outcomes between parents and non-parents have broadly followed the same pattern, with parents making up a fifth of total starts but with a smaller share of positive job start outcomes.

These limited outcomes are not reflected as participant dissatisfaction with the programme. Scottish government's (2021) evaluation asked participants to rate the usefulness of the support offered. The mainstream support offers, including dedicated key workers, one-to-one appointments and support searching and applying for jobs, were taken and considered useful by the majority of participants. Among the smaller number of participants receiving more specialist support, such as support for drug addiction or debt issues, almost nine in 10 found support useful.

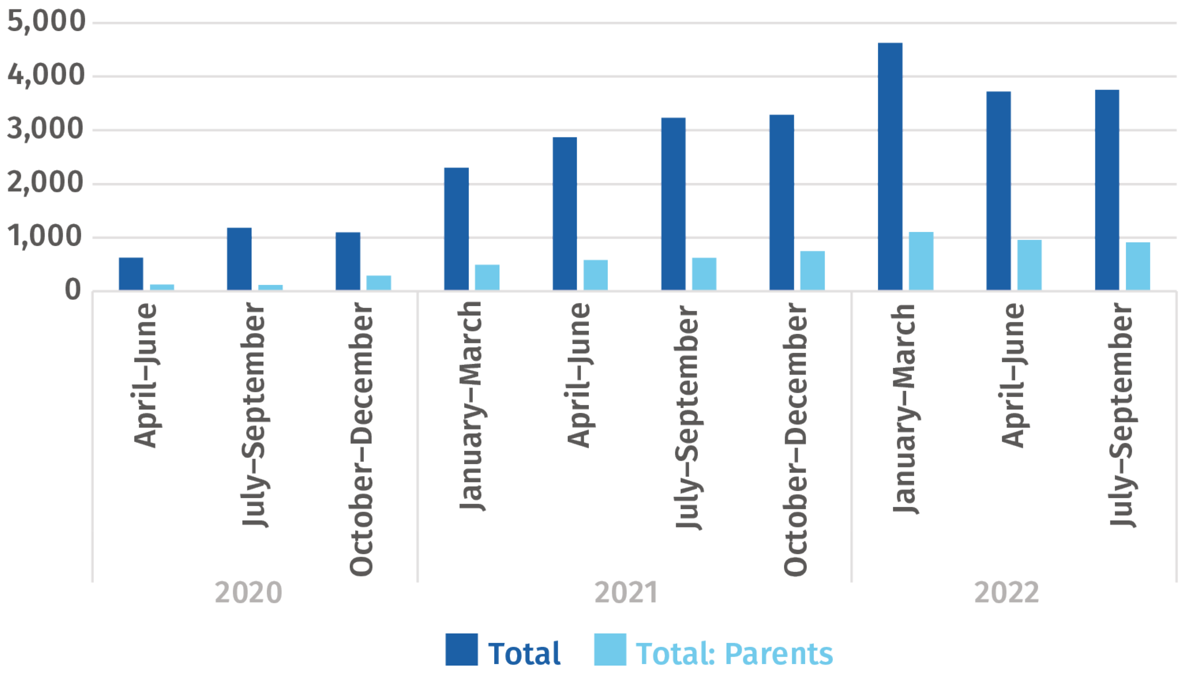
No One Left Behind

This pattern of lower parental uptake and positive outcomes is further reinforced through No One Left Behind (NOLB) statistics. NOLB is the Scottish government's strategy for the design and delivery of employability services. Following reforms in 2020, it now operates at a local authority level, funds various schemes and services through Local Employability Partnerships.

While NOLB is intended to be the main route through which employability support is provided in Scotland – covering in work and out of work support, and encompassing a number of separate priority strands, including parental employability – that is not reflected in its scale (figure 5.3).

Figure 5.3: While the number of parents accessing NOLB support has grown, it still represents a fraction of overall starts

No One Left Behind – total number and parents accessing employment support – April 2020-Sept 2022



Source: IPPR Scotland analysis of Scottish government (2023b)

Once again, we see a pattern of low overall starts, and an even lower proportion among parents. This then translates into small-scale work outcomes: between April 2019 and September 2022, of 29,279 people who started receiving support through NOLB, just a third (9,530) went into employment.

Taken together all the evidence to date shows that while the Scottish government's aims to increase the scale of employment support – particularly for parents – is right and will be vital to achieving ambitions around poverty, at the current rates of progress; scale of service delivery; and investment, those ambitions are highly unlikely to be met.

Ultimately, Scottish government schemes often operate at the margins of those who could benefit most from support – meaning both scale and impact go unrealised. Combined, it potentially indicates the limits of employability support, as currently designed, in solving the challenge of precarious work.

Employability support can be a crucial aid for those who are struggling to secure stable work, and there are likely many more who would benefit from an expanded service, in itself it cannot address the supply side of stable work – the labour market. Given the scale of investment expected over this parliament, with potentially limited returns, government should instead explore alternative models, not least increasing employer subsidies for taking on programme participants.

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