ABOUT IPPR SCOTLAND

IPPR Scotland is IPPR’s dedicated think tank for Scotland. We are cross-party, progressive, and neutral on the question of Scotland’s independence. IPPR Scotland is dedicated to supporting and improving public policy in Scotland, working tirelessly to achieve a progressive Scotland.

IPPR, the Institute for Public Policy Research, is the UK’s leading progressive think tank. We are an independent charitable organisation with our main offices in London. IPPR North, IPPR’s dedicated think tank for the North of England, operates out of offices in Manchester and Newcastle, and IPPR Scotland is based in Edinburgh.

IPPR’s purpose is to conduct and promote research into, and the education of the public in, the economic, social and political sciences, science and technology, the voluntary sector and social enterprise, public services, and industry and commerce.

IPPR Scotland
Hayweight House
23 Lauriston St
Edinburgh, EH3 9DQ
T: +44 (0)131 281 0886
E: info@ippr.org
www.ippr.org/Scotland
Registered charity no: 800065 (England and Wales), SC046557 (Scotland)

This paper was first published in August 2021. © IPPR 2021

The contents and opinions expressed in this paper are those of the authors’ only.
CONTENTS

Summary ............................................................................................................................................. 3

Introduction ........................................................................................................................................ 8

1. To deliver a wellbeing economy, fair work should be the cornerstone of Scotland’s Covid-19 recovery ...................................................................................................................... 10

Plans for Scotland’s economic recovery should focus on delivering a good jobs recovery – not an any job recovery .......................................................... 10

A divided labour market .................................................................................................................. 10

How can fair work contribute to financial security? .................................................................. 12

The economic and social case for good work .............................................................................. 13

2. Fair work is critical to delivering a living income for more people in Scotland ................................................................................................................................. 15

To what extent is Scotland’s labour market supporting a living income? .. 15

What role does work play in achieving a living income for different families in Scotland? ................................................................................................................................. 19

3. To deliver a fair work recovery, we must tackle the barriers facing women, disabled people, and young people .......................................................... 23

Barriers to getting into or getting on in good work ...................................................................... 23

Women are still missing out on good work ................................................................................. 24

Designing a gender-sensitive recovery .......................................................................................... 26

The disability employment gulf ..................................................................................................... 26

Designing a recovery that delivers routes into fair work for more disabled people .................. 27

Young people in Scotland’s pandemic labour market .................................................................. 28

Designing a recovery that supports a secure future for young people ...................................... 30

A place-based approach .................................................................................................................. 31

Conclusions .................................................................................................................................... 32

4. We should bring government, employers, and workers together to deliver a fair work future and transform Scotland’s economy .......... 33

Fair work in the everyday economy: Transforming Scotland’s low-wage sectors ..................... 33

Designing a fair work recovery: A sectoral response ................................................................... 36

Bringing government, employers, and workers together to design a fair work recovery ............. 36

A focus on Scotland’s everyday economy .................................................................................... 37

A focus on implementing and enforcing fair work criteria .......................................................... 37

Building routes into good new jobs for more people ................................................................. 37

Towards a fair work future: Recommendations ....................................................................... 37

References ................................................................................................................................... 43
ABOUT THE AUTHORS
Rachel Statham is a senior research fellow at IPPR Scotland.
Henry Parkes is a senior economist at IPPR.
Russell Gunson is director at IPPR Scotland.

ACKNOWLEDGEMENTS
We would like to thank the Standard Life Foundation for their generous support for this research and our wider programme of work on rethinking social security in Scotland, and Mubin Haq in particular for his input and challenge.

We would like to thank the project Advisory Group for their guidance and feedback over the course of this year. This includes Ali Jarvis, John Dickie, Vonnie Sandlan, Richard Meade, Deborah Hay, Satwat Rehman, Alan Thornburrow, and Mubin Haq.

Thanks too to the project's wider reference group for their engagement and input, including colleagues at JRF, Inclusion Scotland, and STUC.

We would also like to thank colleagues at IPPR for their comments and excellent wider work on this report, including Anita Bhadani, Rosie Lockwood, Robin Harvey, Casey Smith, Richard Maclean and Abi Hynes.
SUMMARY

Work is at the centre of how we organise our society and our lives. Fair work enables millions of people across Scotland to provide for themselves and their families, and to build financial security. Fair work can provide people with a decent standard of living, a sense of purpose and a means of contributing to society. But for too many people in Scotland, work fails to deliver decent living standards or the security on which to build a good life.

This paper is the second in a series exploring how to achieve a living income for more people in Scotland, through social security, fair work, and collective services. We argue that each of these dimensions has a crucial role to play in ensuring more people in Scotland have the financial security on which to build a good life. It is important to recognise, however, that paid work is not accessible to everyone: whether due to sickness, disability, or the demands of unpaid work. This paper focusses on the role of fair work in achieving a living income for in-work households in Scotland. We argue that fair work can contribute to financial security across four key dimensions:
1. decent rates of pay
2. sufficient and reliable hours
3. good working conditions, including job security, fulfilment, and voice
4. opportunity to develop and progress.

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. 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 and planet.

We find that too often, work is still not a reliable route to financial security. One in five workers surveyed in Scotland typically receive two weeks’ notice or less of their working hours, and one in 10 employees – or over 200,000 people in Scotland – feel their work does not offer them a stable and predictable income.1 To realise financial security through fair work, we will need to see an overriding focus on driving up job quality through Covid-19 recovery and transition to net zero.

A combination of high childcare costs, the undervaluation of part-time work, and a lack of good quality flexible and part-time jobs sustains gendered inequalities in Scotland’s labour market. This is because women tend to shoulder a disproportionate share of unpaid domestic and care work, and are nearly four times more likely than men to work part time. These barriers do not just threaten women’s financial security – they also undermine the financial security of families across Scotland who are struggling to stay afloat. We also find particular threats facing groups of workers in Scotland that need to be urgently addressed through recovery. We find that working women in Scotland are nearly 50 per cent more likely to experience low pay than men, and that women have typically experienced far weaker pay progression than men over the last decade. Meanwhile, women are

One in 10 employees – or over 200,000 people in Scotland – feel their work does not offer them a stable and predictable income

---

1 Polling was conducted online by Mark Diffley partners from 2nd-8th June 2021, with a sample of 1970 respondents aged 16-64, living in Scotland. Results have been weighted to the Scottish adult population by age and gender.
vastly over-represented in part-time work, which is associated with low pay and lack of progression. To realise a step-change in financial security across Scotland, creating more high-quality flexible and part-time jobs and lowering barriers to getting into or getting on in work through investment in childcare will be critical.

For too many working families, and particularly for lone parent households, a living income is out of reach – even with social security support. Our modelling shows that a lone parent household with one child earning £9 an hour is unlikely to reach a living income, and even on £15 an hour would have to work full time to reach that bar. These figures underline how critical good quality work and routes out of low pay are to financial security.

Social security has a critical role to play in supporting low-income families in work, but the erosion of in-work provision across the UK has left families struggling to get by in the face of mounting costs – particularly from housing and childcare (McNeil et al 2021). For those who cannot work due to ill health or disability, our social safety net does too little to provide financial security, or to support secure transitions into work where people want them.

We also find evidence that disabled people are facing heightened risks in the Covid-19 labour market, alongside long-term challenges to their financial security. We heard how disabled and chronically ill people are often stuck ‘between a rock and a hard place’ when it comes to financial security: unable to rely on work or social security for a reliable income that can support a decent standard of living, especially given the additional costs often associated with disability. Throughout the pandemic, the employment rate has fallen faster among disabled people than for those without disabilities, and this fall has been more pronounced in Scotland than elsewhere in the UK (Learning and Work Institute 2021).

Young people in Scotland’s labour market were particularly exposed coming into the pandemic, and are likely to now face heightened barriers to getting into or getting on in good work. Our polling finds that more than one in three workers under 30 in Scotland routinely receive fewer than two weeks’ notice of their working patterns. Fewer than one in three young people have a union or employee association at work, and low pay is endemic: 48 per cent of young people were paid an effective rate less than the real living wage coming into the Covid-19 crisis. This is particularly concerning in light of young people’s disproportionate exposure to disruption from the pandemic and subsequent lockdowns across education, training, and the workplace. Finally, we find that deep racial inequalities persist across Scotland's labour market. Black and ethnic minority workers in Scotland are 38 per cent more likely than white workers to experience low pay.

We know progression is a vital route to a living income for low-paid workers – but three in 10 workers in Scotland are not able to progress in work. This is borne out by evidence that seven in 10 workers in ‘routine’ occupations in Scotland in 2010-11 remained in routine work almost a decade later. If we look at pay progression in Scotland, we find that two-fifths of workers reported lower real-terms rates of pay in 2019 than in 2010.

**Two-fifths of workers reported lower real-terms rates of pay in 2019 than in 2010**

We know progression is a vital route to a living income for low-paid workers – but three in 10 workers in Scotland are not able to progress in work. This is borne out by evidence that seven in 10 workers in ‘routine’ occupations in Scotland in 2010-11 remained in routine work almost a decade later. If we look at pay progression in Scotland, we find that two-fifths of workers reported lower real-terms rates of pay in 2019 than in 2010.
These findings underline the need to take a holistic approach to financial security; one that can break down the barriers that prevent work from providing a route to a living income for particular groups of people or particular types of households.

Poor quality work is concentrated in a handful of sectors in Scotland’s ‘everyday economy’ that are among those hardest-hit by the pandemic – presenting an opportunity for transformation. Across Scotland’s retail and hospitality sectors, low pay and poor job quality are the norm, perpetuating financial insecurity. In addition, the undervaluation of care work – across childcare and social care roles – continues to perpetuate financial insecurity across Scotland’s workforce. Any serious efforts to deliver fair work in Scotland will require a sustained focus on improving pay and job quality in these sectors in order to realise a living income for those that work in them.

These recommendations outline steps in the near term and over the coming years that we believe can deliver impact across three key dimensions:

1. **driving up job quality: hours, pay, wellbeing, and progression**
2. **improving social infrastructure and reducing barriers to getting into and getting on at work**
3. **transforming Scotland’s labour market to deliver good jobs and routes into them for people across Scotland.**

### DRIVING UP JOB QUALITY – HOURS, PAY, WELLBEING AND PROGRESSION

1. *The Scottish government should work with employers and workers to develop new sectoral ‘fair work agreements’ as the foundation of sector ‘renewal deals’ that deliver investment into sectors in return for trade union-bargained minimum terms and conditions on pay, hours and conditions.*

   The sectors hardest hit by Covid-19 are also some of Scotland’s lower paid sectors. It is likely that sectors such as hospitality, tourism and retail, alongside sectors such as social care and childcare will need ongoing support and reform to rebuild following the pandemic, delivered through sector renewal deals that bring government, employers and unions together. This ongoing investment should be made contingent on agreeing new sectoral minimum terms and conditions, around pay, hours and wider measures of job quality. These ‘fair work agreements’ would be similar, though wider in scope, than New Zealand’s new fair pay agreements.

2. *The Scottish government and local authorities should ensure government grants and loans, alongside the Scotland and local tax system, are being used fully to incentivise employers to adopt fair work business practices.*

   Ongoing Covid-19-related grants and loans to employers should be made contingent on delivering fair work through the recovery, and fair work conditionality within procurement should be strengthened. On tax, new fair work levies on businesses failing to deliver on fair work criteria and tax rebates for those who do could provide stronger incentives for employers to take up fair work practices, while ensuring that the hundreds of millions of pounds of business support provided through the tax system is contingent on doing the right thing on fair work.

3. *Scotland’s economic strategy and forthcoming strategy on economic transformation must focus heavily on driving fair work, pay, and progression within Scotland’s lower paid sectors.*

   The Scottish government must ensure its policies around fair work, an inclusive economy, wellbeing and just transition are brought more clearly together in economic strategy. Realising a living income for more people in Scotland requires a focus on improving pay and conditions in jobs that are currently low paid and concentrated in low-productivity sectors.
4. The forthcoming Wellbeing Act should set the course for long-term economic transformation.

The forthcoming Wellbeing Act should place new legal duties on government and business and set up new institutions at the national level and sectoral level that work to focus the economy on long-term objectives that can deliver against ambitions to realise inclusive and sustainable prosperity, rather than short-term shareholder profits. This should include a focus on new labour market institutions to support sectoral collective bargaining across Scotland’s economy – starting with a focus on the childcare and social care sector.

5. Scotland should introduce new labour market institutions to drive implementation and enforcement of fair work standards.

The Scottish government should establish Job Quality Scotland as a national or local authority-based agency to monitor fair work compliance, to drive implementation of fair work rules and stipulations (like Fair Work First), and to help to enforce UK-wide employment law in Scotland (such as the minimum wage). Job Quality Scotland would take responsibility for driving up implementation and enforcement across the workforce, and signposting employers to specialist support and advice services.

Realising a social partnership approach through new sector-level institutions will also require efforts to strengthen worker and industry representation. This should be realised through a worker voice strategy that aims to increase the share of workers covered by a collective bargaining agreement in their workplace, and to organise workers in key sectors where job quality is typically poor – such as childcare, social care, retail, and hospitality.

LOWERING BARRIERS TO GETTING INTO AND GETTING ON AT WORK.

6. The Scottish government must work with its enterprise agencies, to ensure flexible working as a default becomes a key component of the Fair Work First criteria.

Scottish government should work to embed a culture of flexible working by default across Scotland’s workforce. The Scottish government should lead a flexible working campaign aimed at promoting flexible working by default policy, communicating, and promoting the benefits of flexible and part-time working to employers.

7. The Scottish government, working with the skills and enterprise agencies, and education and skills sectors, must deliver a truly flexible lifelong in-work learning offer to deliver greater career progression in Scotland.

Scottish government should work with key partners to develop a new lifelong learning offer in Scotland for in-work learning. This should be fully flexible, offer bite-sized, modular and a blend of online and face-to-face learning, delivered under the banner of the Open College. To begin with this provision could be focussed on sectors and areas facing significant transitions, such as retail, hospitality and tourism and the oil and gas sector. This new offer should be underpinned by enhanced individual training accounts, worth at least £1,000 a year and, crucially, offered on a multi-year basis, allowing people to build up their entitlement and allow employers to top-up entitlement.
TRANSFORMING SCOTLAND’S SOCIAL INFRASTRUCTURE

8. The Scottish government must work to improve Scotland’s social infrastructure to ensure opportunities are open to people from all backgrounds and circumstances.

The Scottish government should invest in affordable and accessible childcare to make work a route to a living income for more people across Scotland, through both social security and the provision of free available hours. The Scottish government should seek to abolish up-front childcare costs for people in receipt of universal credit, following the course set in Northern Ireland. Next, government should set out a plan for further expansion of free available childcare to full time hours over the course of this next parliament.

To minimise the scarring effects of the Covid-19 pandemic on young people’s future financial security, the Fair Work Convention should establish a young person’s taskforce, working in partnership with young people to design next steps for the young person’s guarantee, to identify and eliminate forms of labour market exploitation that young people are disproportionately exposed to. As an immediate action, the Scottish government should extend education maintenance allowance (EMA) to young people in modern apprenticeships to minimise their financial insecurity.

Finally, there is need for urgent action to build and protect disabled people’s financial security through recovery. The Scottish government should promote guaranteed interview schemes for disabled applicants across their business support services, and through the Scottish Business Pledge. Scotland’s Social Security Agency should work in partnership with disabled people’s organisations and Job Centre Plus to design routes that support greater financial security, including through transitions into or out of work for people with fluctuating conditions.
INTRODUCTION

Work is at the centre of how we organise our society and our lives. Good work enables millions of people across Scotland to provide for themselves and their families. In doing so, it makes a critical contribution to financial security. Good work can provide people with a decent standard of living, a sense of purpose and a means of contributing to society. But for too many people in Scotland, work fails to deliver decent living standards or the security on which to build a good life.

Securing a living income for everyone in Scotland is contingent on securing good work for more people. This will require progress on pay, hours and job quality for more working people, and sustained efforts to create routes into good work for those who are most likely to be excluded: including women, disabled people, lone parents, and young people.

As we take stock of the deep and wide-ranging disruption stemming from the Covid-19 pandemic and look towards recovery over Scotland’s next parliament, work has a critical role to play. The Covid-19 crisis has spurred widespread economic upheaval and posed new threats to fair work: from intensifying pressures from caring responsibilities to prolonged uncertainty around jobs and incomes. Deep disruption has rocked whole sectors of the economy and parts of the country, and how we work has changed profoundly across jobs in hospitality to those in finance.

Good work should be at the heart of a fair and sustainable recovery in Scotland. IPPR’s 2018 Commission on Economic Justice argued that securing good pay, good jobs and good lives are critical to realising a strong and prosperous economy – and these lessons should shape our post-Covid-19 recovery (CEJ 2018). We know that across the UK, structural weaknesses in the labour market were masked by high employment pre-crisis, while in-work poverty across the UK has risen to historic levels (McNeil et al 2021).

Through the Scottish parliament’s next term, the challenge will lie in translating the Scottish government’s ambitions to build a ‘wellbeing economy’ and a ‘fair work nation’ into transformative action on the ground. The key question facing the next Scottish government will be how to deliver a recovery from Covid-19 that addresses the structural weaknesses of Scotland’s economy and supports a fairer and more sustainable economic model for the future. With aims to substantially reduce child poverty, transition to a net zero economy, and embed an inclusive economic model focussed on maximising the wellbeing of people and planet well-established, the challenge of the next parliament is to deliver transformative action on the ground – turning world-leading targets into world-leading progress. In light of overwhelming evidence that pre-existing inequalities have been exacerbated through the Covid-19 crisis, this challenge looms even larger than it did before the pandemic, and is even more urgent.

This report is part of IPPR Scotland’s Rethinking Social Security programme, which is exploring financial security across Scotland and mapping out a path to a living income for all through rethinking social security, work, and collective services. This report explores the role paid work can play in securing a living income for more people in Scotland.

Through the Covid-19 crisis, unparalleled action has been taken to protect jobs and keep businesses afloat. In Scotland, over £500 million of business support grants was delivered directly to struggling firms between November 2020 and March
2021 (Scottish Government 2021a). At the UK level, the ongoing UK government job support scheme has played a critical role in maintaining employment levels. While the UK government’s ‘kickstart’ scheme has sought to deliver work placement opportunities for young people at risk of scarring effects from unemployment (though take-up has been low), the Scottish government has introduced a ‘young person’s guarantee’ aimed at ensuring every young person in Scotland aged 16–24 has access to a work, education, or training opportunity. There remains significant uncertainty about how the economy will respond to the withdrawal of emergency support.

However, there are also new opportunities as we begin recovery from the pandemic, with a boom in new business creation despite ongoing uncertainty. In the first quarter of 2021, there were 137,000 new businesses created in the UK – an increase of 14 per cent from the year previous, with growth in Scotland of 8 per cent (ONS 2021). And with these new businesses come new jobs, with the potential for new ideas about the worker-employee relationship. In plotting a course towards a living income for more people in Scotland, we will need to see more people getting into good work – whether this is at the start of their working lives, through upskilling or re-training, or as they return to work after – and more people getting on in good work, through progression.

Delivering good work that everyone can share in will require a sustained focus on building good quality, sustainable jobs and careers. In the context of recovery from Covid-19, a focus on job creation is right, but of equal importance is a focus not on just any jobs, but on good jobs. In parallel, efforts to deliver fair work by improving the quality of existing jobs across Scotland must be redoubled. But securing incomes across Scotland will also rely on work to understand and dismantle the barriers that lock too many people out of good work – whether those be in social security design, or a lack of social infrastructure – and to build better routes for people to get into and get on in good work – through better skills provision and job design fit for the 21st century.

**WHAT DO WE MEAN BY A ‘LIVING INCOME’?**
A living income is a policy aspiration where people have enough income to lead a good life.

As a starting point, we take a set of minimum income standards estimated by researchers at the University of Loughborough for different household types. These standards are developed based on detailed consultation with the public on what they feel is needed to “to achieve an acceptable standard of living in Britain today” (see Statham et al 2021a for further details).

**RESEARCH METHODS**
For this research, we have used a combination of quantitative and qualitative methods and worked with experts by experience to better understand financial insecurity in Scotland.

We have conducted quantitative analysis of key datasets alongside bespoke polling to better understand the state of the Scottish labour market. Detailed modelling has allowed us to better understand the relationship between work and minimum income standards for different household types.

We also conducted research events with people with direct experience of living on low incomes across Scotland exploring financial security, and interviews with young people in modern apprenticeships exploring their perspectives on education, training, and work. Their experiences and insights are included throughout this report, though all contributions have been anonymised.
1. TO DELIVER A WELLBEING ECONOMY, FAIR WORK SHOULD BE THE CORNERSTONE OF SCOTLAND’S COVID-19 RECOVERY

Plans for Scotland’s Economic Recovery Should Focus on Delivering a Good Jobs Recovery – Not an Any Job Recovery

Good work is the foundation of an inclusive economy. It can provide a route to financial security, a sense of purpose and fulfilment, and make a significant contribution to individual wellbeing. Yet good work remains out of reach for too many people in Scotland. This report makes the case for good work to be the cornerstone of a sustainable recovery from Covid-19. A strategy that prioritises good jobs, and not any jobs, and can successfully support more people in Scotland into good work stands to support ambitions not just to realise a fair work nation – but a new economic model, that prioritises the wellbeing of people and planet.

As previous work in this programme has set out, paid work is not – and indeed cannot – be the route to financial security for everyone in Scotland. Many people across Scotland cannot enter paid work due to long-term sickness or disability – and many more who would like to take on paid work face considerable barriers in doing so. More people still are not able to take on paid work as their time is already committed to the demands of unpaid care work that is too often overlooked and undervalued – despite the vital role it plays, and how heavily our families, communities, and the rest of the economy rely on it.

As we look to leave the Covid-19 crisis behind, there are significant possibilities for faster progress on fair work and delivering financial security. With projections for significant economic growth, business start-ups, and employment increases over the coming years, action now could have a significant impact on Scotland’s economic model and in tackling long-standing structural inequalities illuminated through the course of the pandemic.

This chapter sets out the case for good work: for workers themselves, for businesses, and for wider society.

A Divided Labour Market

Many people in Scotland – as across the UK – enjoy good jobs and good pay that support good lives, but good work remains out of reach for too many (CEJ 2018). Scotland’s labour market out-performs other UK nations and regions on key indicators such as the share of employees being paid at least the real living wage, unemployment, and rates of trade union membership (Aiton and Wright 2020; Department for Business, Energy and Industrial Strategy 2020). But Scotland’s
labour market is divided – with too many people locked out of opportunity and locked into low pay. Labour market inequalities map across wider inequalities that shape Scotland: dividing along lines of gender, disability, ethnicity, socioeconomic background, and geography. Building a recovery from Covid-19 that delivers a more inclusive economy will rely on understanding the labour market experiences of people who are excluded from opportunity, and designing better jobs – and routes into those jobs – for more people.

Fair work has been a stated priority for the Scottish government over the course of the last parliament. Scotland’s Fair Work Convention has brought together a vision for realising fair work in Scotland, founded on five dimensions: effective voice, security, opportunity, fulfilment, and respect. Their 2020 report offers a review of the limited progress made on fair work before the pandemic arrived, and an assessment of how the Covid-19 crisis has laid bare injustices at the heart of Scotland’s labour market: from sick pay, to insecure contracts, to pandemic workplace safety (Fair Work Convention 2021). We echo its central message: that fair work should be at the heart of Scotland’s economy.

However, despite the visibility of the fair work agenda as a priority of the government, it is yet to have a transformative impact on outcomes for people living and working in Scotland, or for Scotland’s economy more broadly.

Fair work activity in Scotland has focussed on a Fair Work First approach to government support, and on voluntary action such as the Business Pledge, which encourages employers to sign up to a range of fair work commitments, such as paying the real living wage. There is a clear risk, however, that this strategy engages those employers already taking proactive steps to become fair work employers and loses sight of those businesses whose practice needs to change.
FAIR WORK AND DEVOLUTION: WHAT LEVERS ARE WITHIN REACH FOR THE SCOTTISH GOVERNMENT?

While there are significant policy levers available to the Scottish government to deliver against fair work objectives, others are reserved for the UK government at Westminster. Employment regulations are a significant lever that can only be used by UK government, including powers to set the statutory minimum wage, working time directives, and health and safety standards. Migration is another significant area of reserved policy, with impact on Scotland’s current and future workforce. Likewise, key social security infrastructure, such as unemployment benefit and eligibility criteria for out-of-work benefits are reserved to the UK Department for Work and Pensions.

The Scottish government does, however, have full powers over education and skills, control of business support agencies such as Scottish Enterprise, and public spending powers through procurement at its disposal. Significant areas of taxation, such as income tax on earnings and business rates, are also set at Holyrood.

Some further policy areas, such as city region growth deals, are shared across UK and Scottish governments through matched funding.

HOW CAN FAIR WORK CONTRIBUTE TO FINANCIAL SECURITY?

Fair work can contribute to financial security across four key dimensions:

1. decent rates of pay
2. sufficient and reliable hours
3. good working conditions: including job security, fulfilment, and worker voice
4. opportunities to develop and progress.

Good work that provides the foundations of financial security and contributes to wellbeing requires all four characteristics, as we outline below.

Decent rates of pay
A vital starting point for securing a living income for more working people in Scotland is tackling low rates of pay. While recent 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.

Sufficient and reliable hours
To secure a living income, work must not only offer a decent rate of pay, but also offer sufficient and reliable hours. The UK jobs market has been characterised by the rise of precarious employment (CEJ 2018) since the Great Recession, with one-sided flexibility, whereby workers are expected to work varying hours on flexible contracts with little notice or security. This has been more prevalent among low-paid workers – creating a double bind that traps working people in financial insecurity. While this trend has enabled job creation, it has come at a high price for those experiencing this insecurity.

In-work progression
Progression in work is also a vital route to financial security, but too many workers are trapped in low pay, with limited opportunity to progress into better quality work that supports greater financial security.
Good working conditions
People’s experiences of work – and whether or not work supports individual wellbeing – are also shaped by a number of factors that extend beyond pay, hours and progression. Job satisfaction is shaped by several components, including autonomy in the workplace, worker voice, and work-related stress or anxiety.

Although wellbeing is in of itself a worthwhile aim, a more fulfilling experience of work is also likely to bolster household financial security, as workers are more likely to stay in and progress in jobs they enjoy doing. Poor mental health arising from poor quality work can impact on ability to stay in work or progress, risking financial security in the long run.

In-work progression
Progression in work is also a vital route to financial security, but too many workers are trapped in low pay, with limited opportunity to progress into better quality work that supports greater financial security.

THE ECONOMIC AND SOCIAL CASE FOR GOOD WORK
Good work is better for individual wellbeing
Being in work can play an important role in supporting our health and wellbeing. Work can provide people with a sense of purpose, a reliable income, independence, and social contact. It also plays a role in preventing both physical and mental health problems (Mental Health Foundation 2012).

Our own analysis shows there is a clear correlation between reported levels of job satisfaction and levels of overall life satisfaction – in other words, how you feel about your job matters for how happy you are with your life overall. Figure 1.2 shows that those who were happy with their job were twice as likely to be satisfied with their life overall as those who were unhappy, while fewer than one in 20 of those who were satisfied with their job reported poor life satisfaction.

FIGURE 1.2: WORKERS IN SCOTLAND WITH HIGHER JOB SATISFACTION ARE FAR MORE LIKELY TO REPORT HIGHER LIFE SATISFACTION
Rates of life satisfaction by job satisfaction among employees in Scotland

Source: IPPR analysis of University of Essex (ISER 2020)
What is more, being in good work (as opposed to any work) is positively associated with greater wellbeing. Jobs that exceed minimum legal standards and deliver on multiple aspects of job quality offer considerable benefits for individual wellbeing (What Works Wellbeing 2017). Fair work also means individuals have greater scope to build and develop social connections beyond their immediate personal circles, improving individual mental health and social capital (ibid).

**Better for business**

Good work is also better for business. Better quality pay and conditions can translate into improved retention rates, and reduced spending on up-front training and recruitment costs. It is also the case that improvements in job quality (increased earnings, strengthened labour market security, and improvements in the working environment) appears to track with increasing levels of employment across the OECD, indicating that there is no ‘trade off’ between quality and quantity of work (OECD 2016). Decent pay is also associated with lower levels of sickness absence and absenteeism. Fair work employers can also expect to see improvements in the quality of applicants for job roles, which can strengthen the business’ human capital.

And fair work practices can foster innovation: both in terms of greater productivity from staff who are fulfilled and not worried about making ends meet, and through better quality services. Indeed, there is empirical foundation for this position as research has shown that ‘good work’ is a “route to improved productivity” and that “poorer quality work correlates with poor productivity” (Bosworth and Warhurst 2020).

**Better for wider society**

Fair work also strengthens our wider economy and society. As more people get into and get on in fair work, Scotland’s tax base will be stronger and broader, with increased tax revenues collected from more income taxpayers helping to support stronger public services.

Fair work can support better health outcomes for individuals, and across the population – reducing costs to public services later down the line. The annual economic cost of sickness absence and worklessness associated with working-age ill-health are estimated to be over £100 billion across the UK (Black 2008).

Fair work has a critical role to play in reducing in-work poverty in Scotland – and by extension, in unlocking progress on Scotland’s ambitious targets to reduce rates of child poverty.

Improving the pay of low paid workers will move cash into the pockets of low-income households who have greater likelihood to spend it, stimulating the economy. Previous IPPR analysis has shown that if all workers pay was brought up to the effective rate of the real living wage - this would amount to an extra £1.9 billion in the pockets of workers in 2019 (Statham et al 2021b).²

Finally, realising financial security for more people is crucial in realising financial security for more families, and more inclusive economic growth – that sees more people with a stake in local and national prosperity. It supports better living standards and reductions in levels of inequality, which we know in turn strengthens economic performance (CEJ 2018).

---

² Note that this analysis is based on self-reported pay and hours data from the Annual Population Study, and may therefore differ to estimates based on employer-reported data from the Annual Survey of Hours and Earnings.
2. FAIR WORK IS CRITICAL TO DELIVERING A LIVING INCOME FOR MORE PEOPLE IN SCOTLAND

Better quality work enables more people to achieve a living income, as defined by minimum income standards, with all the associated positive wellbeing effects associated with financial security for households (see Statham et al 2021a; Statham et al 2020).

We can look at the role of work in achieving a living income – as measured by minimum income standards – in terms of rates of pay, or in terms of hours worked. At higher rates of pay, fewer hours are needed to reach a minimum income standard. Conversely, if people can work more hours, then their rate of pay does not need to be as high to reach a living income. In this chapter, we explore the role of fair work in achieving a living income for households across Scotland.

We assess key labour market trends coming into the Covid-19 pandemic, and how Scotland’s labour market performs on the measures that matter for financial security. We also explore new findings from public opinion polling on workers’ experiences of work in Scotland in 2021. Finally, we model a range of different scenarios for in-work households to assess how, combined with social security and services, work can provide a route to a living income for different families in Scotland.

TO WHAT EXTENT IS SCOTLAND’S LABOUR MARKET SUPPORTING A LIVING INCOME?

Decent pay
To deliver financial security, rates of pay need to track rising living costs. The real living wage (RLW), calculated annually to reflect the reality of living costs, provides a measure of pay that supports a decent standard of living for those in full-time work. There has been significant progress on RLW pay in Scotland in recent years – led in part by the Fair Work Convention. The proportion of adults paid less than the RLW decreased to 15.2 per cent in 2020 (from over 18 per cent in 2012) based on employer provided data (Living Wage Foundation 2020).

Other estimates which measure ‘effective’ rates of pay (based on employee responses and accounting for unpaid overtime) find that this proportion is much higher, at 28 per cent in 2019.3 The Joseph Rowntree Foundation estimates that moving all parents who are currently earning below the real living wage to real living wage rates of pay would lift 20,000 children in Scotland out of poverty (Birt and Milne 2021).

---

3 Throughout this report we have used self-reported data from the Annual Population Survey to produce estimates of low pay as this allows us to do more granular analysis than would be possible using the Annual Survey of Hours and Earnings, the preferred data source for pay. In our analysis, we focus on overall trends when considering exposure to low pay as opposed to the absolute levels.
Alongside general low pay, we see particular population groups at greater risk of lower pay than others, as we explore in chapter 3. There also remain issues with enforcement and unpaid overtime and leave.

**Sufficient and reliable hours**

Coming into the pandemic, we find that 3 per cent of employees in Scotland reported being on a zero-hours contract, meaning their employer had no contractual commitment to provide work and pay in any given week (IPPR analysis of ONS 2020b). The rate is over twice as high among the poorest quintile of workers in Scotland (IPPR analysis of ONS 2020b). In the pandemic, this had left workers without any shifts for months on end, and with big gaps between pay checks.

This precarity drives stress and insecurity: research participants described how zero hours contract jobs offered no security or stability, and the challenge of trying to understand how changing work patterns would interact with social security – leaving them with uncertain income month to month. As one working parent explained: “You can’t pay your bills on that basis... [you’re] set up to fail”.

A broad range of workers in Scotland are also unsatisfied with the number of hours they work. Our analysis shows that while 7 per cent of all employees in Scotland are underemployed, the figure is much higher among low-paid workers, with almost one in five looking for more hours (IPPR analysis of ONS 2019a). Recent work from the Joseph Rowntree foundation finds that underemployment is particularly high among black and minority ethnic workers – standing at 16 per cent across Scotland – and is particularly high among Asian workers – 18 per cent of whom are underemployed (Evans 2021).

Other work has shown the connection between insecure work and poverty. For example, a 2015 OECD study found that average poverty rate for households with whose only employment was insecure was as high as 22 per cent across OECD nations, with UK figures in line with these rates (OECD 2015).

**Working patterns across Scotland**

For some workers, underemployment is likely to be a permanent state, while for others it may be temporary, changing from month to month along with changing shift patterns and incomes. This uncertainty drives financial insecurity, leading to unplannable costs (for example disruption to childcare arrangements and travel plans), and has knock-on effects on workers’ mental and physical health.

We undertook polling to understand these issues further and found that more than one in five workers in Scotland typically receive two weeks’ notice or less of working hours. We find that men are more likely than women to have short notice of their working patterns, and that young workers far more likely than older workers: one in three workers under 30 routinely receive fewer than two weeks’ notice of their working patterns.⁴

Our polling also finds that more than one in 10 people surveyed are unhappy with the extent to which their work offers them stable and predictable pay/income – indicating that insecure working patterns or contracts translate into financial insecurity affecting a significant proportion of workers in Scotland. Meanwhile, one in five people surveyed in Scotland are unhappy with the extent to which they have the flexibility at work to do what they want to do in life (see table 2.1).

---

⁴ Polling was conducted online by Mark Diffley partners from 2nd-8th June 2021, with a sample of 1970 respondents aged 16-64, living in Scotland. Results have been weighted to the Scottish adult population by age and gender.
These results suggest hundreds of thousands of workers in Scotland are unhappy with their working patterns. These findings are supported by research from the Fraser of Allander Institute, which finds that insecurity of working hours affects a large proportion of UK workers, and that rates of underemployment are higher in low-income households, including a significant section of low-earning households who are not below the poverty line (Eiser et al 2021).

<table>
<thead>
<tr>
<th>TABLE 2.1: A SUBSTANTIAL SHARE OF WORKERS IN SCOTLAND ARE UNHAPPY WITH HOW THEIR WORK PATTERNS AFFECT THEIR LIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Having the flexibility at work to do what I want to do in life</td>
</tr>
<tr>
<td>Having working patterns that suit my life</td>
</tr>
<tr>
<td>Being able to plan around my work</td>
</tr>
<tr>
<td>Having stable and predictable pay/income</td>
</tr>
<tr>
<td>Having working patterns that allow me to manage costs like transport and childcare</td>
</tr>
<tr>
<td>Having control over when I work</td>
</tr>
<tr>
<td>Having control over my work/life balance</td>
</tr>
</tbody>
</table>

Source: IPPR Scotland analysis of polling data

We know that a lack of security or control over how and when we work can have considerable knock-on effects in terms of health through stress and the impact of anti-social working patterns and financial security, which means that people are not able to plan for the future.

While Scotland has the lowest proportion of self-employed people of any UK nation or region (at 12.4 per cent of the workforce), low-paid and poor quality self-employment – including bogus self-employment⁵ – is a persistent concern that will need to be addressed through recovery (SPICe Spotlight 2020).

**Progression in work**

We carried out analysis to understand progression in the labour market for workers in Scotland over the last decade using data which tracks individuals over time between 2011-12 and 2018-19, in order to understand who gets the opportunity to progress in work in Scotland.

Looking at career progression between 2010-11 and 2018-19, with the data broken down by job skill classification, we found that the vast majority of workers in Scotland remained in the same job type over this period.

Figure 2.1 shows that, of those people working in jobs classed as routine occupations in 2010-11 – which includes roles such as cleaners, bar staff, and bus drivers – just under three-quarters (or seven out of 10 workers) are still in routine occupations nearly a decade later. Over the same time period, 13 per cent of people in routine work moved into intermediate occupations, while a further 14 per cent now work in occupations which are classed as ‘managerial and professional’.

---

⁵ Bogus self-employment describes workers who are told they are self-employed when legal tests would likely define them as employees.
Among those in **intermediate job roles** in 2010-11, seven out of 10 people were still working in a similar job, while more than two in 10 had moved into professional occupations. Fewer than one in 10 had moved into routine work.

Of those in **managerial and professional roles**, over 80 per cent remained in that type of work nearly a decade on. Fewer than one in 10 people now worked in intermediate roles, and one in 10 people now worked in routine jobs.

---

**FIGURE 2.1: ALTHOUGH SOME WORKERS PROGRESSED, THE MOST LIKELY OUTCOME IS TO REMAIN IN THE SAME SOCIOECONOMIC CLASSIFICATION AS THE DECADE PRIOR**

Proportion of workers reporting progression between 2010-11 and 2018-19, by job type

Looking to the future, our own polling in Scotland suggests that 30 per cent of workers are unhappy with their opportunities to progress in their current role. 6

**Pay progression in Scotland over the last decade**

Another important aspect of progression is pay. To assess pay progression in Scotland over the last decade, we focussed on people who were working full time in both 2010 and 2019, and calculated the average growth rate in pay over that time for different individuals, accounting for inflation. 7

This analysis uncovered a broad range of different trajectories for different workers, with some workers seeing very rapid growth in their pay over the period, while others have seen stagnating or even falling pay.

Figure 2.2 shows that around two-fifths of workers in Scotland (41 per cent) reported lower pay in real terms in 2019 than in 2010. Meanwhile, one in 14 workers (7 per cent) in Scotland reported high average wage growth (of 6 per cent or more per year) – meaning their earnings were substantially higher in real terms in 2019 than they were in 2010.

---

6 Based on a sample of 1970 working-age adults in Scotland.

7 We calculate average annual pay growth to minimise the impact of changing hours between the two periods.
Looking to the future, our own polling in Scotland suggests that 30 per cent of workers are gloomy about their likelihood of progressing in their current role. Overall, the evidence suggests that progression at work has been poor for much of Scotland’s workforce over the past decade and continues to feel out of reach in the future for far too many workers.

Wellbeing at work
For many people in Scotland’s workforce, their job hinders their wellbeing to some extent, and we have conducted some analysis to understand this. 13 per cent of employees in Scotland say they frequently feel tense, nervous, or anxious about their job. Some one in four workers feel they have little or no autonomy in the work they do or how they do it, while only half of workers had a union or employee association at their workplace, and even fewer were part of a union themselves. 12 per cent of workers in Scotland report overall low job satisfaction (IPPR analysis of USOC). While these metrics typically receive less attention than other aspects of job quality, such as pay and hours, ambitions to build a wellbeing economy will mean they demand greater attention.

One in four workers feel they have little or no autonomy in the work they do or how they do it

WHAT ROLE DOES WORK PLAY IN ACHIEVING A LIVING INCOME FOR DIFFERENT FAMILIES IN SCOTLAND?
To assess whether work provides a living income, we need to look across pay, hours, security, and family type. This is because a combination of pay, hours, and job security – whether in terms of hours of work per week, or security that employment will continue month on month – are critical components of income security. We
also know that what constitutes a ‘living income’ will vary across different types of families, depending on their different needs. In this chapter, we look at the role fair work can play in delivering a living income for families in Scotland.

Using IPPR’s benefit entitlement model, we model a range of scenarios for different family types: a single person, a lone parent with one child, and a couple with two children where both parents work. Our modelling attempts to account for the role of earnings, childcare, housing, and the tax and benefit system. We use minimum income standards (MIS) to measure a living income.

**Single people without children**

Our modelling estimates the number of hours which need to be worked to reach the MIS at different rates of pay.

**FIGURE 2.3: A SINGLE PERSON WOULD NEED TO WORK OVER 40 HOURS A WEEK TO ACHIEVE A LIVING INCOME ON THE MINIMUM WAGE**

Hours needed to reach a minimum income standard at different rates of pay for a single person household

![Image of a graph showing hours needed to reach a minimum income standard at different rates of pay for a single person household.]

Source: IPPR analysis using the IPPR benefit entitlement model.

We find that, at the main minimum wage rate, a person would need to work 41 hours in order to achieve a MIS, while at higher rates of pay (£15/hour) the hours needed would be considerably fewer. However, if housing costs were greater than the 30th percentile, then more hours would be needed, which would require substantial hours above average. In each of these scenarios, benefits are assumed to be completely withdrawn.

**Lone parent with one child**

Our analysis shows that, at lower rates of pay, lone parents could find it impossible to reach their respective MIS levels if they cannot obtain any free childcare beyond that offered by school. At higher rates of pay (such as £15 an hour), it becomes attainable, but still requires long weekly working hours because of the childcare costs incurred. It is important to note that our modelling assumes households claim and receive any benefit income they are eligible for – and yet this shortfall persists.

---

8 We estimate that the MIS (after housing costs) in 2020/21 would be £919 a month. We assume the person rents in the private rented sector, with costs at the 30th percentile for a one-bedroom house in Fife (as a typical area).
**FIGURE 2.4: WORKING A 48-HOUR WORKING WEEK IS NOT ENOUGH TO ACHIEVE A LIVING INCOME FOR A LONE PARENT PAID AT THE MINIMUM WAGE OR THE REAL LIVING WAGE**

Hours worked by lone parents to achieve a minimum income standard while earning minimum wage, real living wage or £15 an hour

Source: IPPR analysis using the IPPR benefit entitlement model

Our modelling suggests that for a lone parent, even working 48 hours a week will not provide a living income at lower rates of pay (less than £15/hour). When weekly hours worked exceeds 48 hours, these households actually become worse off, as the additional childcare costs incurred exceed additional take-home pay. For lone parent families with multiple children, the challenge to hit minimum income standards at lower rates of pay would be greater still and, in many scenarios, simply unattainable. It is also worth noting that many young people in Scotland will be earning less than £9 an hour due to lower rates of minimum wage for people under 23.

**Routes to a living income for couples with children**

Recent IPPR research has found that, across the UK, a growing number of families with two earners working full time, or with one partner in full-time work and a second earner in part-time work, are being pulled into poverty (McNeil et al 2021). In families with children, the second earners’ employment circumstances make a critical difference to household incomes and financial security – but rising childcare costs and insecure work mean that more families are struggling to stay afloat.

The current rollout of free childcare coverage in Scotland of 1,140 hours per year (30 hours per week, 38 weeks of the year) to all children aged 3–4 years old (not just children in working families) is a welcome and significant step. There remain, however, persistent challenges to both the costs and provision of childcare, as prices rise and providers have struggled to stay afloat through the pandemic (Jarvie et al 2021; Blanden et al 2020). During the pandemic, childcare costs in Scotland rose substantially above inflation which, alongside new pressures on availability through lockdowns, put additional pressure on families’ finances (Jarvie et al 2021).

---

9 We estimate the MIS at £1,398 per month for this family in 2020/21 after housing, childcare, and council tax, and assume the child is of primary school age. We assume 30 hours of free childcare or school coverage for three-quarters of the year and 0 hours for one-quarter of the year, and that costs are smoothed over the year. We assume some wrap-around hours are needed and that costs for childcare over free entitlement costs £5 an hour. We assume that the parent claims universal credit (and makes use of the childcare element) as well as claiming child benefit. On housing, we assume costs in the private rented sector at the 30th percentile for a two-bedroom house in a ‘typical’ area. Modelling does not include pension contributions or student loan repayments. Assumes temporary UC uplift is not maintained.
Childcare costs continue to put pressure on parents’ rates of workforce participation and working hours – with particular implications for mothers (Morrissey 2017). The vast majority of second earners in UK households with children are women, and, in the UK labour market, a particularly high proportion of women work part-time. Indeed, recent research from the Fraser of Allander Institute finds that UK women in a couple with children tend to work shorter hours than those in the US and France (Eiser et al 2021). The availability and costs of childcare, and the structure of work incentives for second earners through UK social security provision, offer likely explanations for this gap in hours.

It’s also clear, however, that better quality work can offer a clear route towards a living income for families with children. Here, we look at how increasing hourly pay rates and hours worked for second earners can deliver a living income.

We modelled a couple with two children where one parent is in full time work at £10 an hour. Our modelling suggests that the second earner would have to work at least 40 hours at £9 an hour to reach the minimum income standard, which then falls at higher rates of pay. At £15 an hour, for example, we model that the second earner would only need to work 18 hours.

**FIGURE 2.5: IN A LOW-INCOME COUPLE WITH TWO CHILDREN, A SECOND EARNER HAS TO WORK 26 HOURS A WEEK AT THE MINIMUM WAGE TO REACH A MINIMUM INCOME STANDARD**

<table>
<thead>
<tr>
<th>Weekly hours worked</th>
<th>Income after housing and childcare costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>1,000</td>
</tr>
<tr>
<td>2</td>
<td>1,200</td>
</tr>
<tr>
<td>4</td>
<td>1,400</td>
</tr>
<tr>
<td>6</td>
<td>1,600</td>
</tr>
<tr>
<td>8</td>
<td>1,800</td>
</tr>
<tr>
<td>10</td>
<td>2,000</td>
</tr>
<tr>
<td>12</td>
<td>2,200</td>
</tr>
<tr>
<td>14</td>
<td>2,400</td>
</tr>
<tr>
<td>16</td>
<td>2,600</td>
</tr>
<tr>
<td>18</td>
<td>2,800</td>
</tr>
<tr>
<td>20</td>
<td>3,000</td>
</tr>
<tr>
<td>22</td>
<td>3,200</td>
</tr>
<tr>
<td>24</td>
<td>3,400</td>
</tr>
<tr>
<td>26</td>
<td>3,600</td>
</tr>
<tr>
<td>28</td>
<td>3,800</td>
</tr>
<tr>
<td>30</td>
<td>4,000</td>
</tr>
<tr>
<td>32</td>
<td>4,200</td>
</tr>
<tr>
<td>34</td>
<td>4,400</td>
</tr>
<tr>
<td>36</td>
<td>4,600</td>
</tr>
<tr>
<td>38</td>
<td>4,800</td>
</tr>
<tr>
<td>40</td>
<td>5,000</td>
</tr>
</tbody>
</table>

Source: IPPR analysis using the IPPR benefit entitlement model

Supporting women – as the majority of lone parents and second earners – to access better paid work, or to take on more hours, is therefore critical to realising financial security for many families with children.

---

10 We estimate the MIS at £2,119 per month for this family in 2020/21 after housing costs, childcare and council tax. We assume children are of primary school age, we assume 30 hours of free childcare or school coverage for three quarters of the year and 0 hours for a quarter of the year but that costs are smoothed over the year. We assume some wrap-around hours are needed and that costs for childcare over any free entitlement costs £5 an hour and assume the parent working full-time (36 hours at £10 an hour) does not provide any childcare cover. We assume that the family claims UC (and makes use of the childcare element), child benefit and Scottish Child Payment (for one child only). On housing, we assume costs in the private rented sector at the 30th percentile for a two bedroom house in a “typical” area. Modelling does not include deductions for pension contributions or student loan repayments. Assumes temporary UC uplift is not maintained.
3.
TO DELIVER A FAIR WORK RECOVERY, WE MUST TACKLE THE BARRIERS FACING WOMEN, DISABLED PEOPLE, AND YOUNG PEOPLE

Good work lays the foundation for a good life and underpins financial security for many people across Scotland. But opportunities to get into and to get on in good work are out of reach for too many people. Whether it is due to a lack of opportunity to get on in work, or a lack of good quality available jobs, Scotland’s labour market is not working for enough people. These barriers can take many forms. For some, they relate to a lack of opportunities for training and progression, while others relate to the practicalities of transport links, or a lack of affordable and available childcare.

Despite Scottish government ambitions to make Scotland a fair work nation, our labour market remains divided. In Scotland in 2021, whether you can access good work depends too greatly on where you live, your gender, education, class, age, ethnicity, and whether you have a disability. There have, however, been concerted efforts made over the course of the last parliament to take action on each of these domains. This activity includes the Scottish government’s gender pay gap action plan, action on the attainment gap, the race equality action plan, and the action plan on a fairer Scotland for disabled people, alongside the broader fair work and inclusive growth agendas. The next parliament will provide a test of the government’s resolve to build a more inclusive wellbeing economy, and to redouble efforts to make work a route to a living income for more people.

BARRIERS TO GETTING INTO OR GETTING ON IN GOOD WORK

The Covid-19 crisis has caused widespread labour market disruption in Scotland and across the UK, as earlier research in this programme has explored (see Statham et al 2020). The pandemic has presented new risks of financial insecurity for those at higher risk of furlough, redundancy, or loss of hours, and additional pressures on groups who now face heightened barriers to getting into or getting on in work. In this chapter, we will focus on three particular groups in Scotland’s labour market: women, disabled people, and young people. This focus reflects barriers that shape Scotland’s labour market, and particularly acute challenges posed by the Covid-19 pandemic.

First, we look at women’s experiences in Scotland’s labour market, and levels of financial security. Fragile progress on narrowing gender inequalities has come under new threat as increased demands on unpaid domestic and care work has fallen disproportionately on the shoulders of women (UN Women 2020; HoC 2021).
Next, we explore disabled people’s experiences of financial security – or lack thereof – and how this relates to work. The Covid-19 crisis has pushed many disabled people further away from the labour market, and further from financial security.

Finally, we assess the position of young people, who have been uniquely affected by the disruption the Covid-19 crisis has posed to the worlds of work, education, and training. Young people just starting their working lives or leaving full-time education have faced significant disruption – as we explore later in this chapter through our interviews with young people starting out in modern apprenticeships.

We also find that deep racial inequalities persist across Scotland’s labour market. Black and ethnic minority workers in Scotland are 38 per cent more likely than white workers to experience low pay (IPPR analysis of ONS 2020a). While intersectional analysis is impeded by sample size limitations, we anticipate that racial inequalities intersect with gender, disability and age to compound inequalities across Scotland’s workforce.

In this chapter, we ask who gets into and who gets on in good work in Scotland – and who misses out.

WOMEN ARE STILL MISSING OUT ON GOOD WORK

If we look across the population, we find that men and women typically have vastly different experiences of the labour market, with women experiencing poorer labour market outcomes overall. The gender pay gap (the difference between median hourly pay between men and women) has fallen in recent years, but still stands at 10.9 per cent in Scotland in 2020 (Scottish Government 2021b). Our analysis finds that women in Scotland’s workforce were nearly 50 per cent more likely to have a low rate of effective hourly pay than men in 2019 (IPPR analysis of ONS 2020a).

The gender pay gap partially reflects the fact that women are more likely to work fewer hours than men, in part-time roles which attract significantly lower hourly rates of pay. Our own analysis shows that jobs with shorter weekly working hours are more likely to be poorly paid, and that jobs with shorter hours are much more likely to be done by women. Figure 3.1 shows that more than half of jobs offering 0–16 hours a week are low paid, compared to just one in five jobs offering 32–40 hours per week. We also find that women make up the vast majority of workers with shorter hours, including seven in 10 workers in jobs offering 0–16 hours a week. The over-representation of women in part-time work is partly driven by the disproportionate share of unpaid caring and domestic work taken on by women: from raising children, to caring for sick or elderly relatives.
FIGURE 3.1: JOBS WITH SHORTER WORKING HOURS ARE MUCH MORE LIKELY TO BE POORER PAID, AND MUCH MORE LIKELY TO BE DONE BY WOMEN

Source: IPPR analysis of ONS 2020a

Given that decisions to work part-time are often driven by the demands of balancing work with childcare and other caring responsibilities, it is deeply unfair that the overall quality of part-time jobs is much lower than for part-time jobs. This is a problem that extends beyond pay. Our analysis finds that just 23 per cent of part-time workers were in “professional and managerial occupations”, compared to 43 per cent of workers in full-time jobs in Scotland (IPPR analysis of ONS 2019a). This shows the urgent need to increase proportions of flexible roles further up the income level to begin to tackle this aspect of the gender pay gap.

Even when we look exclusively at full-time workers, women are still more likely to experience low pay than men in the labour market. This is driven in part by occupational segregation, whereby women are over-represented in low-paying sectors, including social care, retail, and hospitality, and under-represented in higher-paying sectors, like IT, construction, manufacturing, and finance (Scottish government 2020a).

FIGURE 3.2: WOMEN WERE FAR MORE LIKELY TO BE PAID LESS THAN THE REAL LIVING WAGE, A DISPARITY WHICH PERSISTS WHEN CONSIDERING FULL-TIME WORKERS ONLY

Proportion of workers paid at an effective rate less than Real Living Wage by gender and job type

Source: IPPR analysis of ONS 2020a
If we look at pay growth over the last decade, women’s pay lags behind. We find that on average based on longitudinal survey data, men’s pay grew far faster than women’s from 2010/11 to 2018/19, the average man in Scotland saw 1.5 per cent growth in their earnings per year in real terms, compared to the average women in Scotland, who saw earnings growth of just 0.2 per cent per year over the same period.\textsuperscript{11}

And through the Covid-19 pandemic, we know that women’s employment has been particularly threatened. Women are more likely than men to work in the sectors of the Scotland economy that have been worst affected by the crisis (such as retail, accommodation, and food services) and women – and young women in particular – have been more likely to be furloughed (House of Commons Women and Equalities Committee 2021; Close the Gap 2020). Between Q3 2019 and Q3 2020, the number of black and minority ethnic women workers across the UK fell by 17 per cent, compared to 1 per cent for white women (Women’s Budget Group 2021).

DESIGNING A GENDER-SENSITIVE RECOVERY

As we emerge from the Covid-19 crisis, we must ensure a fair work recovery is one with gender equality at its heart. This will be critical to ensure women’s future financial security, and the financial security of households through recovery too. While in the aftermath of the Great Recession of 2008-9, we saw women – and particularly women in couples – enter the labour market in greater numbers and take on additional hours of work, higher employment coming into the Covid-19 pandemic may mean that fewer families will have the option to buffer the shock of income loss in this way (Bell and Gardiner 2019). Improving the quality of women’s jobs through a fair work recovery will be a key to strengthening financial security for households across Scotland.

To do so, we must see action to enable more women to work full-time, through better childcare provision and more widespread flexible working policies which make full-time working more manageable.

At the time same time, we must see further action to drive up levels of flexible working further up the income spectrum, with policies which encourage better quality full-time jobs to be available on a part-time, and more broadly a flexible basis. We must also do more to improve pay in traditionally low-paid sectors. To do so we must see policies which boost the pay of poorly paid sectors which women are disproportionately represented and where work is frequently undervalued, such as personal care.

Finally, over the longer-term, we will need to deliver policies which enable new well paid future jobs to be accessible to women as much to men, offering bridges to ensure well-paid job opportunities are open to talent from all backgrounds and circumstances. We will return to these points in our recommendations chapter later in the report.

THE DISABILITY EMPLOYMENT GULF

Over the last parliament, we have seen efforts from the Scottish government to tackle the disability employment gap – that is, the difference in employment rate of people with and without a disability. We know that gap in Scotland stands at 35.5 per cent – a staggering figure that reveals more of a gulf than a gap (Scottish government 2020b; Zemanik 2020). The Scottish Commission for People with Learning Disabilities and Scottish Learning Disabilities Observatory find that the employment rate for adults with learning disabilities in Scotland is just 7 per cent (Congreve et al 2021). We also know that disabled people are three times more

\textsuperscript{11} Analysis is restricted to workers who were working full-time in both periods.
likely to be “lacking but wanting” work than those who are not – making this a problem that Scotland’s labour market has so far failed to respond to (Palmer et al 2005).

In the pandemic, the employment rate has fallen faster for disabled people than for those without disabilities – and this has been more pronounced in Scotland than elsewhere, with disabled people’s employment estimated to have fallen by over 2 percentage points (Learning and Work Institute 2021). Research with employers in the autumn found that two-fifths of employers cited being unable to support those with disabilities during the outbreak as a barrier to employing disabled people (Churchill 2020). An increase in mental-health related employment tribunal claims during the Covid–19 pandemic has sparked concerns about workplace discrimination, with evidence from the Employment Tribunal Service in Scotland suggests there has been a rise in disability discrimination cases, with a notable number relating to issues such as anxiety and depression (Weldon 2021).

This employment gulf has profound implications for disabled people’s financial security in Scotland. Work does not provide a route to financial security for many people who are sick or disabled – and too often, social security provision also falls short.

We undertook research for this project with experts by experience and heard how disabled and chronically ill people are often stuck between a “rock and a hard place” when it comes to financial security: unable to rely on work or social security for a reliable income that can support a decent standard of living – and the additional costs often associated with disability.

We heard that current social security provision “doesn’t take account” of people with chronic illness whose conditions fluctuate. As one participant explained, “it needs to be a lot easier for people to get benefit when their condition is bad” and they are not able to work. For people living with chronic illness that mean their ability to work varies, transitions onto appropriate benefits during flare ups – and a smooth transition back on to previously established social security payments – was seen as key to financial security. Income security was therefore seen as critical in supporting paths into work for disabled people, and for people who want to try going into the workplace. The other critical part of the equation here, of course, is employers that provide appropriate support for disabled people and people with fluctuating health conditions to both get into and stay on in work.

We heard that paths into work for disabled people were often blocked by the perception that the ‘small steps’ that could support a transition into employment were incompatible with strict eligibility requirements on some disability benefits. This created circumstances in which “people are worried about doing volunteer work cos they’ve had their benefit stopped [before]”. Participants described the impact this had on disabled people, who “need to have a purpose in their life” and want to contribute to their communities – but are often deeply worried that this might come at the cost of income they rely on.

**DESIGNING A RECOVERY THAT DELIVERS ROUTES INTO FAIR WORK FOR MORE DISABLED PEOPLE**

Without a focus on disabled people’s employment through recovery, there is a risk that we set back progress and exacerbate inequalities. As such, we need to see a focus through recovery on policy solutions which improve social security provision for disabled people looking to transition into work.

This could mean enabling disabled people to volunteer as a potential first step towards permanent employment, with a “guarantee” that this will not affect benefit entitlement (at least through the administration of devolved benefits). It
may also require efforts to design an income top-up for disabled people for whom part-time work is possible, but full-time work is not. This could also involve taking advantage of Scotland’s new powers over devolved disability benefits to ensure they offer flexibility and security to those who rely on them.

But there is also urgent need to improve employer practice through better support, education and incentives to lower barriers to work for disabled people. This could involve measures to encourage or incentivise employers to accelerate applications from disabled applicants in recruitment processes, particularly in the private sector which has lower levels of representation of disabled people.

**YOUNG PEOPLE IN SCOTLAND’S PANDEMIC LABOUR MARKET**

Prior to the pandemic, there was a much greater unemployment risk among young people than the general working age population with youth unemployment systematically higher than general unemployment rate in Scotland (IPPR analysis of ONS 2021).

Our research found that work available to young people was also likely to be of poorer quality – 61 per cent of young people were paid an effective rate less than real living wage in 2019 compared to 28 per cent of workers overall. They were also more likely to be precariously employed, with 9 per cent working on zero hours contracts compared to 3 per cent in the population (IPPR analysis of ONS 2020). Two-fifths cent felt like they had little or no autonomy in their work compared to 24 per cent of workers overall and there are particularly low levels of worker voice, with just 37 per cent of workers saying they had union or employee association at their workplace – substantially lower than the 53 per cent average.

We wanted to consider the likelihood of young people experiencing poor job quality compared to all workers. Figure 3.3 shows that, young people face much poorer job quality than all workers on a number of measures.

**FIGURE 3.3: BEFORE THE PANDEMIC, YOUNG PEOPLE WERE FAR MORE LIKELY TO EXPERIENCE POOR JOB QUALITY ON A VARIETY OF MEASURES**

Additional likelihood of poor job quality characteristics for young people

Source: IPPR analysis of University of Essex 2020 and ONS 2020a
Young people experiencing low pay are also faced with a lower wage floor, which can deepen financial insecurity. There remain significant gaps between the statutory minimum wage and the real living wage for young people – the gap is £2.94 per hour for 18–20-year-olds and higher still for 16–17-year-olds and apprentices.

There are also heightened risks facing some groups of young people. Research from the Equality and Human Rights Commission in Scotland has found that disabled people and people from ethnic minority backgrounds are missing out on modern apprenticeships in Scotland (Equality and Human Rights Commission Scotland 2019). While men are increasingly moving into ‘traditionally female’ apprenticeships, there is no evidence of women entering ‘traditionally male’ apprenticeships in higher-paying sectors such as construction (Ibid). Without action, there is a risk that the young person’s guarantee reinforces labour market inequalities along lines of disability, ethnicity and gender.

We also know that the pandemic has hit young people particularly hard, as seen through higher rates of furlough, job loss and pay loss and a substantial drop in employment rates compared to older age groups (Gustafsson 2021). The most recent projection for youth unemployment shows an improved outlook compared to some of the forecasts seen at the peak of the crisis. However, we estimate that some 49,000 young people in Scotland will still experience unemployment in Q4 of 2021, when rates are expected to peak (IPPR analysis of OBR 2021). These young people will face heightened risk of scarring effects in the labour market for years to come, against a backdrop of ongoing disruption. Around 55 per cent of employers surveyed in Scotland expect the pandemic to continue to have a negative impact on young people's employment prospects over the next three to five years (McConnell 2021).

If youth unemployment over the coming years follows patterns seen in the past, it is likely to be those young people with fewest qualifications, those from poorer or more deprived backgrounds, and those with some protected characteristics that will most likely experience youth unemployment.

**MODERN APPRENTICES**

We undertook qualitative research with young people taking on modern apprenticeships to understand the potential effects of the pandemic on young people's future prospects and financial security.

We spoke with young people taking on modern apprenticeships in the East end of Glasgow. Each of the participants we spoke with lived at home with parents or siblings, and all participants were in the early stages of a year-long apprenticeship that they hoped would lead to permanent employment.

The young people we heard from felt uncertain about their futures, and some had disengaged from school almost entirely prior to their apprenticeship. Links maintained into careers advice services within school had played an important role in building a bridge from school into training opportunities - including for young people who had stopped attending school, who received additional support.

Each of the young people we spoke to had benefited from being actively encouraged to apply for a modern apprenticeship by someone who knew them well – whether that be a youth worker or a school careers adviser. These relationships were based on very regular contact and had been key to young people establishing and acting on their ambitions.
“I hadn’t even thought about it until one of the staff members contacted me and said I think you’ll be interested in this, get your application in – so that’s exactly what I did and I’ve been there ever since.”
Participant, 18, childcare apprentice

We heard about the role community organisations had played in establishing routes into work for young people. The young people we spoke to tended to have an existing relationship with the organisations they went on to work with as apprentices.

Transitioning from school to college also enabled young people to continue to access financial support – and college bursaries provided a lifeline for some.

“When I started it was a pure godsend that my bursary was as high as it was like – that was, like, lifesaving.”
Participant, 19, employability apprentice

While the young people we spoke to acknowledged that their rate of pay was low, having an income through training made a significant difference to their feelings of financial security – particularly where it meant they could contribute at home, and help support parents with bills.

“I live with my dad and sometimes obviously money can be quite difficult and stuff, so I feel like with me being able to help out and him not worrying so much, it made me feel better... I was being paid so I could do kinda more stuff that I wanted to do as well as knowing my dad wasn’t worrying as much.”
Participant, 18, childcare apprentice

Participants described ambitions to move into secure, full-time work, and to progress to managerial level roles in the future. They described having a supporting and open working environment as being key to their progression – where they would know where to go to for advice.

“Now I feel like I really have a shot and I know - I feel like I know – that I’m going to get something out the end of this and it’s going to take me somewhere, whereas a year ago I was still, kinda, a bit lost.”
Participant, 18, childcare apprentice

In order for apprenticeships in Scotland to continue to support young people – and, critically, to support young people into fair work – there will need to be close attention paid to modern apprentices’ destinations after training.

In order for apprenticeships in Scotland to continue to support young people – and, critically, to support young people into fair work – there will need to be close attention paid to modern apprentices’ destinations after training.

These insights underline how critical high-quality relationships are to helping young people to navigate transitions from school into the world of work. Building and maintaining these relationships will be all the more important as young people navigate a challenging post-pandemic labour market and experience ongoing disruption to their education through lockdown and self-isolation measures.

**DESIGNING A RECOVERY THAT SUPPORTS A SECURE FUTURE FOR YOUNG PEOPLE**

Young people face unique and sustained pressures from the Covid-19 pandemic. As such, we need to see tailored policy solutions that can support young people in education, training, and work, and those navigating transitions between those states. The Scottish government’s young person’s guarantee will also need to be revisited so as to ensure that support continues while it is still needed, in...
order to minimise the scarring effects of unemployment and support transitions from education or training into fair work – particularly for those young people at greatest risk of falling out of work, education or training altogether. This should sit alongside economy-wide efforts to boost pay and conditions in sectors which employ high proportions of young people such as retail and hospitality.

A PLACE-BASED APPROACH
Access to fair work also varies across Scotland’s local economies. If we look at the local fall-out from Scotland’s Covid-19 pandemic, we can see that different areas will face distinct challenges through recovery, as the pandemic reshapes the geography of financial security across Scotland.

FIGURE 3.4: CLAIMS FOR UNIVERSAL CREDIT HAVE GROWN FASTEST IN AREAS WITH LOWER PRE-PANDEMIC CASELOAD
Out-of-work claims for UC in Scotland as percentage of local population, January 2020 vs May 2021

Looking at growth in out-of-work universal credit claimants, we find an inverse relationship between pre-pandemic caseload and growth in claimants from January 2020 to May 2021. This shows that across Scotland, local authorities with lower rates of pre-pandemic claimants for out-of-work UC have been harder hit by job losses, and have seen higher rates of caseload growth. We can also see, however, that Inverclyde, East Ayreshire, and North Ayreshire were experiencing the highest rates of out-of-work UC claims in Scotland in May 2021. If we look at case load growth, we find the biggest increases in City of Edinburgh, which has seen a 165 per cent increase in claims, and in Aberdeen City, which has seen as 140 per cent increase in people claiming out-of-work benefits – suggesting urban centres have been hardest hit by job losses so far.

Any recovery will also need to consider the specific place-based challenges of pandemic disruption and develop local economic strategies for creating good new jobs through recovery.
CONCLUSIONS

Building an inclusive recovery that delivers financial security for more people will rely on using all the powers at the Scottish government’s disposal to keep those families who are struggling to stay afloat through the pandemic above water, and ensure that those who were being left behind before the Covid-19 crisis are not cast adrift.

The economic impacts of the pandemic have not been evenly spread, and it is clear that a generic approach to Scotland’s labour market recovery risks reinforcing the inequalities that have already been deepened through the crisis. Instead, the Scottish government should seek to design specific routes into good work for those groups at most risk of missing out.
4.
WE SHOULD BRING GOVERNMENT, EMPLOYERS, AND WORKERS TOGETHER TO DELIVER A FAIR WORK FUTURE AND TRANSFORM SCOTLAND’S ECONOMY

Scotland faces a long road to recovery from Covid-19. The enormous disruption and devastation caused by the Covid-19 pandemic has potentially offered significant opportunities to reshape Scotland’s economy – from transforming low wage sectors, to accelerating the transition to net zero, to better valuing the vital work that has been made visible through the crisis. The possibilities for progress across a number of the Scottish government’s pre-existing agendas – such as fair work, inclusive growth, just transition, and delivering a wellbeing economy – are significant. Scotland’s recovery from Covid-19 will shape future jobs, and Scotland’s economic model through the 2020s and beyond.

Even before the Covid-19 pandemic hit, Scotland faced a decade of disruption through the 2020s. Automation and technological change are already rapidly changing industries across Scotland, and how we work. Brexit has provoked major disruption to Scotland’s workforce, particularly in the tourism and hospitality sectors that have relied heavily on people coming to work and build their lives in Scotland. Our climate crisis demands that Scotland’s economy is rapidly decarbonised, and the 2020s are critical in delivering a successful transition to net zero. Demographic change and a population that is ageing at a faster rate than other parts of the UK will see greater pressures on Scotland’s workforce and public finances. And without action, the pre-existing inequalities that locked people out of fair work in Scotland before the pandemic are set to become more deeply entrenched.

To deliver fair work that provides financial security, we need to steer Scotland’s economy towards the creation of new, high-skilled, high-wage jobs of the future. Equally important, however, will be creating routes into better work for those people who are struggling against the currents of poor-quality work and chronic financial insecurity today.

This chapter explores how policymakers rewire Scotland’s economy for fair work through Covid-19 recovery.

FAIR WORK IN THE EVERYDAY ECONOMY: TRANSFORMING SCOTLAND’S LOW-WAGE SECTORS
To deliver fair work over the next parliament we will need to see a shift in focus from voluntary action on fair work with willing and proactive employers to a stronger focus on implementation and progress, particularly among key sectors in which precarious and low paid work is concentrated.
Some of these sectors – such as hospitality (accommodation and food services) and retail – are also among those that have face the deepest disruption through the Covid-19 crisis. These sectors make up a large swathe of what we call Scotland’s ‘everyday economy’, made up of high employment, low productivity sectors in which pay is typically low, and opportunities for progression are slim. If we can tackle low pay in these sectors, we can make significant progress on delivering fair work across Scotland.

In addition, there is a significant imperative to focus on these sectors over the coming years given the effect of Covid-19 on these parts of the economy.

Prior to the pandemic these everyday economy sectors were a significant source of unfair work. We find that between them, retail and hospitality employment make up 41 per cent of all low paid employment in Scotland (IPPR analysis of ONS 2020a).

We wanted to consider how these two sectors perform across a range of fair work measures. Figure 4.1 outlines how the sectors perform against a range of fair work measures. We found that the retail sector sees endemic low pay, with over 50 per cent of workers earning less than the real living wage (IPPR analysis of ONS 2020a). However, Scotland’s retail sector is also characterised by low levels of job satisfaction, low expectations of in-work training and autonomy (IPPR analysis of University of Essex 2020). Equally, a fairly significant proportion of retail workers are not getting the hours they want or need, with over 1 in 10 workers in Scotland’s retail sector wanting to work more hours (IPPR analysis of ONS 2020a).

Scotland’s hospitality sector (made up of accommodation and food services) performs even worse on job quality. We find that around 15 per cent of workers in hospitality roles do not have the hours of work they need and want. This desire for more hours is likely to be a function of low rates of pay per hour, and hence may be indicative of significant levels of financial insecurity within the sector’s workforce. Sixty-five per cent or workers in hospitality roles in Scotland are paid less than real living wage, with less than a tenth of workers seeing union representation (IPPR analysis of ONS 2020a).

Across both sectors, around one in four workers have low job satisfaction. A focus on these two sectors would likely pay significant dividends in terms of progress on fair work and financial security.
Across care sectors, too, fair work is not a reality for a significant proportion of the workforce. We find that for workers in childcare and social care roles, low pay is endemic: 82 per cent of childcare workers and 61 per cent of social care workers are low paid. While workers in childcare and social care roles are more likely than the workforce as a whole to receive training on the job, this is undermined by a lack of job security: 9 per cent of care workers are employed on zero hours contracts, compared to 3 per cent across the workforce (see figure 4.2).
We also find that women constitute 97 per cent of childcare workers, and 84 per cent of the social care workforce, while around four in 10 workers in each sector work part time (IPPR analysis of LFS 2019). It is clear that improving job quality across Scotland's childcare and adult social care workforce will be critical to strengthening women's financial security.

**DESIGNING A FAIR WORK RECOVERY: A SECTORAL RESPONSE**

To deliver a fair work recovery in Scotland, alongside the population group response outlined in the previous chapter, we must see a focus from the Scottish government on key sectors currently underperforming on fair work. These sectors make up key parts of Scotland's everyday economy and key elements of Scotland's critical social infrastructure. A sectoral approach to build labour market institutions to develop fair work plans and approaches to these sectors could be crucial to delivering fair work in the post Covid-19 crisis economy.

These approaches include:

- bringing government, employers, and workers together to design a fair work recovery
- a focus on Scotland’s everyday economy
- a focus on implementing and enforcing fair work criteria
- building routes into good new jobs for more people.

**BRINGING GOVERNMENT, EMPLOYERS, AND WORKERS TOGETHER TO DESIGN A FAIR WORK RECOVERY**

To design a sector-wide response to these challenges, the Scottish government has a key role to play in bringing industry partners together to shape recovery. With sectors facing specific and ongoing challenges, sector-level dialogue has potential to develop long-term, sustainable solutions to support recovery.

The Covid-19 crisis has shone a light on the critical role that workers play in driving workplace adaptation and effectively managing change. Employers and unions in a range of sectors and workplaces have worked more closely together, as worker expertise has been critical in building pragmatic solutions to managing disruption (Jung et al 2020). Continuing closer working between employers and employees through the recovery will have a critical role to play, too, in delivering a fairer recovery that can also respond effectively to potential disruption from other transitions such as automation, Brexit, climate and demographic change (IPPR Centre for Economic Justice 2019).

**Strengthening worker voice and industry representation**

Embedding this social partnership approach in Scotland’s post-Covid-19 economy will rely on strengthening both worker and industry representation. In key everyday economy sectors such as retail, care, and hospitality, where worker voice is weakened by low rates of union membership and workplace organising, strengthening representation should be a key aim through recovery. In parallel, bringing a mix of representative employers and industry perspectives to the table will be vital in ensuring effective recovery plans are designed and delivered across key sectors of Scotland’s economy. The Scottish government has an important role to play in ensuring industry and worker representation grow stronger, not weaker, through recovery.
A FOCUS ON SCOTLAND’S EVERYDAY ECONOMY
An economic recovery and renewal strategy that delivers financial security for more people across Scotland and meets the Scottish government’s ambitions on fair work, child poverty and the climate emergency will need to focus much more heavily on Scotland’s everyday economy. This demands that Scotland’s post-pandemic economic strategy pays greater attention to retail and hospitality, tourism and care, as high employment sectors where low pay and poorer work conditions can be too prevalent.

Realising fair work for Scotland’s social care workforce
The continued expansion of social care presents a critical opportunity to better value care work, and in doing so, to design good future jobs that deliver fair work and begin to narrow the gender pay and opportunity gap that persists across Scotland. Between 2020 and 2030, the number of people aged 80 or above is expected to increase by 28 per cent, and pre-pandemic forecasts suggested that Scotland’s social care sector (including childcare) will grow by 5 per cent (or some 8,000 jobs) between 2019 and 2029 (Scottish Government 2021c; Scottish government 2020c).

A focus on driving up job quality in Scotland’s social care and childcare sector will be critical to realising financial security for more people in Scotland, and particularly for more women. This can be best supported by sustained sector report through recovery, and a strategy that works towards setting bargaining minimum rates of pay and conditions for the care sector.

A FOCUS ON IMPLEMENTING AND ENFORCING FAIR WORK CRITERIA
The voluntary approach taken to Scotland’s fair work agenda prior to the pandemic does not appear to have yet borne results, as evidenced by the continued prevalence of poor-quality work across Scotland’s labour market. As we look towards recovery, policymakers need to shift gears in order to deliver against fair work ambitions and seize the opportunity that has emerged from the adversity and deep disruption of the Covid-19 crisis. Government should now consider the full range of available levers – including both carrots and sticks – in order to realise fair work as a route to financial security for more people.

BUILDING ROUTES INTO GOOD NEW JOBS FOR MORE PEOPLE
As well as driving up the quality of existing jobs, delivering a living income for more people in Scotland will rely on creating good quality new jobs that are accessible to all. This means embedding fair work in Scotland’s key expanding industries such as social care, and in low carbon jobs to support the transition to net zero.

Driving fair work through the transition to a low-carbon economy will rely on efforts made on two fronts. First, to secure job quality in new green jobs – such as retro-fitting households for energy efficiency, or in building green transport infrastructure. Secondly, it will rely on ensuring routes into these new jobs for more people, by designing opportunities to retrain and upskill that are open and accessible to all.

Taken together, action across these areas has potential to deliver fair work for more people in Scotland.

TOWARDS A FAIR WORK FUTURE: RECOMMENDATIONS
Delivering a fair work future will require near-term action and a long-term commitment to a recovery from Covid-19 that addresses the inequalities exposed and exacerbated through the crisis. This means building an economic model
in Scotland with fair work at its heart. To do so will require commitment from employers and government action, particularly focussed on the sectors and population groups at risk of failing to meet fair work expectations. It will also rely on government in Scotland making use of all of its available levers, powers, and soft power to bring employers and workers together with government to focus on driving up job quality, creating good new jobs (and routes into those jobs for more people), and strengthening labour market institutions. Now is the time to focus on strengthening Scotland’s economy over the long-term by delivering good jobs, fair work and ultimately greater wellbeing.

Fair work is absolutely crucial to delivering financial security in Scotland, whether in terms of pay, hours, or wellbeing at work. 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 people. 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 and planet.

We also find that for too many working families, and particularly for lone parent households, a living income remains out of reach – even with social security support. For too many disabled people in Scotland, routes into or back into paid work are seen to come at too high a cost, where our social security system fails to support people through transitions. And we find that the high costs associated with work – particular in terms of childcare – see too many families struggle without the income they need to support a decent quality of life in 21st century Scotland. These findings underline the need to take a holistic approach to financial security that can break down the barriers that prevent work from providing a route to a living income for particular groups of people or particular types of households.

These recommendations outline steps in the near term and over the coming years that we believe can deliver impact across three key dimensions:

1. driving up job quality – hours, pay, wellbeing, and progression
2. transforming Scotland’s social infrastructure and lowering barriers to getting into and getting on at work
3. transforming Scotland’s labour market to deliver good jobs and routes into them for people across Scotland.

Driving up job quality – hours, pay, wellbeing, and progression

1. The Scottish government should work with employers and workers to develop new sectoral ‘fair work agreements’ as the foundation of sector ‘renewal deals’ that deliver investment into sectors in return for trade union-bargained minimum terms and conditions on pay, hours and conditions.

The sectors hardest hit by Covid-19 are also some of Scotland’s lower paid sectors. It is likely that sectors such as hospitality, tourism, and retail, alongside sectors such as social care and childcare will need ongoing support and reform to rebuild following the pandemic. However, this ongoing investment should be made contingent on agreeing new sectoral minimum terms and conditions, around pay, hours and wider measures of job quality. These ‘fair work agreements’ would be similar, though wider in scope, than New Zealand’s new fair pay agreements. This would allow these sectors to renew, rather than simply rebuild as they were before, and ensure that over time sectors deliver living wages, living hours, wellbeing at work and ultimately, contribute to delivering a living income in Scotland.

Where industry representation is not already established, Scottish government should look to engage a wide range of employers to establish sector challenges and priorities, and steps towards improving pay and job quality alongside productivity.
2. The Scottish government and local authorities should ensure government grants and loans, alongside the Scotland-wide and local tax system, are being used fully to incentivise employers to adopt fair work business practices.

Over the next few years, as the Scotland economy hopefully bounces back from the record contraction seen through the pandemic, the Scottish government has a huge opportunity to reshape the economic model in Scotland. As output levels recover, jobs are created, and new businesses formed, there is an opportunity to use the full range of government levers to deliver a fair work recovery, rather than an any job recovery. Ongoing Covid-19-related grants and loans to individual employers should be made contingent on delivering fair work through the recovery. Fair work conditionality within procurement should be significantly strengthened to ensure government goes as far as possible to making securing public contracts only possible if bidders meet minimum fair work standards and have clear plans in place for improvement. Likewise, conditionality should be strengthened on government grants and loans.

On tax, the Scottish government should consider extending its ‘Fair Work First approach’ to existing tax allowances and bonuses for businesses (for example those within the business rates system) to ensure that the hundreds of millions of pounds of public funding provided through the tax system in Scotland is contingent on doing the right thing on fair work. Furthermore, consideration could be given to new cost-neutral levies and discounts on businesses to provide reductions to businesses that adopt fair work business practices paid for by those that do not. Embedding fair work practices through recovery at the firm and sector level has the potential to ensure work provides a living income for more families across Scotland through recovery and beyond.

3. Scotland’s economic strategy and forthcoming strategy on economic transformation must focus heavily on driving fair work, pay and progression within Scotland’s lower paid sectors.

The Scottish government must ensure its policies around fair work, an inclusive economy, wellbeing and just transition are brought more clearly together in its economic strategy. To deliver a living income for more people in Scotland, Scottish government will need to focus creating good jobs in Scotland’s everyday economy, by improving pay and conditions in low-paid sectors, alongside as clear routes for progression. A strategy that focusses only on high pay sectors will miss significant opportunities to deliver a fair work recovery, and to build a Scotland fairer and stronger than the Scotland that entered the Covid-19 crisis. Instead, we must see a focus from government on connecting economic and social policy, unifying around the central aim of delivering a fair work recovery. Increasingly, evidence shows that a fairer economy is a stronger economy, and economic strategy must reflect fully the Scottish government’s stated ambitions around child poverty, fair work, inclusive growth, wellbeing, just transition, and inclusion to deliver social, economic and climate justice.

4. The forthcoming Wellbeing Act should set the course for long-term economic transformation.

The forthcoming Wellbeing Act is an opportunity to consider how to deliver a wellbeing economy that should not be missed. Scotland needs to see new social partnership institutions at the sector level to help to deliver a just transition to net zero and to deliver a fair work recovery following Covid-19. The act must work to place new legal duties on government and business, and set up new institutions at the national level and sectoral level that work to focus the economy on long-term objectives that can deliver against ambitions to realise inclusive and sustainable prosperity, rather than short-term shareholder profits. This should include a focus on new labour market institutions to support sectoral collective bargaining across Scotland’s economy – starting with a focus on the social care sector.
5. Scotland should introduce new labour market institutions to drive implementation and enforcement of fair work standards.

The Scottish government should establish Job Quality Scotland as a national or local authority based agency to monitor fair work compliance, to drive implementation of fair work rules and stipulations (like Fair Work First), and to help to enforce UK-wide employment law in Scotland (such as the minimum wage). Job Quality Scotland would take responsibility for driving up implementation and enforcement across the workforce, and signposting employers to specialist support and advice services.

Realising a social partnership approach through new sector-level institutions will also require efforts to strengthen worker and industry representation. This should be realised through a worker voice strategy that aims to increase the share of workers covered by a collective bargaining agreement in their workplace, and to strengthen worker voice in key sectors where job quality is typically poor – such as childcare, social care, retail, and hospitality.

Lowering barriers to getting into and getting on at work

6. The Scottish government must work with its enterprise agencies, to ensure flexible working as a default becomes a key component of the Fair Work First criteria.

Scottish government should work to embed a culture of flexible working by default across Scotland’s workforce. The Scottish government should lead a flexible working campaign aimed at promoting flexible working by default policy, communicating, and promoting the benefits of flexible and part-time working to employers.

7. The Scottish government, working with the skills and enterprise agencies, and education and skills sectors, must deliver a truly flexible lifelong in-work learning offer to deliver greater career progression in Scotland.

With significant challenges around career progression in Scotland prior to the pandemic, alongside the new challenges of bridging workers from contracting sectors to growing ones, it is time for radical reform within in-work learning in Scotland.

Recent manifesto commitments to deliver £500 million investment into jobs and skills over the course of the parliament are welcome, but likely to be insufficient given the scale of recovery needed following Covid-19. The Scottish government should work with key partners to develop a new lifelong learning offer in Scotland for in-work learning. This should be fully flexible, offer bite-sized, modular and a blend of online and face-to-face learning. This could be delivered under the banner of the Open College. To begin with this provision could be focussed on sectors and areas facing significant transitions, such as retail, hospitality, and tourism (following Covid-19) and the oil and gas sector (to meet our climate obligations).

This new offer should be underpinned by enhanced individual training accounts, worth at least £1,000 a year and, crucially, offered on a multi-year basis, allowing people to build up their entitlement and allow employers to top-up entitlement.

Alongside enhanced support for learners, the Scottish government should consider the introduction of progression agreements to open-up access to in-work learning. This would see access to a place of learning dependent on an agreement between the learner and employer that in return for meeting learning outcomes the employer would offer career progression to the learner/worker. This would allow a greater focus within the skills system on driving progression and pay.

The transitions Scotland faced already prior to the pandemic, around automation, Brexit, climate, demographics, and economic inequalities each have a skills
dimension. Only by reforming Scotland’s skills offer can we hope to prepare workers for the future they face, and bridge workers from parts of the economy contracting to those parts that are expanding. This will be critical to delivering a fair work recovery that can help to deliver a living income for more people in Scotland through the next decade.

**Transforming Scotland’s social infrastructure**

8. The Scottish government must work to improve Scotland’s social infrastructure to ensure opportunities are open to people from all backgrounds and circumstances.

Scottish government should invest in affordable and accessible childcare to make work a route to a living income for more people across Scotland, through both social security and the provision of free available hours. Recent manifesto pledges to deliver a wrap-around childcare offer are welcome. However, the Scottish government will need to go further to minimise barriers to fair work.

The Scottish government should set out a plan for further expansion of free available childcare to cover full time work over the course of this next parliament, to lower barriers to work for parents and carers – and particularly women. It should also consider extending hours coverage for parents of older children out of term time.

In addition, the Scottish government should seek to abolish upfront childcare costs for those in receipt of universal credit. Currently, universal credit only reimburses 85 per cent of childcare costs in arrears, leaving parents with potentially thousands of pounds of upfront costs, unlikely to be affordable for many. In Northern Ireland, the Northern Ireland Executive has announced plans to abolish these upfront costs, by offering an upfront grant to parents at the start of their claim. The Scottish government should do likewise, removing a key barrier to getting into work. This could potentially be achieved by negotiating with DWP to provide this flexibility through the current system, or through an additional grant offered through Scotland’s Social Security Agency.

We will also need to see specialist support for young people to minimise the scarring effects of the Covid-19 pandemic on their future financial security.

The Fair Work Convention should establish a young person’s taskforce, working in partnership with young people to design next steps for the young person’s guarantee. This should include efforts to ensure existing labour market inequalities – along lines of disability, ethnicity and gender – are not reinforced through recovery. The taskforce should also aim to identify and eliminate forms of labour market exploitation that young people are disproportionately exposed to, such as unpaid trial shifts, and to improve the share of young people paid the real living wage across Scotland.

As an immediate action, the Scottish government should extend education maintenance allowance (EMA) to young people in modern apprenticeships to help to minimise their financial insecurity.

Finally, urgent action is needed to build and protect disabled people’s financial security in Scotland. To support employer action, we recommend that the Scottish government promote guaranteed interview schemes for disabled applicants through the Scottish Business Pledge and across their business support services, and work to increase awareness of support available to employers to meet additional access needs.
As further social security payments – such as disability assistance and carer’s assistance – come on stream through Scotland’s Social Security Agency, action must be taken to remove any unintended barriers for those who wish to work or are looking to progress in work.

Scotland’s Social Security Agency should work with disabled people’s organisations and Job Centre Plus to design routes into work for disabled people that deliver long-term financial security. This could involve measures that introduce greater flexibilities for disabled people looking to volunteer as a route into work, or people transitioning in and out of paid work due to ill health. Skills development Scotland should maintain contact with young disabled people for several years once they leave school to support transitions into fair work.

Further work should consider some of the other key financial barriers to getting into and getting on at work. This could include further support for young people entering work, improved support for travel costs, and financial help for low-income families who need to move home for work.
REFERENCES


Bosworth D and Warhurst C (2020) 'Does good work have a positive effect on productivity? Developing the evidence base', Can Good Work Solve the Productivity Puzzle?: Collected essays, Carnegie UK Trust, chapter 2, pp 11—19. https://d1ssu070pg2v9i.cloudfront.net/pex/carnegie_uk_trust/2020/01/13104243/Can-good-work-solve-the-productivity-puzzle-FINAL.pdf


Evans J (2021) Underemployment, JRF (forthcoming)


