# Submission to Scottish Affairs Committee enquiry into sustainable employment in Scotland on 11th January 2017 by Professor Mike Danson, on behalf of the Jimmy Reid Foundation

## Introduction

Successful, innovative and sustainable economies have greater degrees of equality in work and incomes, higher levels of average wages, and greater skills utilisation and staff development. The Nordic countries and Germany are consistently the ‘innovation leaders’ in the European Union, tend to top the rankings in social and economic indexes of health, wealth and wellbeing, and recovered most quickly from the financial and economic crises of the late 2000s. They also have strong social security and welfare systems and high levels of social and economic inclusion[[1]](#footnote-1).

By contrast, societies with high and growing proportions of the workforce dependent on insecure and unstable employment, characterised by casualisation, informal and agency labour, part-time and short term contracts, with many in self-employment, are lagging in international league tables of sustainable growth and prosperity. These economies, and the UK is typical, are ‘Going South’ with a rising number of workers who can be described as a precariat – a new form of peripheral, secondary or marginalised labour. Their positions, with little prospect of career advancement, cannot be defined as ‘sustainable’[[2]](#footnote-2).

Analysing the causes of these developments and exploring the conditions necessary to rebuild the core, primary and secure employment is necessary if the Scottish and UK economies are to regain stability, returns to society and individuals from high levels of education and training, and sustainable growth.

As a contribution to this exercise, the report of a study into poverty amongst the self-employed in Scotland is attached (Paper 1) while the remainder of this submission offers some points on how fair work can be promoted more strongly and public procurement could be more effectively utilised to improve labour market conditions and security for longer term and deeper public good. Together these can be the bases of real movements towards a labour force with more sustainable employment able to commit their skills, expertise and expertise to playing their part in a higher value added and prosperous economy for all. In the next section, we introduce some background reasons for challenging the laissez faire approach to economic development.

## Background[[3]](#footnote-3):

Today’s most successful economies and societies had similar structures and standards of living as Scotland in the early 1970s; now they are ahead of us in almost all ways of measuring quality of life and economic development. This is down to the UK’s poor performance in innovation, productivity, competitiveness and the other drivers of sustainable development and the divisive and wrong policies and strategies of successive Westminster governments. Our neighbours also have high trade union membership, low gender and income inequality, employee involvement at work, and high protection for the unemployed, disabled and old. These are not unrelated in theory, policy or practice to economic success, and the Nordic countries, Basque country and other small northern nations – and federal Germany - have shown how an industrial policy contributes to a balanced and sustainable economy.

Yet, none of the Westminster UK-wide parties has promoted such an approach of inclusion and quality, and not one has included these essential building blocks in their recent manifestos or plans. For change to happen, we must have a reversal of anti-trade union legislation, regeneration based on high quality-high value added-high wage jobs, active encouragement of employee ownership and involvement, funded through a national investment bank with complementary financial institutions and enterprise support at the local level. That approach is inclusive, cohesive and all-embracing and has been advocated by the Jimmy Reid Foundation through publications[[4]](#footnote-4), the *Scottish Left Review[[5]](#footnote-5)* and other formats[[6]](#footnote-6).

The revival of the economy and society cannot be based on consumerism and personal debts nor blind to the negative and stultifying effects of the financialisation of the economy. An industrial policy can make the most of our natural resources and investment in our people: a sustainable approach which is and must be for all and involves all and which can deliver and based upon a secure and stable workforce.

Our institutions for the development of the economy, enterprise and skills have been rightly described as world-leading in the recent past and partnership working has led and informed best practice across the European Union. Our networks and diasporas give us access to markets around the world, but many have been obstructed and underdeveloped without a focus on the smart specialisation of the Scottish economy.

The key words in the superior economic and social performances of our closest neighbours are inclusion, cohesion, innovation, sustainability and involvement. These do not feature highly on the agenda of the neoliberal parties who support Brexit and oppose devolution of powers away from the City of London and independence. In power or opposition at Westminster, the damage of the policies and closures from 1977 onwards have not been addressed – there has been no recognition of the need for radical change, that ‘fundamental and irreversible shift in the balance of power and wealth in favour of working people and their families’ that we voted for and never rejected at the polls. If we look at the social partnerships underpinning the Nordic countries, the low levels of inequality and strong social security systems, we see how local communities and enterprises can thrive to mutual advantage.

The UK has an industrial policy which privileges banking, insurance and finance sectors and retailing, which together suck energy, incomes and hope out of families and local economies. A better future is possible through an industrial and labour market policy which highlights:

– creating and sustaining high wage, high quality jobs

– produces socially useful goods and services

– creates sustainable industry sectors which achieve these two goals without social or environmental harm.

## Fair Work

The Jimmy Reid Foundation has long supported (re)establishing greater democracy in the workplace as a way to improve the social and economic wellbeing of Scotland’s people and industrial base. This has been captured in a recent Policy Paper[[7]](#footnote-7) which has promoted the workplace reforms necessary to underpin a sustainable economy, with labour market institutions consistent with such developments. Recently the Foundation offered a qualified welcome to the Scottish Business Pledge[[8]](#footnote-8): *in May 2015, the Scottish Government launched its Scottish Business Pledge, which it described as a ‘voluntary commitment by companies in Scotland to adopt fair and progressive business practices in support of our shared ambition to improve business competitiveness and productivity while tackling inequalities’*.[[9]](#footnote-9) However, as confirmed in the ‘Quick Note’ critique[[10]](#footnote-10) of the complementary report and recommendations from the Fair Work Commission, we have argued for the levers of state power and compulsion (legislative, regulatory order, financial) to be applied to ensure that employers and businesses are required to implement the Fair Work Framework rather than for this to be a voluntary code. Such compulsion was demanded by:

*Many of the workers and campaigning organisations who spoke to* [the Fair Work Commission] *pointed to legislation and regulation and wanted to see a strengthening of employment protection, easier access to remedies for breaches of rights, better access to employment tribunals without the barrier of high fees and better enforcement of employment tribunal awards’ and ‘some stakeholders expressed a desire for greater use of existing regulatory and enforcement powers to support fair work, for example, through more searching use of the public sector equality duty[[11]](#footnote-11).*

In the context of moving the Scottish economy onto a higher level of performance-productivity-reward, it is disappointing that there is a preferred reliance on a voluntary approach that has failed to deliver the sort of economy and work practices that are the basis of the successful Nordic and German models. With an equally credible route to profits for capital exemplified by the ‘race to the bottom’ - in terms of competing on low wages and labour to compensate for low skill and investment levels, especially when economic growth is slow or non-existent - there are inadequate incentives under neoliberalism to encourage businesses to adopt good practice. With Brexit and the threats to workers’ rights and guaranteed participation in the workplace – enshrined into the innovative and successful European economies – all the drivers are for further corporate reliance on outsourcing, low and unstable wages, insecure contracts with inadequate training and apprenticeships.

## Public procurement

While, within the limited powers devolved to the Scottish Parliament, the Fair Work Framework (p25) states that:

*Procurement – by government and the public sector – is also an important lever. Crucially, public contracting can be creative in delivering good use of scarce public resources without sacrificing fair work in the process. Support from the public agencies – finance and expertise – can both encourage and reward fair work practice*.

there are no pledges nor promises made to use this lever. Reports by the Jimmy Reid Foundation[[12]](#footnote-12) have examined how the current system of public procurement could be developed to deliver real changes for the immediate and longer term benefit of the Scottish economy and people. The means by which public sector contracting can be used to generate real change in the workplace, to raise productivity and multiplier effects, and support SMEs and good jobs sustainably. As well as requiring acceptable improved standards of Health & Safety and of elected safety representatives, we would reconfirm the importance of the Scottish Affairs Committee’s welcome report and recommendations on ‘Blacklisting in Employment’[[13]](#footnote-13); these are issues that a revised public procurement strategy should adopt to raise standards of sustainable employment.

The potential wins are enormous – hundreds of millions of pounds and very possibly more could be injected into the Scottish economy and targeted at supporting Scottish businesses (and in particular SMEs), expanding training, encouraging research and development, strengthening the Scottish supply chain and enacting national economic policy.

This would be in contrast to the too-passive recent industrial approach of favouring big business and a micro approach to procurement which concentrates too much on cost saving and project delivery without considering the wider economic and social implications which have harmed the Scottish economy.

The Jimmy Reid Foundation reports offer procurement solutions which are straightforward, mostly within the powers of the Scottish Parliament and the legal constraints of the EU Procurement Directive and largely shown to work elsewhere[[14]](#footnote-14). The Foundation’s report[[15]](#footnote-15) was the most detailed and in-depth independent study of procurement to be produced in Scotland by early 2012 and its findings remain relevant and apposite today. Indeed, evaluation of the community benefit clauses in the Commonwealth Games 2014 (CWG2014) contracts has confirmed that a more pro-active approach can deliver significant benefits to local businesses, workers and economies that a voluntary code has failed to match in similar circumstances[[16]](#footnote-16). The good innovative practices introduced as part of the CWG2014 regarding modern apprenticeships – the Community Apprenticeship Initiative (CAI) – and the arguments presented in the EHRC report on *Modern Apprenticeships. Equality & The Economy[[17]](#footnote-17)* support interventions which are demonstrated to act in the best interests of workers, the economy as a whole but also the main contractors themselves. Market failures in training are inherent to all economies and state interventions are essential to address these for the common good.

The almost universal adoption of the ILO Convention *Labour Clauses (Public Contracts) Convention, 1949 (No. 94)* provides the foundations for a basic set of rights, and there are powerful arguments for this to be cascaded down the urban and government hierarchy through legislation. This is all the more important in the context of a significant expansion of public-private partnerships given, as argued by the ILO (2008)[[18]](#footnote-18), there has been a failure to include binding clauses for greater equality and diversity in modern apprenticeships. This lost opportunity is especially important in the UK given the large scale promotion of PPP and PFI schemes in many areas of public services, and in Scotland through the initiatives pursued by the Scottish Futures Trust. The very length of these schemes - typically twenty or thirty years – has made them ideal for overcoming the difficulties of reconciling the duration of apprenticeships and the pursuit of short-term austerity “savings” through contracting out.

As we concluded in the report to the EHRC, UK and European case studies have revealed poor practice in relation to monitoring contractors’ recruitment activity, as well as the general lack of ambition in relation to the number of apprenticeships that are being sought. We argued that Scotland could learn from the Netherlands where at least 5% of the contract’s value is meant to be used for recruiting individuals who are “distant from the labour market”. With voluntary codes failing to ensure that adequate training and apprenticeships are forthcoming, and with the success of the CAI and similar schemes, there is strong evidence to support wider and deeper requirements in public procurement policies and contracts that can deliver sustainable employment[[19]](#footnote-19).

The findings are clear and, while it would be a mistake to conclude that all aspects of procurement in Scotland are failing or that there are no examples of good practice[[20]](#footnote-20) as the Commonwealth Games experiences have demonstrated[[21]](#footnote-21), the conclusions are unambiguous. In many cases, the effects of the present procurement system are working against, rather than for, the economic and social development of Scotland: and the monitoring system which should be alerting us to what is going on is painting a partial and unduly rosy picture.

The Scottish economy is under an unprecedented assault from the global crisis of corporate capitalism. The tenets of corporate capitalism – that policy should focus on micro issues and leave the free market to ‘do the rest’ and that the interests of big business and the wider population are synonymous – still hold sway in too many parts of public procurement in Scotland, and must not be allowed to scupper this chance to provide a valuable lifeline to the Scottish economy.

What is required is real reform: the appearance of reform which leaves business-as-usual intact would be to let down Scottish businesses, Scottish workers, Scottish society and in the end, Scottish taxpayers.

## In-Work Poverty and Enterprise: Self-Employment and Business Ownership as Contexts of Poverty. Non-sustainable self-employment as a feature of the failing economy

The exploratory study: *In-Work Poverty and Enterprise: Self-Employment and Business Ownership as Contexts of Poverty[[22]](#footnote-22)*, has analysed the composition of the increasing numbers of self-employed workers in the Scottish and UK economies. As discussed in the full report and evidenced in the attached paper, much of this expansion is accounted for by the long-term unemployed and those with health and disability problems being encouraged into self-employment. The enterprises emerging often do not provide even subsistence-level income, and the chance of sustainable self-employment in these circumstances is likely to be low. This confirms how timely is the current inquiry by the Scottish Affairs Committee.

Second, much of the increase arises because of contractualisation of the workforce, where the responsibilities of employment have shifted from organisations to individuals. The extent to which it is increasing and pervading all sorts of industry sectors is concerning, since the evidence suggests that this not only leaves many individuals less well-off, but is also having a negative effect on the tax and national insurance bases, and is bad for industrial and commercial development since it stifles workplace engagement and innovation. Again, this is deleterious for the Scottish economy, and by extension for the UK as a whole. Private benefits to organisations contracting out services are overwhelmed by the wider social and economic disadvantages, insecure self-employment has negative impacts overall and is unsustainable. The report makes recommendations for consideration within the context of an economic strategy aiming to close the productivity gap with near neighbours to the benefit of the whole of society.

1. Danson, M. and Mather, J., ‘Doing business with the Scottish diaspora’, in *The Modern Scottish Diaspora: Contemporary Debates and Perspectives*, eds D Sim and M Leith, Chapter 4, Edinburgh: EUP, 2014. [↑](#footnote-ref-1)
2. Danson, M., McKay, A. and Sullivan, W. ‘Supporting Britain’s workless – an international perspective’, with, *New Perspectives on Health, Work, Welfare and the Labour Market, Social Policy and Administration*, 49(2), 277-298, 2015, DOI: 10.1111/spol.12123. [↑](#footnote-ref-2)
3. A previous version of this section appeared in *Scottish Left Review*, 82, May-June 2014, pp11-12. [↑](#footnote-ref-3)
4. <http://reidfoundation.org/the-library/> [↑](#footnote-ref-4)
5. [www.scottishleftreview.org](http://www.scottishleftreview.org) [↑](#footnote-ref-5)
6. <http://reidfoundation.org/network/> [↑](#footnote-ref-6)
7. *Rights and Respect: a vision for democracy in the workplace*, Gregor Gall, Professor of Industrial Relations University of Bradford, Policy Paper, Jimmy Reid Foundation, February 2016, <http://reidfoundation.org/wp-content/uploads/2016/04/JRFRightsandRespect.pdf>. [↑](#footnote-ref-7)
8. *The Fair Work Framework: a critique*, Gregor Gall, Professor of Industrial Relations, University of Bradford, Quick Note, Jimmy Reid Foundation, April 2016, <http://reidfoundation.org/2016/04/failure-of-the-fair-work-framework/>. [↑](#footnote-ref-8)
9. The pledge comprises of ‘paying the living wage’, ‘committing to an innovation programme’, ‘pursuing international business opportunities’, ‘not using exploitative zero hours contracts’, ‘supporting progressive workplace policies’, ‘supporting Invest in Youth’, ‘making progress on gender balance and diversity in the workforce and boardroom’, ‘playing an active role in the community’ and ‘paying suppliers promptly’. To sign the pledge means paying the living wage now and adopting two of the remaining components with a longer term commitment to implementing the other components. [↑](#footnote-ref-9)
10. See footnote 6 for reference. [↑](#footnote-ref-10)
11. Fair Work Convention, 2016, p.25, <http://www.fairworkconvention.scot/index.html>; <http://www.fairworkconvention.scot/framework/FairWorkConventionFrameworkFull.pdf> [↑](#footnote-ref-11)
12. See in particular: *Using Our Buying Power to Benefit Scotland – the case for change*, Jim and Margaret Cuthbert, Jimmy Reid Foundation, January 2012, <http://reidfoundation.org/portfolio/using-our-buying-power-to-benefit-scotland-the-case-for-change/> [↑](#footnote-ref-12)
13. *Scottish Affairs - Seventh Report. Blacklisting in Employment: Final Report* <http://www.publications.parliament.uk/pa/cm201415/cmselect/cmscotaf/272/27202.htm> [↑](#footnote-ref-13)
14. Main report 7.1 - 7.9, <http://reidfoundation.org/portfolio/using-our-buying-power-to-benefit-scotland-the-case-for-change/>. [↑](#footnote-ref-14)
15. See footnote 12. [↑](#footnote-ref-15)
16. Christie L. and Danson, M., ‘Glasgow’s post-entrepreneurial approach to 2014 CWG legacy’, in *New Perspectives on Research Policy and Practice in Public Entrepreneurship* (*Contemporary Issues in Entrepreneurship Research, Volume 6*), ed. J. Liddle, 2015 [↑](#footnote-ref-16)
17. Available from [www.equalityhumanrights.com](http://www.equalityhumanrights.com) [↑](#footnote-ref-17)
18. ILO (2008) *Labour Clauses (Public Contracts) Convention, 1949 (No. 94) and Recommendation (No. 84). A Practical Guide*, ILO, Geneva, http://www.ilo.org/wcmsp5/groups/public/---ed\_norm/---normes/documents/publication/wcms\_099699.pdf [↑](#footnote-ref-18)
19. Danson, M. et al., 2012, *Modern Apprenticeships. Equality & The Economy. Part 3 Equality Conditions in Contracting across Europe*, EHRC, available from [www.equalityhumanrights.com](http://www.equalityhumanrights.com) [↑](#footnote-ref-19)
20. Main report 5.17, <http://reidfoundation.org/portfolio/using-our-buying-power-to-benefit-scotland-the-case-for-change/>. [↑](#footnote-ref-20)
21. Scottish Government Communities Analytical Services Division and the Games Legacy Evaluation Working Group, *An Evaluation Of Legacy From The Glasgow 2014 Commonwealth Games. Post Games Report*, Scottish Government Social Research, July 2015, [↑](#footnote-ref-21)
22. Included as Paper 2 here. Galloway, L. and Danson, M., Heriot-Watt University, January 2016, [https://pureapps2.hw.ac.uk/ portal/files/9934375/In\_work\_ Poverty\_Enterprise\_Report.pdf](https://pureapps2.hw.ac.uk/%20portal/files/9934375/In_work_%20Poverty_Enterprise_Report.pdf); *Scottish Left Review*, 93, June 2016, pp23. [↑](#footnote-ref-22)