

## **Becoming a Fair Work Nation: Poverty Alliance consultation response: January 2022**

### **About us**

The Poverty Alliance is the national anti-poverty network in Scotland, with almost 400 members from across civil society, and including people with direct experience of poverty. Our vision is of a sustainable Scotland free of poverty, with dignity and social and economic justice for all. To help contribute to achieving that vision we seek to work with individuals, organisations and communities to affect change in the distribution of power and resources.

### **Responses to consultation questions**

#### **4. What are the main challenges to adopting fair work practices in your sector?**

Organisations in the third sector are diverse, ranging from very small organisations with very limited numbers of paid staff, to substantial local organisations delivering a wide range of vital local services. There is a strong commitment within the sector to adopting and promoting fair work practices, with there being a key opportunity to transform this commitment and support into practice. However, there remains a significant number of challenges that prevent third sector organisations, including many Poverty Alliance member organisations, from fully adopting fair work practices; resulting in 17% of workers in the voluntary sector in the UK earning less than the real Living Wage.<sup>1</sup>

This has implications for poverty and inequality, with the sector employing more women, more part-time workers, and more disabled people – all of whom are at higher risk of experiencing poverty - than the public and private sectors.

The key barrier to third sector organisations adopting fair work practices remains their inability to financially plan in the long-term, due to the short-term nature of the majority of their funding. Poverty Alliance member organisations, particularly smaller community-based organisations, have frequently spoken to us about the impact that this has on their financial planning, as well as the impact that it has on job (in)security for workers. As well as creating insecurity, it also has a knock-on impact on services.

#### **5. Please explain how you think these challenges might be overcome, including your ideas on any specific interventions and support needed in your sector?**

The key intervention required to support third sector organisations in adopting fair work practices would be a sustained and wholesale shift towards multi-year funding models, particularly in relation to funding received from the Scottish Government. While some Scottish Government funding streams do provide multi-year support, many do not, and this can present a significant challenge for organisations that wish to provide job security for their workers.

#### **6. What do you believe are the barriers to delivering Fair Work given the current economic challenges in Scotland?**

---

<sup>1</sup> Living Wage Foundation, 2021: Low Pay in the Third Sector Research Briefing

## Ongoing and embedded labour market inequality

Our labour market is one that locks too many people – particularly women, young people, Black and minority ethnic people, and disabled people – into low-paid and insecure work. With Scotland’s gender, race and disability pay gaps all being pronounced, delivering Fair Work will require sustained action specifically and deliberately targeting these inequalities.

With regards to gender, women continue to be over-represented in low-paid, insecure and undervalued roles like retail, care, and hospitality.<sup>2</sup> Women also continue to take on disproportionate responsibility for providing care, while a lack of good part-time and flexible employment makes it impossible for many women to access or sustain good employment. Particular groups of women face particular challenges, for example Black and minority ethnic women<sup>3</sup>, disabled women<sup>4</sup>, women who are single parents<sup>5</sup>, lesbian, bisexual and trans women<sup>6</sup>, young women<sup>7</sup>, older women<sup>8</sup> and refugee women<sup>9</sup> all experience different barriers to participation in the labour market, and to progression within their occupation.

With 68% of children in Scotland living in working households, it is clear that our labour market is failing to protect people, particularly people from the groups previously mentioned, from poverty.<sup>10</sup>

## Covid-19’s impact on labour market inequality

Our labour market was locking too many people into poverty prior to Covid-19, but the pandemic has undoubtedly exacerbated and entrenched the inequalities that previously existed, particularly around gender and race. Analysis by Close the Gap has highlighted the extent to which the pandemic has impacted women’s employment, including:<sup>11</sup>

- Women, particularly young women and Black and minority ethnic women, being more likely to work in a sector that was shut down or affected by physical distancing, such as hospitality and retail. Women’s concentration in sectors most at risk of economic disruption consequently means that they are most at risk of redundancy and of subsequent financial insecurity and hardship.
- Women were more likely than men to have been furloughed, and were on average furloughed for longer periods of time. Women were also more likely to have been furloughed on reduced pay; heightening their risk of being pulled into poverty.

---

<sup>2</sup> Close the Gap (2018) *The Gender Penalty: Exploring the causes and solutions to the Scotland’s gender pay gap*, available at: <https://www.closesthegap.org.uk/content/resources/The-Gender-Penalty-Feb-2018.pdf>

<sup>3</sup> Close the Gap (2019) *Still Not Visible: Black and Minority Ethnic Women’s Experiences of Employment in Scotland*, available at: [https://www.closesthegap.org.uk/content/resources/1557499847\\_Still-Not-Visible.pdf](https://www.closesthegap.org.uk/content/resources/1557499847_Still-Not-Visible.pdf)

<sup>4</sup> Close the Gap (2018) *Response to the Scottish Government Consultation on Increasing the Employment of Disabled People in the Public Sector*, available at: <https://www.closesthegap.org.uk/content/resources/Close-the-Gap-Response-to-Consultation-on-Increasing-Employment-of-Disabled-People.pdf>

<sup>5</sup> JRF Scotland (2021) *Freeing low income single parents from in-work poverty’s grip* available at <https://www.irf.org.uk/report/freeing-low-income-single-parents-work-povertys-grip>

<sup>6</sup> Stonewall (2014) *The Double-Glazed Glass Ceiling: Lesbians in the workplace* and House of Commons Women and Equalities Committee (December 2015) *Transgender equality*

<sup>7</sup> YWCA Scotland (2016) *Status of Young Women in Scotland*

<sup>8</sup> Scottish Commission on Older Women (2015) *Older Women and Work: Looking to the future*

<sup>9</sup> Scottish Refugee Council (2014) *One Step Closer*

<sup>10</sup> [https://data.gov.scot/poverty/#Child\\_poverty](https://data.gov.scot/poverty/#Child_poverty)

<sup>11</sup> Close the Gap (2021) *One Year On: How Covid-19 is impacting women’s labour market equality*, available at: <https://www.closesthegap.org.uk/content/resources/One-Year-On--How-COVID-19-is-impacting-womens-employment-in-Scotland.pdf> and (2020) *Disproportionate Disruption: The impact of Covid-19 on women’s labour market equality*, available at: <https://www.closesthegap.org.uk/content/resources/Disproportionate-Disruption---The-impact-of-COVID-19-on-womens-labour-market-equality.pdf>

- Women have shouldered the disproportionate burden of increased childcare, making it more challenging to sustain paid work.

Given the nature of the pandemic thus far, it is clear that the labour market may see further disruption in the months ahead and that this may be perceived to represent a barrier to delivering Fair Work. However, as detailed elsewhere in this submission it is vital – and entirely possible to ensure - that interventions designed to mitigate or reduce this disruption act to promote Fair Work.

### **Job precarity and insecurity**

Over the last ten years, increasing numbers of workers have been employed on precarious contracts. When twinned with rising numbers of self-employed workers, there exists a growing number of workers who experience ongoing insecurity and who are unable to access employment rights available to other, more-securely employed workers. As with low pay, this precarity and insecurity is not experienced equally, with women, young people, disabled people, and Black and minority ethnic workers disproportionately more likely to be in insecure employment. Power over employment law is reserved to the UK Government, but while the actions that can be taken in Scotland to tackle insecure work are limited, there is action that can be taken and there are initiatives that can be supported, such as the Scottish Government-supported Living Hours initiative that is being delivered by Living Wage Scotland.<sup>12</sup>

### **7. What do you believe are the opportunities for delivering Fair Work in the current economic climate in Scotland?**

The Covid-19 pandemic has had an unprecedented impact on the economy; an impact that has widened and deepened existing inequalities – e.g. of gender and race - in the labour market. But this unprecedented impact has also created an unprecedented opportunity for re-imagining and re-designing what our economy can do, and in particular how we can promote and secure Fair Work practices.

From our experience of delivering the Living Wage Scotland initiative, it is clear that the current appetite among employers for adopting Fair Work practices is strong and developing. Since the onset of the pandemic, employers have signed up for Living Wage accreditation at record pace across a range of sectors and industries, with the number of employers becoming Living Wage-accredited more than doubling in 2021 when compared to 2020.

Such a growth in Living Wage employers stands as proof that despite the challenges posed by the current economic climate, there is a growing understanding of the benefits – not only for workers but for employers – of Fair Work in general, and of payment of the real Living Wage in particular. There is therefore less of a barrier in terms of needing to ‘sell’ employers on the need and value of paying the real Living Wage. This clearly provides an opportunity to encourage and/or incentivise them to go further in adopting wider Fair Work practices.

### **8. Please set out any further actions you think the Scottish Government should take to deliver Fair Work for everyone. This may include for example any further support you think is needed.**

No just and sustainable economic recovery from the Covid-19 pandemic will be possible without putting Fair Work policies that tackle poverty and inequality front and centre. The economy that we are seeking to build coming out of the pandemic must be one with Fair

---

<sup>12</sup> <https://scottishlivingwage.org/living-hours/>

Work principles at its heart, and we must not simply replicate the pre-Covid economy that – for too many workers – locked them into poverty. Scotland has a good track record in demonstrating how low-paid workers can be better valued, with the most direct way of doing this being to provide just remuneration. The Scottish Government’s support for the process of Living Wage accreditation has meant that Scotland has a higher proportion of Living Wage accredited employers than any other part of the UK; something that should be celebrated.

But there is still much work to be done, and still too many people in Scotland who are locked into low-paid, insecure work. There is a range of action that can be taken by the Scottish Government in order to ensure the delivery of Fair Work for everyone, and to ensure that Scotland’s labour market contributes to our shared national mission of preventing, reducing and ending poverty. Some of the actions that could and should be taken by the Scottish Government include:

### **Setting real Living Wage targets for existing jobs and new jobs**

If Scotland is to be a leading Fair Work Nation by 2025, then ambitious targets should be set around ensuring significant improvement in the percentage of jobs paying at least the real Living Wage, as well as ensuring that new jobs that are created are paid at least the real Living Wage. Just as the introduction of statutory child poverty targets within the Child Poverty (Scotland) 2017 Act were intended to drive action, so too would targets on Fair Work catalyse the action required.

Ensuring that more workers are paid the real Living Wage will sustain local economies as people are more likely to spend this additional income on goods and services locally, sparking the multiplier effect rather than waiting for wealth to trickle down. There are a number of steps that can be taken to further increase the numbers of workers receiving the real Living Wage. For example, in light of the UK’s exit from the EU, there is a need to review the Scottish Government’s guidance on the mandating of payment of the real Living Wage in public procurement to identify whether any changes could be made to the guidance in order to further increase the number of workers receiving the real Living Wage.

### **Increasing conditionality attached to financial support for businesses**

In building a more just economy, we must set out a new relationship between the state and the private sector. There is a need to foster a sense of duty, responsibility and action on the part of the private sector to contribute to overall wellbeing. There are exemplars in the private sector – companies that lead with their values and put these into practice through, for example, becoming Living Wage-accredited employers. When it comes to shaping the recovery it is these kinds of organisations, and those who aspire to be like them, that should receive the support of government and other public sector bodies.

The Scottish Government’s commitment to the roll-out of Fair Work First criteria across the Scottish public sector is hugely welcome. There is, though, the opportunity to increase the impact of Fair Work First by attaching it to a wider range of funding streams, including all government loans, grants and support. It should also be applied to all financial support for new start businesses, and Business Gateway/Social Enterprise support service should be required to provide guidance and support on Fair Work as standard as part of their service delivery contracts.

### **Developing specific action to tackle inequalities in the labour market**

Gender inequalities were already ingrained in the labour market prior to Covid-19, with women accounting for two-thirds of workers receiving less than the real Living Wage. But the pandemic has further entrenched and exacerbated the inequalities that women face. There is therefore a need to develop ambitious actions aimed at tackling this inequality. This includes, for examples, increased action to tackle low pay among sectors in which women are disproportionately employed (such as care, hospitality and retail), more action to embed and support forms of flexible working, and the urgent delivery and expansion – to 50 hours per week - of the Scottish Government commitment to expanding free childcare entitlement. With women’s poverty being inextricably linked to child poverty, ensuring that more women can access decent work will also have positive implications in helping the Scottish Government meet its child poverty reduction targets.

People from Black and minority ethnic backgrounds are more likely to be employed in precarious jobs with higher risk and worse terms and conditions, in part due to racial discrimination in the labour market. The impact of this can be seen in poverty rates, with Black and minority ethnic families being disproportionately more likely to be living in poverty in Scotland. There is therefore a need to develop targeted actions aimed at addressing the systemic racial inequalities that exist, including targeting the over-representation of Black and minority ethnic people working in low-paid and insecure employment.

### **Incentivising employers to adopt Fair Work practices**

From our engagement with employers, particularly within the hospitality sector (a sector in which low-pay and insecure work is prevalent), a key barrier to adopting Fair Work practices can be a perceived loss of competitiveness. There is therefore a need to explore the kind of incentives that can be made available to employers who do adopt Fair Work practices, in order to overcome any perceived risks.

The Scottish Government is responsible for a range of local taxation, and these local taxation powers could be used to drive and incentivise the kind of moves toward Fair Work that would help realise the vision of a Fair Work Nation. Options exist, for example, to introduce a locally-collected low-pay levy in order to fund a Fair Work Bonus for Living Wage-accredited employers; incentivising employers to embed Fair Work practices rather than develop business models based on low-paid, insecure work.

### **Developing targeted employability schemes**

Even before the pandemic, too many people in Scotland – particularly lone parents (who are overwhelmingly women), Black and minority ethnic people, carers, disabled people, and people with mental health issues – found themselves locked out of the labour market. Some of these groups also found it particularly challenging to engage in the employability schemes that might support them to overcome the employment barriers they face.

In developing employability schemes, it is critical that those groups already facing exclusion from the labour market are not overlooked, and that targeted interventions – which, for example, provide flexibility to ensure all can engage in them – are aimed at them to ensure their exclusion is not further entrenched.

In addition to job creation schemes, a focus on skills and training for young people will also be required. If our economic recovery is to be both a just and green one that acts in support of a wellbeing economy, it is important that skills provision and training is targeted at the green jobs needed to achieve both social and environmental justice goals.

## **Ensuring all employability and job creation schemes – such as the new Scottish Young Person’s Guarantee – act in support of Fair Work**

The Scottish Government has already developed and implemented a number of interventions in response to the labour market disruption caused by the pandemic, aimed at supporting people back into the labour market, including the Scottish Young Person’s Guarantee. These interventions are welcome, but their ambition must increase along with a requirement that they support the creation of jobs based on Fair Work principles, including the payment of at least the real Living Wage for all jobs supported through the schemes. As welcome as initiatives like the Young Person’s Guarantee are, their impact will be blunted – and their ability to contribute towards a just recovery muted – if they fail to secure Fair Work, and if they fail to tackle occupational segregation by gender and race.

In terms of job creation, the urgent need to move to a net-zero economy also offers the opportunity to create good jobs that accord to Fair Work principles. Fuel poverty programmes, for example, can become a real driver in the move to a net-zero economy. Scottish schemes designed to increase energy efficiency and heat decarbonisation in the domestic sector need to be dramatically increased in both scale and pace. These schemes already make use of local suppliers and could be expanded to provide a significant number of secure and well-paid jobs, and could be a key element in the goal of a just transition.

In addition to job creation schemes, a focus on skills and training for young people will also be required. If our economic recovery is to be both a just and green one that acts in support of a wellbeing economy, it is important that skills provision and training is targeted at the green jobs needed to achieve both social and environmental justice goals.

### **Strengthening procurement guidance to encourage Fair Work**

There are already existing mechanisms to encourage Fair Work in procurement. However, these mechanisms are not applied consistently and are not currently delivering the scale of action or change required. Further strengthening the approach to Fair Work in procurement requires the development of robust statutory guidance, as well as providing clarity on the position on alignment with EU Directives in relation to the mandating of the real Living Wage in procurement processes.

### **Aligning Fair Work ambitions more closely with local child poverty plans and place-based initiatives**

The duty that the Child Poverty (Scotland) Act 2017 places on local authorities – to develop and publish annual child poverty action reports – should be utilised to drive robust actions around Fair Work. Yet in many of these reports, actions around Fair Work are relatively weak, with significant inconsistencies across local authority areas both in terms of the robustness of actions and in terms of the monitoring of these actions.

The Scottish Government could and should do more to encourage the inclusion of robust and measurable actions related to Fair Work within these plans. For example, they could work with local authorities to utilise SIMD and labour market data to identify clusters of low-paid and insecure jobs, and target investment and interventions in those areas.

As well as this, there is also scope to do more to ensure that place-based investments, like investment in City Regions and in Town Centre regeneration, include Fair Work criteria both for development and for the new jobs that are created.

## **9. Please set out any other actions you think are required to deliver Fair Work for everyone, including who should take this action.**

Funders: A common concern among third sector organisations, particularly smaller, community-based organisations, is that due to the short-term nature of their funding they are unable to adopt Fair Work practices as fulsomely as they would like. There is therefore a need for all grant-makers and funders to ensure that their policies are enabling and supporting the full adoption of Fair Work practices by grantees, particularly through the use of full cost recovery.

Local authorities: A number of the actions already detailed in this submission, particularly around procurement, could and should be delivered by local authorities with the support of the Scottish Government. But there also remains 9 local authorities in Scotland that are not yet accredited Living Wage employers. While the benefits of accreditation to local authority workers would clearly be significant, there would also be an important symbolic impact of these local authorities becoming accredited; enabling them to encourage other local employers to go further in adopting Fair Work practices.

### **10. If Scotland had full control over employment law, which issues would you like to see addressed as a priority in order to deliver fairer work in Scotland?**

While Scotland does not have full control over employment law, it does have significant powers that relate to the labour market – such as over childcare, transport, employability, local taxation and more – and the contribution that these powers can make to delivering Fair Work and to preventing and reducing poverty cannot and must not be overlooked. An absence of full power over employment should never negate the full use of powers that do rest in Scotland, and should not negate ambitious action to deliver Fair Work for everyone.

However, changes to employment law that would have a positive impact on the delivery of Fair Work in Scotland, and by extension on our ability to tackle poverty, would include:

- Increasing the National Living Wage in line with a set adequacy standard that reflects and keeps pace with the cost of living and with average incomes.
- Ensuring that all workers – whether agency workers, casual workers, or employees - are entitled to the same floor of rights.
- Requiring all employers to give workers four weeks' notice of shifts, with guaranteed full payment if shifts are cancelled.
- Guaranteeing the right to a 16 hour per week minimum contract for all workers – except in cases where employers can evidence genuine need for contracts of less than 16 hours - which can only be reduced at the request of the worker.
- Guaranteeing all workers the right to a contract that accurately reflects their average hours worked.
- Increasing the rate of statutory sick pay in line with a set adequacy standard that reflects and keeps pace with the cost of living and average incomes.
- Giving every worker the right to request flexible working from day one of their employment and by giving every worker the right to request a return to a full-time working pattern after a previous change in working hours.



**For more information please contact:**

Neil Cowan, Policy and Campaigns Manager, Poverty Alliance

[neil.cowan@povertyalliance.org](mailto:neil.cowan@povertyalliance.org)