Refreshed Fair Work Action Plan and Anti-Racist Employment Strategy

Business and Regulatory Impact Assessment

Scottish Government
Riaghaltas na h-Alba

Table of Contents

Figures

Tables

1. Introduction

1.1 Purpose

The Scottish Government commissioned AECOM to undertake a series of impact assessments on the Refreshed Fair Work Action Plan (RAP)[1] and the Anti-Racist Employment Strategy (ARES)[2]. These include the following:

- Equality Impact Assessment (EqIA);

- Children's Rights and Wellbeing Impact Assessment (CRWIA);

- Fairer Scotland Duty Impact Assessment (FSDA);

- Island Communities Impact Assessment (ICIA);

- Data Protection Impact Assessment (DPIA); and

- **Business and Regulatory Impact Assessment (BRIA).**

The RAP merges and updates the existing Fair Work Action Plan, A Fairer Scotland for Women: gender pay gap action plan and a Fairer Scotland for Disabled People: Employment Action Plan, as well as incorporating actions from the ARES. The changes to public sector grant conditionality proposed in the Bute House Agreement are also assessed through actions from the RAP, despite being screened separately.

This report presents a full assessment of the business and regulatory impacts of the actions within the RAP and ARES based on existing evidence and qualitative findings from stakeholder engagement. Costs and benefits have not been quantified as this sits outside the scope of this commission. However, they have been assessed qualitatively. The definition of business and regulatory impacts include private businesses and other organisations such as third sector organisations. In taking a human rights-based approach, this report also identifies where there is a contribution or alignment to human rights legislation. This report has been updated and expanded from a screening report produced in October 2022.

To inform the impact assessments for the RAP and ARES, AECOM conducted a period of stakeholder engagement between October 2022 and January 2023. This included engagement with Short Life Working Groups on disability, gender and race, equality organisations and businesses through survey responses and one-to-one discussions.

The feedback and findings of this engagement have contributed towards completing a full BRIA on the RAP and ARES.

---

[1] Fair Work action plan: becoming a leading Fair Work nation by 2025 - gov.scot (www.gov.scot)
[2] Anti-racist employment strategy - A Fairer Scotland for All - gov.scot (www.gov.scot)

1.2 Refreshed Fair Work Action Plan 2022

Following the publication of the Fair Work Framework in 2016[3], the Scottish Government published the Fair Work: Action Plan[4] in 2019, setting out the strategic approach of the Scottish Government to help achieve the vision of becoming a Fair Work Nation by 2025.

The Fair Work Framework defines Fair Work as 'work that offers effective voice, respect, security, opportunity and fulfilment; it balances the rights and responsibilities of employers and workers, and can generate benefits for individuals, organisations and society'.

The 2019 action plan covered three broad themes aiming to: support employers to adopt Fair Work practices; deliver Fair Work to a diverse and inclusive workforce; and embed Fair Work across the Scottish Government.

Informed by the 2021 consultation: 'Becoming a Fair Work Nation'[5] and the analysis of the responses, the Scottish Government developed a refreshed, integrated Fair Work Action Plan (RAP) to set out a strategic approach to support Scotland becoming a Fair Work nation by 2025. It includes actions and commitments to reduce the gender pay gap, at least halve the disability employment gap by 2038, and progress a range of actions to deliver the new Anti-Racist Employment Strategy:

- Fair Work: action plan[6];

- A Fairer Scotland for women: gender pay gap action plan (2019)[7];

- A Fairer Scotland for Disabled People: Employment Action Plan (2018)[8]; and

- Actions supporting delivery of the strategy, A Fairer Scotland for All: An Anti-Racist Employment Strategy[9].

The RAP will better enable the Scottish Government to align collective action across these agendas where there is clear synergy (e.g. real Living Wage, effective voice), addressing structural inequalities that perpetuate labour market inequalities through discrete actions.

A Fairer Scotland for Women (2019)[10] aimed to tackle labour market inequalities faced by women, with the key objective to reduce the gender pay gap for employees in Scotland by the end of the parliamentary term (May 2021). The action plan recognised that disabled women, older women, racialised minority women, women

---

[3] Fair Work Convention (2016). Fair Work Framework 2016. https://www.fairworkconvention.scot/wp-content/uploads/2018/12/Fair-Work-Convention-Framework-PDF-Full-Version.pdf
[4] Scottish Government (2019). Fair Work: Action Plan. https://www.gov.scot/publications/fair-work-action-plan/
[5] Scottish Government (2021). Becoming a Fair Work nation: consultation. https://www.gov.scot/publications/consultation-becoming-fair-work-nation/
[6] Scottish Government (2021). Becoming a Fair Work nation: consultation. https://www.gov.scot/publications/consultation-becoming-fair-work-nation/
[7] Scottish Government (2018). A fairer Scotland for women: gender pay gap action plan. https://www.gov.scot/publications/fairer-scotland-women-gender-pay-gap-action-plan/
[8] Scottish Government (2019). A Fairer Scotland for Disabled People: employment action plan. (https://www.gov.scot/publications/fairer-scotland-disabled-people-employment-action-plan/
[9] Anti-racist employment strategy - A Fairer Scotland for All - gov.scot (www.gov.scot)
[10] Ibid4

from poorer socio-economic backgrounds and women with caring responsibilities are particularly at higher risk of experiencing labour market inequalities.

A Fairer Scotland for Disabled People (2016)[11] outlines five key ambitions as part of the Scottish Government's response to the United Nations Convention on the Rights of Persons with Disabilities, including 'Decent incomes and fairer working lives'. A key element of this was the commitment to at least halve the employment rate gap between disabled people and the rest of the working age population (the disability employment gap). Action to achieve this was outlined in A Fairer Scotland for Disabled People: Employment Action Plan (2018)[12].

The refreshed Fair Work Action Plan identifies the need for continual development in the approach to work and workplaces, especially in a dynamic society facing challenges such as the Covid-19 pandemic and cost of living crisis.

It promotes the underpinning principles of 'equity and equality of opportunity for all regardless of any individual or group characteristic' and takes an intersectional[13] approach to workplace inequalities recognising that no inequality sits in isolation.

The key objectives of the RAP are to:

- Increase the number of people paid at least the real Living Wage and on stable contracts;
- Work with employers, workers and trade unions to strengthen effective voice, through a range of appropriate channels;
- Support employers to adopt flexible working practices;
- Reduce the gender pay gap in Scotland by the end of this parliamentary term (May 2026), and maintain or, where possible, improve Scotland's position relative to the UK as a whole and international neighbours;
- At least halve the disability employment gap by 2038 (from 2016 baseline of 37.4 percentage points). Interim milestones:
  - By 2023 to achieve an employment rate for disabled people to 50%;
  - By 2030 to achieve an employment rate for disabled people to 60%; and
- Improve labour market outcomes for racially minoritised[14] people and increase the number and impact of actions taken forward by employers to address racial inequality.

---

[11] Scottish Government (2016). A Fairer Scotland for Disabled People: delivery plan. https://www.gov.scot/publications/fairer-scotland-disabled-people-delivery-plan-2021-united-nations-convention/documents/

[12] Ibid5

[13] Intersectionality describes people who are in possession of a combination of equality characteristics, who may face multiple barriers and compounded discrimination in the labour market (for example, disabled women, or people from racialised minorities aged over 50)

[14] The Scottish Government adopts the term 'racialised minorities' to show that it is systems and structures that do not work for those who are categorised on the basis of "race", and because of this are sometimes treated differently or disadvantaged. These terms are becoming more widely used across Scottish Government, in line with our acceptance that racism is a structural issue. We support everyone's right to self-identify according to the term they relate to or are most comfortable with. Terminology changes as societal and systemic understanding grows. It should be noted that in labour market data analysis, the term minority ethnic is used and in reserved legislation such as the Equality Act (2010), the term "race" is used. These terms are not helpful to understand how racialised inequity impacts on those who experience systemic, institutional or interpersonal racism.

The RAP sets out actions under four headline actions, which fall into the three broader themes. A breakdown of the RAP is shown in Appendix A.

- Public sector leadership;
- Our ask of employers and support available; and
- Support for people to prepare for, access and sustain fair work.

1.3 Anti-Racist Employment Strategy 2022

The Scottish Government developed an Anti-Racist Employment Strategy (ARES) to address the issues and disadvantage experienced by people from racialised minorities in the labour market in Scotland. The strategy is a call to action and supports and encourages employers to take an anti-racist and intersectional approach to identifying the structural and systemic barriers of racism. An intersectional approach recognises individuals with two or more protected characteristics are likely to face multiple barriers in the labour market.

The term "racialised minorities" is adopted throughout to show that it is systems and structures that do not work for those who are categorised on the basis of "race" and because of this, are sometimes treated differently or disadvantaged. The strategy defines racialisation as "the process by which groups of people are given racial identities and placed within the hierarchy based on their presumed superiority or inferiority to one another".

To meet the key objective of the ARES as outlined in the RAP – 'increasing action and impact of employer action to address racial inequality' – the ARES seeks to achieve the following outcomes:

- The number of people entering the labour market and staying in and progressing in an organisation is closer to and representative of that organisation's local population;

- The number of employers taking action to remove intersectional barriers in their workplaces has increased;

- The number of employers proactively creating safe, diverse and inclusive workplaces has increased; and

- The number of employers taking forward evidence-based actions to improve Fair Work conditions for workers from all backgrounds has increased.

The strategy actions are set out in Appendix B.

2. Approach

This chapter sets out the approach to assessing the potential business impacts of the RAP and ARES. The assessment criteria consider how the actions could have both positive and negative impacts. In considering the impacts, this BRIA takes a 'worst case scenario'.

The approach for undertaking this BRIA and compiling this report follows a six-stage process:

1. Screening for impacts

    - An overview of guidance and requirements, key evidence and issues and initial screening for potential impacts including a framework for more detailed assessment.

2. Stakeholder engagement

    - Interviews with stakeholders from equality organisations representing a range of groups and businesses.

3. Impact Assessment Input Note

    - A technical note for the Scottish Government highlighting the key impacts identified through initial screening and stakeholder engagement for the purpose of finalising the draft RAP and ARES

4. Baseline evidence review

    - Review of relevant legislation and policies as well as evidence relating to the Fair Work agenda with regards to protected characteristic groups, deprivation, poverty and labour market statistics.

5. Assessment of potential impacts

    - Informed by a consideration of the policy context, reviewed evidence and feedback received through stakeholder engagement.

6. Recommendations and conclusions

    - Concluding on key positive and negative impacts as well as planned and recommended actions for minimising negative or uncertain impacts.

2.1 Screening for impacts

A series of screening reports, including a BRIA screening report, were produced for the Bute House Agreement grant conditionality commitment, RAP and ARES in October 2022.

These reports presented a screening of potential impacts for the six headline actions of the draft RAP and the eight key actions of the draft ARES provided by Scottish Government. This screening was undertaken using publicly available data and evidence.

A screening report was also undertaken for a Strategic Environmental Assessment (SEA) which invited statutory consultees to comment through the Government

Gateway. This process concluded that there are no significant environmental impacts and a final impact assessment is not required.

2.2 Stakeholder engagement

2.2.1 Stakeholder engagement process

The Scottish Government undertook a public consultation on Becoming a Fair Work Nation in 2021 and used the responses along with further stakeholder engagement and collaboration, including through a range of short life working groups to inform the development of the RAP and ARES.

In addition to this, AECOM carried out stakeholder engagement to support the evidence outlined in the screening report and contribute to finalising the draft RAP and ARES documents. The views of equality organisations and businesses towards the RAP and ARES actions have also been used to prepare the final impact assessments report including the final BRIA.

Stakeholders were invited to complete an online survey (see **Appendix C**) to submit their views on the two draft documents. The same questions were used to frame discussions for stakeholders who took part in one-to-one meetings.

The following stakeholder engagement activities took place:

- Organisations first contacted via email on 26th October 2022;
- Webinar to equality focused organisations on 31st October 2022;
- Business organisations contacted via Scottish Government's October 2022 bulletin; and
- Virtual business engagement session on 7th November 2022.

The Scottish Government provided an overview of the Bute House Agreement grant conditionality commitment, the RAP and the ARES to share with stakeholders via email and in one-to-one discussions.

Four stakeholders took part in one-to-one discussions, both on Microsoft Teams and in person, and four submitted survey responses between 26th October and 15th November which fed into the technical note for the Scottish Government.

AECOM used the findings of the stakeholder engagement to develop an Impact Assessment Input Note which was submitted to the Scottish Government on the 15th November 2022. This set out key issues, considerations, and recommendations for finalising the draft RAP and ARES documents.

Following this, AECOM continued stakeholder engagement between 15 November 2022 and 9 January 2023 to ensure that a wide range of voices contributed to the development of the impact assessments. An additional six stakeholders engaged in one-to-one discussions, and five submitted survey responses which fed into the final assessment of impacts.

2.2.2 Breakdown of stakeholders

Scottish Government and AECOM identified 103 stakeholders for AECOM to engage across all impact assessments. This included:

- The ARES Short Life Working Group;
- Disability Short Life Working Group;

- Sub Group of the Gender Pay Gap Ministerial Working Group;
- Protected characteristic groups;
- Island communities; and
- Businesses.

The following table demonstrates the size, sector and location of businesses and business representative organisations who engaged directly on the business impacts of the RAP and ARES.[15] However, a wider range of stakeholders provided thoughts on business impacts as part of wider stakeholder engagement for all impact assessments carried out.

Table 2-1 Size, sector and location of businesses and business representative organisations

Size	Sector	Location	Form of engagement
National representative body	Business	Scotland	Online meeting and survey response
Sector-specific national representative body	Agriculture	Scotland	Written response
National representative body	Business	Scotland	Online meeting
Regional representative body	Agriculture	Angus	Online meeting and written response
Regional representative body	Island communities/ businesses	Scottish Islands	Online meeting and survey response
Local employer	Island communities/ businesses	Scottish Islands	Online meeting and survey response
Sector-specific national representative body	Agriculture	Scotland	Online meeting and survey response
Sector-specific national representative body	Finance	Scotland	Online meeting
National public sector employer	Public	Scotland	Online meeting and survey response

2.3 Impact Assessment Input note

---

[15] The names of organisations are not included as some wished for their responses to remain anonymous.

An Input Note was submitted to the Scottish Government on 15th November. For each impact assessment, this highlighted the key impacts of the RAP and ARES as identified through the screening process and stakeholder engagement activities.

AECOM delivered a virtual presentation of the input note to the Scottish Government colleagues involved in the drafting process of the two documents.

The key impacts and potential risks identified in the screening reports and input note were used by the Scottish Government to inform the development of the RAP and ARES and enabled it to explore mitigations or adapt its approach.

2.4 Baseline evidence review

The baseline covers the following:

- Review of all relevant documentation and available information regarding the RAP and ARES including the Fair Work Framework (2016), Fair Work Action Plan (2019) and 'Becoming a Fair Work Nation' consultation documents;
- Review of relevant legislation and policies to develop context pertinent to the BRIA; and
- Evidence regarding to potential business impacts as identified through secondary data and research provided by Scottish Government, stakeholders and desktop review.

2.5 Assessment of business impacts

This BRIA presents the review of each of overarching actions in the RAP and ARES. This provides an assessment as to whether the action has potential to impact relevant groups, including businesses, consumers and regulatory bodies.

The assessment and identification of potential impacts has been based on the evidence and key issues (as set out in Section 4 of this report), information provided through discussions with the Scottish Government and stakeholder engagement.

The scoring mechanism used for the assessment initially provides a score of the effect of the policy for each of the relevant groups as follows:

- **Major Positive Effect** – The action has the potential to significantly support businesses, taking into account the guidance including potential impacts and risks, moving digital/online and the cost and benefits.
- **Minor Positive Effect** – The action has the potential to support businesses, taking into account the guidance including potential impacts and risks, moving digital/online and the cost and benefits, but not significantly.
- **Neutral/Negligible Effect** – There is no clear relationship between the action and businesses, or the relationship is negligible.
- **Minor Negative Effect** – The action may detract support from businesses, taking into account the guidance including potential impacts and risks, moving digital/online and the cost and benefits, but not significantly.
- **Major Negative Effect** – The action may significantly detract support from businesses, taking into account the guidance including potential impacts and risks, moving digital/online and the cost and benefits. Mitigation is therefore required.

- **Uncertain Effect** – The policy has an uncertain relationship to business support, or the relationship is dependent on the way in which the aspect is managed. In addition, insufficient information may be available to enable an assessment to be made and will be gathered through further consultation and/or research.

Assessment guide

The guide questions used to undertake the assessment are set out in Table 4-1 below and have been developed in line with the BRIA toolkit.

Potential impacts and risks	**Businesses – including Scottish Firms Impact Test and Competition Assessment** • Will the project have an impact on the competitiveness of Scottish companies within the UK / Europe / globally? • What are the relevant businesses, sectors, markets, products, or services that might be affected by the changes? • Will the changes restrict or increase competition in these markets? • Will it make it harder for new firms to enter a market? • Will it impact suppliers (number / range / competitiveness)? • Could impacts be different for different parts of an industry or different parts of a supply chain? • Will micro and small businesses be impacted differently? (Consider regulatory burden, compliance flexibility options, distribution of benefits, cost penalties of non-compliance)
	Local authorities • What is the impact on local authorities?
	Consumers – includes users of public services • Will the quality, availability or price of goods or services in a market be affected? • Does the project affect the essential services market, such as energy or water? • Does the project involve storage or increased use of consumer data? • Could there be increased opportunities for third parties to take advantage of government initiatives to target consumers whose circumstances make them more vulnerable? • Could the action add complexity in a market, which could lead to information asymmetries or make it more difficult for consumers to understand their rights? • Could the action affect routes for consumers to seek advice or raise complaints on consumer issues? • Will it limit the choices and information available to consumers?
	Regulators

	• What is the impact on regulators?
	Organisations in the third sector
	• What is the impact on organisations in the third sector?
	Environment
	• Will there be disproportionate impacts on the environment, including disproportionate cost of compliance and monitoring?
	General
	• Have any new forms been introduced as a result of the project?
	Legal Aid Impact Test
	• Could the policy give rise to increased use of legal processes or create new rights or responsibilities, which could have an impact on the legal aid fund?
Moving to digital / online	• Do the changes take account of changing digital technologies and markets?
	• Will the changes be applicable in a digital / online context?
	• Will the changes potentially have an adverse impact on traditional or offline businesses?
	• If the action can be applied in an offline and online environment, will this have any adverse impacts on incumbent operators?
Costs and Benefits	• What will the costs and benefits of the changes be, relative to the status quo were the action not introduced (i.e., will they be additional and monetised)?

2.6 Recommendations and conclusions

Section 7 this report sets out conclusions on the business and regulatory impacts of the RAP and ARES.

The final section of this report sets out recommendations for enhancing the benefits to those affected by the Fair Work initiatives as well as appropriate mitigation against adverse impacts.

3. Relevant guidance, legislation and policy

This section provides an overview of the relevant guidance and legislation for undertaking a BRIA, alongside relevant national policy offering an understanding of the context in which the RAP and ARES have been developed. A detailed policy review is provided in Appendix D.

3.1 Relevant guidance and legislation

3.1.1 Business and Regulatory Impact Assessments (BRIA): Toolkit[16]

This Toolkit published by Scottish Government in 2022, sets out guidance and information on how to complete a BRIA.

BRIAs help to assess the likely costs, benefits, and risks of any proposed primary or secondary legislation, voluntary regulation, codes of practice, guidance, or policy changes that may have an impact on the public, private or third sector (such as charities, community groups and other non-profit-making organisations).

The purpose of a BRIA is to provide an understanding to interested parties of: why the government is proposing to intervene; options the government is considering and which is preferred; how and to what extent new policies may impact interested parties, business and Scotland's competitiveness; and, the estimated costs and benefits of proposed measures.

The Scottish Government recommends and encourages the completion of a BRIA as best practice to assess the impact of new legislation, as well as other changes such as voluntary guidance or policy changes, even where they do not necessarily present additional obvious burdens. In such cases, it can either help confirm understanding that the impact will not change or identify and address unintended impacts which have not been identified previously.

The content of a BRIA should be proportionate to the problem involved and the size of the proposal.

A revised BRIA Template[17] was published by Scottish Government in December 2022 and provides a standardised structure for completing a BRIA. While this revised template has not been used to complete this BRIA which was commissioned before its publication, this BRIA has been completed with regard to the guidance set out within both the BRIA Toolkit and previous BRIA Template. Therefore, the new areas of the updated template are out of the scope of this BRIA.

---

[16] Scottish Government (2022). Business and Regulatory Impact Assessments (BRIA) toolkit. Accessible at: https://www.gov.scot/publications/business-regulatory-impact-assessment-toolkit/

[17] Scottish Government (2022). Business and Regulatory Impact Assessments (BRIA): template. Accessible at: https://www.gov.scot/publications/business-regulatory-impact-assessment-template/documents/

3.1.2 The Human Rights Act[18]

The Human Rights Act 1998 is an Act of Parliament of the United Kingdom introduced to incorporate the rights of the European Convention on Human Rights into UK law. Public authorities must respect and protect the human rights set out through the articles of the Act. Articles relevant to this Fair Work agenda include:

- Article 4: Freedom from slavery and forced labour

- Article 11: Freedom from assembly and association;

- Article 14: Protection from discrimination in respect of these rights and freedoms.

Human rights implications are also considered in the context of upcoming International Human Rights Covenants and Conventions, including the International Covenant on Economic, Social and Cultural Rights; the Convention on the Elimination of All Forms of Racial Discrimination; the Convention on the Elimination of All Forms of Discrimination Against Women; the Convention on the Rights of Persons with Disabilities; and the Convention on the Rights of the Child.

In assessing the impacts on human rights legislation, this report considers:

- If there is any danger of someone's rights being infringed by the actions of the Fair Work agenda

- If the actions of the Fair Work agenda will strengthen people's ability to enjoy these rights

3.2 National Policy

3.2.1 Fair Work Framework[19]

The Fair Work Convention published the Fair Work Framework in 2016. It sets out a vision that '**by 2025, people in Scotland will have a world-leading working life where fair work drives success, wellbeing and prosperity for individuals, businesses, organisations and society**'.

The framework defines Fair Work through the five dimensions: effective voice, opportunity, security, fulfilment, and respect. Fair work is considered crucial to supporting worker behaviours and attitudes that can create positive outcomes for individuals, employers and society:

3.2.2 National Strategy for Economic Transformation (NSET)[20]

The National Strategy for Economic Transformation outlines an ambition for a successful and 'fairer' economy by 2032 driven by a vision to create a wellbeing economy.

---

[18] Human Rights Act 1998. Available at: https://www.legislation.gov.uk/ukpga/1998/42/contents
[19] Fair Work Convention (2016). Fair Work Framework 2016. https://www.fairworkconvention.scot/wp-content/uploads/2018/12/Fair-Work-Convention-Framework-PDF-Full-Version.pdf
[20] Scottish Government (2022). Scotland's National Strategy for Economic Transformation. Available at: https://www.gov.scot/publications/scotlands-national-strategy-economic-transformation/

The 'fairer and more equality society' programme of action seeks to 'Reorient our economy towards wellbeing and fair work, to deliver higher rates of employment and wage growth, to significantly reduce structural poverty, particularly child poverty, and improve health, cultural and social outcomes for disadvantaged families and communities.'

3.2.3 National Performance Framework (NPF)[21]

The National Performance Framework is Scotland's wellbeing framework setting out a vision for a more successful, sustainable, and inclusive Scotland.

The Fair Work and Business National Outcome measures progress towards Scotland's vision for 2025. Performance against this outcome is measured through indicators, including but not limited to: pay gap, employee voice, gender balance and payment of the real Living Wage.

3.2.4 Developing the Young Workforce: Scotland's Youth Employment Strategy[22]

The Youth Employment Strategy sets out how the Scottish Government will implement recommendations from the Commission for Developing Scotland's Young Workforce with the ambition to improve youth employment levels beyond pre-2008 and prioritise equal access to work relevant educational experience for all young people, despite the barriers they may face.

3.2.5 Tackling Child Poverty Delivery Plan 2022-2026[23]

The 'Best Start, Bright Futures' delivery plan sets out a vision for tackling child poverty in Scotland, following the foundations of the 'Every Child, Every Chance' publication in 2018.

To successfully tackle child poverty, the plan will support families with children through people-centred services to access financial, emotional, and practical assistance regardless of gender, race or status.

3.2.6 Covid Recovery Strategy[24]

In response to the inequality and disadvantage both exacerbated and exposed by the Covid pandemic, the Scottish Government published the Covid Recovery Strategy.

The strategy outlines the unprecedented shock to Scotland's economy and job market brought about by the pandemic and prioritises the security and resilience of

---

[21] Scottish Government (2018). National Performance Framework: Our Purpose, Values and National Outcomes. Accessible at:
https://nationalperformance.gov.scot/sites/default/files/documents/NPF_A2_Poster.pdf
[22] Scottish Government (2014). Developing the Young Workforce: Scotland's Youth Employment Strategy. Implementing the Recommendations of the Commission for Developing Scotland's Young Workforce. Available at: https://www.gov.scot/publications/developing-young-workforce-scotlands-youth-employment-strategy/documents/
[23] Scottish Government (2022). Best Start, Bright Futures: tackling child poverty delivery plan 2022-2026. Available at: https://www.gov.scot/publications/best-start-bright-futures-tackling-child-poverty-delivery-plan-2022-26/documents/
[24] Scottish Government (2021). Covid Recovery Strategy: For a fairer future. Available at: https://www.gov.scot/publications/covid-recovery-strategy-fairer-future/documents/

communities, businesses, society, and the economy by embedding fair work, skills and employability interventions.

Actions from this outcome include gender, ethnicity and disability employment action plans, an ethnicity pay gap strategy, real Living Wage commitments and other Fair Work standards.

3.2.7 Ambition Opportunity Place: Scotland's Third National Planning Framework (NPF3)[25]

The National Planning Framework (NPF) is a long-term plan for Scotland which sets out where development and infrastructure is needed in the country. The current NPF sets out a spatial strategy with four aims for the country to become: *"a successful, sustainable place; a low carbon place; a natural, resilient place; and a connected place".*

The "successful, sustainable place" objective aims to create high quality, diverse, and sustainable places that promote well-being and attract investment. Within this, business is a key focus, and how places should provide opportunities for business investment and growth to stimulate innovation and diversification of industry.

3.2.8 Revised Draft National Planning Framework 4 (NPF4)[26]

The NPF4 builds upon the NPF3 and sets out spatial principles, regional priorities, national developments and national planning policy for Scotland.

It is intended to support the development of sustainable, liveable and productive places across Scotland. To achieve productive places, policies aim to attract new investment, build business confidence, stimulate GDP, export growth and entrepreneurship, and facilitate future ways of working.

NPF4 also places greater emphasis on rural businesses and the rural economy, with Policy 29 intending to "encourage rural economic activity, innovation and diversification" and to ensure rural communities and businesses are supported.

3.2.9 State of the Economy: Office of the Chief Economic Advisor[27]

This overview of the economic indicators and outlook in Scotland as of October 2022 reveals a significant deterioration in the medium term economic outlook is set out, driven by inflationary pressures impacting both households and businesses. Economic activity, uncertainty, expectations and confidence were also impacted by the UK mini budget in 2022.

---

[25] Scottish Government (2014). Scotland's Third National Planning Framework. Available at: https://www.gov.scot/publications/national-planning-framework-3/
[26] Scottish Government (2022). Revised Draft National Planning Framework 4. Available at: https://www.gov.scot/publications/national-planning-framework-4-revised-draft/
[27] Scottish Government (2022). State of the Economy October 2022. Accessible at: https://www.gov.scot/binaries/content/documents/govscot/publications/research-and-analysis/2022/10/state-economy-october-2022/documents/state-economy-office-chief-economic-adviser/state-economy-office-chief-economic-adviser/govscot%3Adocument/state-economy-office-chief-economic-adviser.pdf

3.2.10   Employability Shared Measurement Framework[28]

Scottish Government's Employability Shared Measurement Framework aims to create a shared understanding of how the impact of employability services is measured for the people and areas they aim to support.

The purpose of employability provision delivered through the No One Left Behind approach is to support people facing disadvantage in the labour market towards and into sustainable and fair work. The five key themes are outlined in Appendix C.

3.2.11   Race Equality Framework for Scotland 2016 to 2030[29]

This framework sets out the Scottish Government's approach to addressing racism and inequality between 2016 and 2030. Through showing leadership in advancing race equality and addressing barriers faced by racialised minorities, the Scottish Government will assist racialised minorities in realising their potential.

The Framework was created to prioritise the needs and experiences of Scotland's racialised minorities. It outlines how the Scottish Government will work in partnership with government agencies and key stakeholders to address opportunities for progress through six themed Visions.

3.3 Partnerships

3.3.1 No One Left Behind Delivery Plan[30]

No One Left Behind is a collective approach to delivering an employability system which is flexible, people-centred, and responsive.

Progress has been made through the Disability Employment Action Plan[31], Shared Measurement Framework[32], the Scottish Approach to Service Design[33] and Fair Start Scotland extension[34].

---

[28] Scottish Government (2022). Employability Shared Measurement Framework. Available at: https://www.employabilityinscotland.com/media/pgujxbke/for-publication-shared-measurement-framework-updated-december-2022.pdf
[29] Scottish Government (2016). Race equality framework for Scotland 2016 to 2030. Available at: https://www.gov.scot/publications/race-equality-framework-scotland-2016-2030/
[30] Scottish Government (2020). No One Left Behind Delivery Plan. Accessible at: https://www.employabilityinscotland.com/media/ktmdiord/no-one-left-behind-delivery-plan.pdf
[31] Scottish Government (2018). A Fairer Scotland for Disabled People: employment action plan. Available at: A Fairer Scotland for Disabled People: employment action plan - gov.scot (www.gov.scot)
[32] Scottish Government (2022). Employability Shared Measurement Framework. Available at: Publications | Employability in Scotland
[33] Establishment of a lived experience panel to facilitate the gathering of user views and influence future service delivery - October 2020
[34] Scottish Government (2018). Fair Start Scotland. Available at: Fair Start Scotland - gov.scot (www.gov.scot)

3.3.2 Fair Start Scotland[35]

Fair Start Scotland, a national employment support service, launched in April 2018 and has been supporting people with significant barriers towards and into sustainable work.

The service is entirely voluntary and offers personalised, one to one support, tailored to individual circumstances and has supported over 51,000 starts since launch in April 2018.

3.4 Other factors

Individuals and businesses face ever-changing burdens dependent on the cumulative impacts of socioeconomic crises. Those relevant to today's populations include Covid, EU Exit, the cost-of-living crisis and the cost of business.

---

[35] Fair Start Scotland, Employability in Scotland. Available at:
https://www.employabilityinscotland.com/employability-services/fair-start-scotland/

4. Evidence and key issues

This section provides an overview of the baseline conditions in relation to businesses and the economy in Scotland. A detailed review is provided in Appendix E.

4.1 Population

- The Scottish population was 5,479,900 in 2021[36]. Approximately 63.8% of residents in Scotland were of working age (16 to 64 years old) compared to 62.9 in the UK.

4.2 Jobs

- In 2021, the largest employment sectors in Scotland were: the Health sector (15.3% of jobs); Retail sector (10.0% of jobs); and, Education (8.3% of jobs).

4.3 Businesses

- In 2022, there were 173,655 businesses registered in Scotland[37]. Of these, the majority (87.8%) were classed as micro (employing 0 to 9 people).
- The sector with the largest number of registered enterprises was the professional, scientific, and technical industry, representing 15.1% of businesses[38].
- 0.9% of all registered businesses in Scotland were considered high growth, down from the 2021 rate of 1.2%[39].

4.4 Labour Market

- The employment rate in Q4 2022 in Scotland was 76.6%[40].

4.5 Productivity

- In Scotland in 2020, GVA per worker was £26,572. This figure was lower than the average GVA per worker across the UK (£29,063)[41].
- In 2022 Q3, Scotland's onshore GDP is estimated to have fallen by 0.1% compared to the previous quarter.

---

[36] National Records of Scotland (2022). Mid-2021 Population Estimates. Available at: https://www.nrscotland.gov.uk/files//statistics/population-estimates/mid-21/mid-year-pop-est-21-report.pdf

[37] Office for National Statistics (2022). UK Business Counts. Available at: UK business; activity, size and location - Office for National Statistics (ons.gov.uk)

[38] Scottish Government (2022). Businesses in Scotland 2022. Available at: Businesses in Scotland: 2022 - gov.scot (www.gov.scot)

[39] Scottish Government (2022). National Indicator Performance. Available at: https://nationalperformance.gov.scot/measuring-progress/national-indicator-performance

[40] Scottish Government (2023). Labour market statistics. Available at: Labour market statistics - gov.scot (www.gov.scot)

[41] Office for National Statistics (2021). Regional gross value added (balanced) by industry: all ITL regions.

4.6 Hours and Earnings

- The median gross hourly pay in Scotland in 2022 was £15.03[42] which is a similar figure to that in the UK (£14.77).
- In Scotland, the industry with the greatest median gross hourly pay was electricity, gas, steam, and air conditioning supply, at £23.68. The industry with the lowest median gross hourly pay was accommodation and food service activities at £10.00.
- In the UK, the sector with the highest median gross hourly pay was financial and insurance activities at £21.88, and the industry paying the lowest mean gross hourly pay in the UK was accommodation and food service activities at £10.00.
- In 2022, 91.0% of all employees (18+) were paid the real Living Wage in 2022.[43] Sectoral analysis reveals that over 80% of private sector employees were paid at least the real Living Wage and over 90% of public and third sector employees.
- Research from the Living Wage Foundation[44] shows that 93% of Living Wage Businesses reported feeling they have benefited since accrediting

4.7 Public Sector Grants and Funding

- Grants are available from a number of sources such as Scottish Enterprise, Business Gateway, Highlands and Islands Enterprise, and South of Scotland Enterprise.
- Since 2019 Scottish Enterprise has attached Fair Work First (FWF) criteria to all large job creation grants of £100,000 plus (condition that new jobs must pay the real Living Wage); and since January 2021 has extended the principles to all grants, with a new business process going live from September 2021 across all relevant business areas.

4.8 Trade Union Membership[45]

- In 2021, the proportion of employees who were trade union members in Scotland was 28.4%, higher than in the UK as a whole at 23.1%.
- The industry in Scotland with the highest proportion of employees who are trade union members in 2021 was electricity, gas, steam, and air conditioning supply (60.9% of workers were members). The industry with the lowest proportion of trade union members was manufacturing in which only 12.2% are members[46].
- These trends are similar to those across the UK as a whole where the education industry contained the highest proportion of trade union members (49.4%)

---

[42] Office for National Statistics (2022). Annual Survey of Hours and Earnings. Available at: https://www.ons.gov.uk/datasets/ashe-table-5/editions/time-series/versions/4
[43] Scottish Government (2022). Annual Survey of hours and earnings 2022. Available at: Annual survey of hours and earnings: 2022 - gov.scot (www.gov.scot)
[44] Living Wage Foundation and Cardiff University Business School (2017). The Living Wage Employer Experience. Available at: https://www.cardiff.ac.uk/__data/assets/pdf_file/0008/722429/The-Living-Wage-Employer-Experience-Report.pdf
[45] HM Government (2022). Trade Union Membership, UK 1995-2021: Statistical Bulletin. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1077904/Trade_Union_Membership_UK_1995-2021_statistical_bulletin.pdf
[46] Where data is reliable.

followed by human health and social work (39.2%) and public administration and
defence (38.6%).

4.9 Benefits of Fair Work Practice

A number of research papers have sought to demonstrate how Fair Work practices
can drive productivity, release untapped potential, and inspire innovation - all of
which add value to jobs and to business and in turn create stronger, more
sustainable and inclusive growth. These are summarised below and further detail
can be found in Appendix E.

- Higher quality work, like higher pay, can serve as a spur to greater work
  satisfaction and motivation, thus leading to higher levels of workplace
  productivity[47].
- There is evidence of positive impacts on productivity across several dimensions
  of Fair Work including pay and benefits; health, safety and psychosocial
  wellbeing; job design and the nature of work; and work-life balance.[48]
- Financial worry and stress can reduce the effectiveness, quality, and efficiency of
  work undertaken by employees[49].
- There is a strong correlation of a negative relationship between job stress and at-
  work productivity, and a positive relationship between job rewards and
  productivity.[50]
- Employers committing to diversity and inclusion have been demonstrated to
  benefit in business terms.[51] The research shows that companies in the top-
  quartile for ethnic/cultural diversity on executive teams were 33% more likely to
  have industry-leading profitability.
- Employing people with learning disabilities can have numerous benefits such as
  higher retention, better awareness of disability issues amongst staff, and
  increased reputation amongst the general public[52].

[47] Carnegie UK Trust, RSA (2020). Can Good Work Solve the Productivity Puzzle? Available at:
https://d1ssu070pg2v9i.cloudfront.net/pex/pex_carnegie2021/2020/01/05125116/Can-good-work-
solve-the-productivity-puzzle-FINAL.pdf
[48] Warwick Institute for Employment Research (2021). Does good work have a positive effect on
productivity? Building the evidence base.
https://d1ssu070pg2v9i.cloudfront.net/pex/pex_carnegie2021/2021/06/05091227/Research-findings-
summary-does-good-work-have-a-positive-effect-on-productivity-Jan-2020.pdf
[49] Joseph Rowntree Foundation (2016). Counting the Cost of UK Poverty. Available at:
https://www.jrf.org.uk/report/counting-cost-uk-poverty
[50] OECD (2017). Job quality, health and at-work productivity. OECD Social, Employment and
Migration Working Papers. Available at: https://www.oecd-ilibrary.org/employment/job-quality-health-
and-at-work-productivity_43ff6bdc-en
[51] McKinsey & Company (2018). Delivering through diversity. Available at:
https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/delivering-
through-diversity
[52] Mencap (2018). The benefits of employing someone with a learning disability in your workplace.

5. Assessment of Refreshed Fair Work Action Plan

Headline action 1: We will lead by example on the Fair Work Agenda, including sharing and learning of practice, by 2025. We will continue to embed Fair Work in all public sector organisations, setting out clear priorities in the roles and responsibilities of public bodies.

Action 1.1: Scottish Government will undertake an equal pay audit examining pay gaps by gender, disability, race and age by March 2024. We will act on findings to review and refresh our recruitment and retention policies to address workplace inequalities by end of 2025.

Action 1.2: Work with equality organisations and public sector employers to co-deliver a series of engagements with the public sector by end of 2023 to support employers to address the recommendations of the Scottish Parliament's Equalities and Human Rights Committee's inquiry report into race equality, employment and skills which recommended employers assess their organisations' understanding of racism and structural barriers; employers subject to the Public Sector Equality Duty as a minimum, voluntarily record and publish their ethnicity pay gap and produce an action plan to deliver identified outcomes.

Action 1.3: The EHRC and Scottish Funding Council (SFC) to:

Action 1.3.1: Implement National Equality Outcomes across protected characteristics (including disability, ethnicity, sex) from Sept 2022 to Sept 2025, in order to:

- Improve student success and retention rates;

- Ensure access to and confidence in support for students and staff that fosters good relations and tackle prejudice and discrimination;

- Increase diversity of staff in the workforce and on College Boards and University Courts.

Action 1.3.2: Develop a set of SFC annual thematic reviews to inform and direct improvement.

Action 1.4: Work with partners to establish senior leadership networks to build capability and understanding of racism and racial inequality in the workplace by the end of 2023.

Action 1.5: We will work with Scottish Government's analysts to run a series of official statistics dissemination sessions with interested stakeholders to help inform their understanding of the labour market landscape in relation to fair work. Where available data allows, this will include considering intersectionality.

Businesses

Headline Action 1 is focused on measures that the Scottish Government will take to improve internal fair work practices in order to lead by example and pilot policies to develop best practice.

During consultation several businesses and organisations raised uncertainty about the appropriate methodology for carrying out effective pay gap reporting. By successfully piloting and developing a best practice approach to carrying out equal pay auditing methodology through Action 1.1, Scottish Government could indirectly benefit businesses in the longer-term by developing a good practice approach to advise businesses, should pay gap reporting be required of them.

This action could involve voluntary engagement with senior leadership networks attendance by businesses at stakeholder sessions on Fair Work. There may be minor administrative and time-related costs associated with participation, however any costs incurred by businesses would be on a voluntary basis.

In the longer-term, businesses could benefit indirectly should engagement work lead to the implementation of effective Fair Work practices that benefit the effectiveness of businesses in the ways demonstrated by productivity research set out in Section 4 above.

Local Authorities

By successfully piloting and developing a best practice approach to carrying out equal pay auditing methodology through this action, Scottish Government could indirectly benefit local authorities in the longer-term should pay gap reporting be required of them.

Headline action 1 may also involve engagement with local authorities on an advisory basis. Local authorities will be encouraged, but not required, to carry out an assessment of understanding of racism and structural barriers, and to record and publish ethnicity pay gap data and an action plan to deliver identified outcomes which may incur costs.

Further costs would only be incurred if authorities voluntarily take forward recommended actions. In this case, some administrative and implementation costs would be expected to be incurred to carry out review, pay gap reporting and action plan development work.

Consumers – includes users of public services

No direct impacts on consumers are anticipated arising from Action 1.

In the long-term, improved service provision arising from indirect beneficial impacts of implementing fair work measures within public sector organisations, could have positive impacts on service users.

Regulators

Potential need for regulators such as Audit Scotland and others to develop additional systems or processes to include equal pay auditing as part of existing regulatory activities. There could be some short-term administrative cost associated with developing additional processes. (This requirement is uncertain and has not been confirmed by Scottish Government).

Organisations in the third sector

By successfully piloting and developing a best practice approach to carrying out equal pay auditing methodology through Action 1.1, Scottish Government could indirectly benefit third sector organisations in the longer-term should gender, disability, race and age pay gap reporting be required of them.

The EHRC and SFC would be expected to incur administrative and implementation costs associated with the actions set out in Action 1.3, including the costs of implementing additional support for students and staff.

Although businesses are expected to benefit over the long-term, many third sector organisations struggle to plan for the long term due to annual funding cycles and so could be disproportionately affected.

Environment

No direct environmental impacts are anticipated arising from headline Action 1.

General

No impacts identified.

Legal Aid Impact Test

No impacts identified.

Moving to digital / online

Best practice information may be collated and shared via an online platform. There may be adverse impacts to traditional or offline businesses should they be unable to access material online as easily as online businesses.

Costs and benefits

Administrative costs could be incurred by businesses, public sector and third sector organisations taking part in engagement activity. As participation would be on a voluntary basis, any costs would also be incurred on a voluntary basis.

In the longer-term, measures that support a stronger labour market in Scotland could be expected to indirectly benefit businesses, and the public and third sectors, by supporting a larger and more diverse workforce.

The overall provisional BRIA score for this headline action is minor positive.

Headline action 2: We will continue to use conditionality to further embed Fair Work in all public sector investment wherever possible.

This section will assess the impacts of the Bute House Fair Work conditionality announcement before going on to assess the impacts of headline action 2 below.

Bute House Fair Work conditionality announcement: "A key programme of action within NSET is leveraging our public spending to drive fair pay and conditions, which is crucial to tackling poverty. Public sector grant conditionality will include paying at least the real Living Wage and providing channels for effective voice for all employees, as announced on 6th December 2022.[53] The condition applies to organisations receiving grants from the Scottish Government, enterprise agencies and public bodies. Exceptions may only be applied to emergency funding and where an organisation is heavily dependent on grant funding and paying the real Living Wage would threaten its survival".

Businesses

Implementing payment of the real Living Wage and providing effective voice for all employees could incur significant on-going financial costs for businesses that currently pay wages at rates below the real Living Wage and do not offer measures to support effective voice.

All businesses that apply for public grants and once extended, any other form of Scottish Government support to which Fair Work conditionality is applied, may be impacted by this change. Not implementing these measures could result in financial implications arising from ineligibility to qualify for grants or other forms of Scottish Government support.

Smaller and micro-sized businesses are likely to be disproportionately affected by the on-going financial costs associated with the Bute House Agreement where these businesses have lower existing profit margins. In addition, sectors more reliant on public grants may also be disproportionately affected by the proposals.

However, as set out in Section 4 above, research has identified potential reputational, and staff retention benefits for businesses with real Living Wage accreditation. It has also been demonstrated that employee retention rates could increase with increased effective voice opportunities, which could be a benefit to businesses.

Local Authorities

Local authorities receive money from the Scottish Government in the form of grant in aid which will not be subject to Bute House Agreement conditionality. Local authorities are already expected to adopt Fair Work First practices and are committed to this.

Consumers – includes users of public services

No direct impacts on consumers are anticipated arising from the Bute House Agreement. Over the long-term, to the extent that Fair Work measures result in

---

[53] Scottish Government (2022). Grants link to boost Fair Work. Available at: https://www.gov.scot/news/grants-link-to-boost-fair-work/

better performing organisations, consumers are likely to indirectly benefit from improved services.

Regulators

No impacts identified.

Organisations in the third sector

The potential impacts for organisations in the third sector would be expected to align with the impacts identified for businesses above.

SCVO in its engagement with the Scottish Government on the Bute House conditionality raised concerns about meeting the cost of increasing the wage rate for low-paid workers to the real Living Wage rate. In particular, there were concerns about the knock-on effect of having to increase the wage rate for higher grade workers to maintain appropriate pay differentials between grades.

Environment

No impacts identified.

General

No impacts identified.

Legal Aid Impact Test

No impacts identified.

Moving to digital / online

No impacts identified.

Costs and benefits

Potential costs are expected to include uplifting staff wages across businesses and organisations, and accessing resources and capacity to implement and restructure wages. As noted above, businesses which are smaller and more reliant on grants may be disproportionately affected also.

However, benefits of the Bute House announcement include improved recruitment, retention, and productivity for businesses and organisations, set out further in Section 4 of this report.

The impacts on businesses as set out above have been considered by the Scottish Government in the development of Fair Work conditionality in public sector grants. Although these challenges to businesses are recognised, the significant priority of the approach is to help tackle poverty, including child poverty and by including the limited exceptions to the conditionality; through continued engagement with stakeholders; the development of guidance to support its implementation; actions in the RAP to support employers to adopt Fair Work and a commitment to evaluate Fair Work First, the Scottish Government is mitigating the negative impacts identified.

The provisional BRIA score for this announcement is minor negative.

Action 2.1: As part of the Bute House agreement and NSET, and within the limits on devolved competence, we will:

Action 2.1.1: Extend Fair Work conditionality with clear standards and minimum requirements to cover all forms of Scottish Government support within the limits of devolved competence. We will use all levers at our disposal to deliver on this commitment – including the use of grants, reliefs and licencing provisions.

Action 2.1.2: Consider how we can extend conditionality to the other Fair Work principles, including opportunity, security, respect and fulfilment by 2025.

Action 2.2: By 2023 update the Fair Work First criteria to better reflect priority actions required to address labour market inequalities faced by women, people from racialised minorities, and disabled people, ensuring people can enter, remain and progress in work.

Businesses

Under headline Action 2 the Scottish Government will extend Fair Work conditionality, within the limits of devolved competence, to cover all forms of Scottish Government support. This will require any businesses in receipt of Scottish Government financial support to pay at least the real Living Wage to all staff, and provide channels for effective voice for all employees, and any extension of conditionality to the other Fair Work principles

During consultation, the Scottish Chamber of Commerce highlighted that additional layers of conditionality for businesses to navigate in order to access funds or contracts could be difficult to manage, especially in the current economic climate when a key priority for companies is recovery and survival. The Chamber also highlighted that smaller businesses could find meeting commitments more difficult due to tighter profit margins.

With respect to sector specific impacts, through consultation, the National Farmers Union (NFU) and Angus Growers raised the potential impacts of conditionality on the agricultural sector, and the fruit and vegetable, and soft fruits and sectors in particular. A key concern is the potential damage to competitiveness of Scottish companies given the ease of relocating growing facilities to England, should the real Living Wage be required for growers based in Scotland, and not for growers based in England. Concerns were raised that the requirement will increase labour costs and reduce the ability of Scottish businesses to compete with growing locations in England, leading existing growers to relocate. However, it is possible that workers could be attracted to the sector due to higher wage rates, therefore filling labour shortages and increasing Scotland's competitive advantage. Real Living Wage and effective voice conditionality will be introduced for eligible agriculture grants from 1 April 2024.

Further, the extension of conditionality to all five fair work principles could generate wide-ranging benefits across businesses:
- Opportunity conditionality could aid better access to the labour market and generate business benefits due to more diversity in the workplace as outlined in Section 4.
- Security within the workplace is largely linked to having a consistent inflow of income. The industries which the largest number of insecure workers were

wholesale, retail, and repair of vehicles, and health and social work[54]. This could mean these sectors are disproportionately affected by conditionality extending to security. However, increasing security in these sectors could bring long term benefits such as higher productivity, retention, and employee satisfaction for businesses.

- Respect encourages mutual support within the workplace and recognises that everyone is entitled to feel valued regardless of pay, status or characteristics. Respect is the leading behaviour that encourages greater commitment and engagement[55].

- Fulfilling work engages with both personal development and career progression. Increasing access to fulfilment in employment could nurture a workplace culture in which employees feel engaged, committed to making a difference, have some control over their work and can source opportunities for growth.

Local authorities

Local authorities are applying Fair Work First criteria through their public procurement exercises, in line with procurement Statutory Guidance.[56]

Consumers – includes users of public services

Potential impacts on consumers arising from Action 2 would be indirect and could be positive or negative depending on the scale and balance of impacts experienced by businesses (the balance of positive organisational measures, weighed against the increased costs of implementation).

Over the long-term, to the extent that Fair Work measures result in better performing organisations, consumers are likely to indirectly benefit from improved services.

Regulators

No impacts identified.

Organisations in the third sector

The potential impacts for organisations in the third sector would be expected to align with the impacts identified for businesses above.

SCVO in its engagement with the Scottish Government on the Bute House conditionality raised concerns about meeting the cost of increasing the wage rate for low-paid workers to the real Living Wage rate – more particularly - the knock-on effect of having to increase the wage rate for higher grade workers to maintain appropriate pay differentials between grades.

In addition, Scottish Government grants to third sector organisations often do not have any uplift year to year. This would add further pressure as the real Living Wage continues to increase even if grants from Scottish Government do not increase to match this.

---

[54] Living Wage Foundation (2020). Over 5 Million Workers in Insecure, Low Paid Work.
[55] Harvard Business Review (2015). The Leading Behavior That's Most Important to Employees.
[56] Procurement Reform (Scotland) Act 2014: statutory guidance - gov.scot (www.gov.scot)

Environment

There may be indirect environmental impacts if increased financial costs associated with implementing these measures reduce budgets available for wider environmental sustainability measures. However, in the longer term if Fair Work practices benefit the performance of businesses and organisations, budgets available for wider environmental sustainability measures could be increased.

General

No impacts identified.

Legal Aid Impact Test

No impacts identified.

Moving to digital / online

No impacts identified.

Costs and benefits

Financial and administrative costs would be associated with implementation of the real Living Wage and providing appropriate channels for effective voice for all employees, for businesses and third sector organisations in receipt of Scottish Government grants that do not already have these Fair Work practices in place. This could also be the case if conditionality is extended to other Fair Work principles. Alternatively, for organisations that do not implement these measures, financial costs may arise should they be precluded from existing grant funding streams.

The impacts on businesses as set out above have been considered by the Scottish Government in the development of Fair Work conditionality in public sector grants. Although these challenges to businesses are recognised, the significant priority of the approach is to help tackle poverty, including child poverty and by including the limited exceptions to the conditionality; through continued engagement with stakeholders; the development of guidance to support its implementation; actions in the RAP to support employers to adopt Fair Work and a commitment to evaluate Fair Work First, the Scottish Government is mitigating the negative impacts identified.

To the extent that organisations benefit from the implementation of new Fair Work practices as a result of Action 2, longer-term indirect benefits as discussed in Section 4 will be expected to arise in terms of potential improvements in staff retention, the ability to attract high calibre staff, organisational effectiveness and competitiveness, innovation and productivity. These benefits could in turn indirectly benefit consumers.

The overall provisional BRIA score for this headline action is minor negative.

Headline action 3: We will support employers to utilise the resources and support available to embed Fair Work in their organisations. We will work collaboratively to develop these resources to support and build capability among employers, employability providers and partners.

Action 3.1: By end 2023 we will work with partners to join up provision of advice and support for employers by establishing a central Fair Work resource, making it as simple and efficient as possible for employers to use. This would enhance and consolidate existing material to ensure employers have a clear route to access guidance, support and advice on Fair Work. It will involve:

- Advice and tools to promote the benefits of Fair Work and workplace equality

- Good practice case studies

- Advice on networking and establishing peer support groups

- Collaboration with existing trusted business support services and partners

Action 3.2: Develop a communications strategy to highlight and promote the benefits of Fair work and a diverse workplace to employers including;

- adoption of payment of at least the real Living Wage;

- effective voice channels, tackling the gender pay gap; and

- recruiting, employing and supporting disabled people and workers from racialised minorities.

The strategy will be informed by sectoral and regional analysis and utilise a range of channels.

Action 3.3: Increase the number of people who have security of pay and contract by encouraging employers to seek real Living Wage and Living Hours accreditation. We will achieve this through our continuing support of Living Wage Scotland to achieve an additional 5,000 workers uplifted annually to the real Living wage through increases in employer accreditation.

Action 3.4: By the end of 2025 we will review and disseminate learning and best practice from the conclusion of the 2024 Workplace Equality Fund.

Action 3.5: We will develop and promote guidance to encourage more employers across all sectors to use positive action measures as per the Equality Act 2010 giving particular attention to sex, pregnancy, race, age and disability by end 2024.

Action 3.6: We will continue to promote existing and new advice and guidance on the benefits of flexible working to organisations across Scotland by working with public bodies to assess provision and highlight best practice throughout this parliamentary term (by 2026).

Action 3.7: Working with employers, equality stakeholders and training providers, develop and implement an intersectional and anti-racist training framework by 2025.

Action 3.8: We will work with employers and trade unions, in sectors where low pay and precarious work can be most prevalent, to develop sectoral Fair Work agreements that deliver improved employment outcomes such as payment of the real living wage, better security of work, and wider "Fair Work First" standards.

Action 3.9: We will work with employers, workers and trade unions to strengthen effective voice, through a range of appropriate channels. We will do this by supporting strong trade unions and, in line with our NPF employee voice indicator, will promote the benefits of collective bargaining (including sectoral agreements) and other forms of effective voice at individual and collective levels.

Businesses

This action would be expected to result in the direct positive business impacts of adopting payment of the real Living Wage and implementing measures to support effective voice for workers discussed under Action 2 above.

In addition, to the extent that businesses benefit from use of Fair Work resources and in turn implement Fair Work measures, short-term administrative and/or on-going financial implementation costs could be incurred by those businesses. Clear guidance on effective implementation provided by Scottish Government could reduce associated set up costs incurred by businesses. Indirect positive impacts would be expected to arise to the extent that implementation of effective practices result in improved business effectiveness in the longer-term.

Engagement with businesses also suggested that allowing Fair Work measures such as flexible working within businesses could lead to improvements in physical and mental wellbeing, and improved quality of life which in turn could increase productivity. One organisation highlighted that they themselves are a Fair Work employer and that flexible working in particular has improved quality of life amongst staff, and employee engagement and commitment. Engagement also showed that some companies would like more clarity on where to find information to make reasonable adjustments and so this action would be welcomed.

Local Authorities

Potential impacts on local authorities arising from Action 3 would be expected to be in line with impacts for businesses set out above.

Consumers – includes users of public services

Over the long-term, to the extent that Fair Work measures result in better performing organisations, consumers are likely to indirectly benefit from improved services.

Regulators

No impacts identified.

Organisations in the third sector

Potential impacts on organisations in the third sector arising from Action 3 would be expected to be in line with impacts for businesses and local authorities set out above.

However, although businesses are expected to benefit over the long-term, many third sector organisations struggle to plan for the long term due to annual funding cycles and so could be disproportionately affected.

In addition, The Scottish Third Sector Tracker (scvo.scot) showed 65% of organisations reporting an increase in demand for services, 43% reporting negative impact of rising costs on ability to deliver services and 31% of organisations

reporting having to use their reserves between July and August 2022. Therefore, the demands on third sector organisations may cause them to be disproportionately affected also.

Environment

There may be indirect environmental impacts if increased financial costs associated with implementing these measures reduce budgets available for wider environmental sustainability measures. However, in the longer term if Fair Work practices benefit the performance of businesses and organisations, budgets available for wider environmental sustainability measures could increase.

General

No impacts identified.

Legal Aid Impact Test

No impacts identified.

Moving to digital / online

No impacts identified.

Costs and benefits

To the extent that businesses, local authorities and third sector organisations benefit from use of Fair Work resources and go on to implement Fair Work measures, short-term administrative and/or on-going financial implementation costs could be incurred by those businesses. Clear guidance on effective implementation provided by Scottish Government could reduce set-up costs.

Indirect benefits would be expected to arise to the extent that implementation of effective practices result in improved business, local authority and third sector organisational effectiveness in the longer-term. In turn this could benefits consumers.

The overall provisional BRIA score for this headline action is minor positive.

Headline action 4: We will work collaboratively to develop resources to support workers to access, remain and progress in fair work.

Action 4.1: Work with enterprise agencies and Business Gateway to promote Fair Work and deliver wider conditionality, and:

Action 4.1.1: By end of 2023 undertake a review of the Business Gateway website, utilising analytical and tracking techniques to ensure that disabled people find the website accessible, and are able to utilise the advice given to overcome the barriers they face.

Action 4.2: Scottish Government Employability Delivery: we will continue to work with Fair Start Scotland providers, within the timescales of the current contract until March 2023, to implement a continuous improvement approach to enhance delivery and outcomes for disabled people and those furthest from the labour market, including racialised minorities and women. This will include drawing upon learning from Pathfinders/ test and learn projects being delivered by Disabled People's Organisations and the pilot project on community engagement being delivered by CEMVO Enterprises CIC in 2022/23.

Action 4.3: Scottish Government to work with stakeholders to develop a Delivery Plan 2023-26, outlining the next phase development of No One Left Behind (NOLB) from April 2024.

Action 4.3.1: Build Fair Work outcomes into the design of No One Left Behind by taking account of the lived experience and needs of disabled people, people from racialised minorities, women and the over 50s.

Action 4.3.2: Draw upon the findings and recommendations of the following:

- Health and Work Strategy Review (2019)
- Supported Employment Review (2022)
- Health and Work Support Pilot final evaluation (2022)
- Individual Placement and Support Review (2022 – forthcoming)

Action 4.4: Skills Development Scotland (SDS) and Scottish Funding Council (SFC) will, on an annual basis, review disaggregated management information including the newly disaggregated Learning Disability statistics and take action where required where poorer outcomes or underrepresented groups are identified. This will include:

Action 4.4.1: Review the equality incentives for disabled people in relation to Work Based Learning (WBL) and make recommendations by end March 2024 with regard to impact on participation and achievement rates for disabled people.

Action 4.4.2: Review learning from pilot projects for Foundation Apprenticeships for disabled pupils and mainstream lessons learned by October 2023.

Action 4.4.3: Use intelligence from training and learning providers and participants to develop and deliver disability equality-focused continuous professional development to build the capacity of learning providers to support disabled individuals and ensure a continuous development cycle is implemented by 2023.

Action 4.5: Skills Development Scotland (SDS) will:

Action 4.5.1: Implement Scotland's Career Review recommendations and develop a model to ensure future career services across sectors provide meaningful and accessible support for disabled people that is both tailored to their needs and available when they need it. The implementation phase of the Career Review is due to be completed by the end of 2022.

Action 4.5.2: Skills Development Scotland (SDS) will continue to implement the Principles of Good Transitions across our Career Information Advice and Guidance (CIAG), through targeted Continuous Professional Development for all customer-facing CIAG colleagues and managers by the end of March 2023.

Action 4.6: Health and Work: Aligning with the Scottish Government's Fairer and More Equal Society (FMES) Programme by December 2023, Public Health Scotland (PHS) to:

- Collaborate with NHS Boards to develop the NHS Scotland contribution to achieving fair and healthy work outcomes for people across Scotland; and

- Work with Scottish Government, Local Government and NHS Boards to define the health offer to enable those with health conditions to secure, sustain and progress in work.

Actions 4.1-4.6 involve a range of engagement, research and evidence-based guidance development with the aim of increasing Fair Work practices across the Scottish economy, and building a greater understanding of the Fair Work measures that can most effectively support the Fair Work agenda. Engagement and research will be carried out with the following organisations:

Enterprise agencies;

Business Gateway;

Fair Start Scotland providers;

Disabled People's Organisations;

Skills Development Scotland (SDS);

Scottish Funding Council (SFC);

Public Health Scotland (PHS).

Businesses

These actions could incur short-term engagement, administration and implementation costs and on-going financial costs for businesses that engage with Scottish Government on Fair Work issues, and for businesses that adopt Fair Work practices. In the longer-term businesses that adopt such practices would be expected to benefit from positive impacts including improved effectiveness and competitiveness, as outlined in Section 4 above.

By taking an evidence-based approach to researching and developing practices that most effectively achieve Fair Work outcomes, and engaging with business and disseminating best practice accordingly, Scottish Government will support businesses to implement the most effective Fair Work practices which would be expected to maximise the potential beneficial impacts of implementation.

Local authorities

Potential impacts for local authorities associated with Actions 4.1-4.6 would be expected to align with impacts identified for businesses above.

Consumers – includes users of public services

Over the longer-term if Fair Work measures result in better performing businesses, public sector and third sector organisations, consumers are likely to indirectly benefit from improved services.

Regulators

No impacts identified.

Organisations in the third sector

Potential impacts for organisations in the third sector arising from Actions 4.1-4.6 would be expected to align with the impacts identified for businesses and local authorities above.

However, although businesses are expected to benefit over the long-term, many third sector organisations struggle to plan for the long term due to annual funding cycles and so could be disproportionately affected.

In addition, The Scottish Third Sector Tracker (scvo.scot) showed 65% of organisations reporting an increase in demand for services, 43% reporting negative impact of rising costs on ability to deliver services and 31% of organisations reporting having to use their reserves between July and August 2022. Therefore, the demands on third sector organisations may cause them to be disproportionately affected also.

Environment

No direct impacts identified. As above, should investment in Fair Work practices divert resources from wider sustainability measures this could result in negative indirect environmental impacts. However, to the extent that Fair Work practices support more effective organisations, as the evidence base in Section 4 suggests, this could in the longer-term generate additional resources available to support wider sustainability measures and therefore lead to a positive long-term effect.

General

No impacts identified.

Legal Aid Impact Test

No impacts identified.

Moving to digital / online

No impacts identified.

Costs and benefits

Potential short-term engagement and implementation costs, and on-going financial costs for businesses, local authorities and organisations in the third sector that engage with Scottish Government on Fair Work issues, and adopt Fair Work practices.

Potential longer-term and on-going positive impacts on organisations that adopt Fair Work practices and benefit from greater effectiveness and competitiveness as a result, in the ways outlined in Section 4 above.

The overall provisional BRIA score for this headline action is minor positive.

6. Assessment of Anti-Racist Employment Strategy

Action 1: Establish a platform for exchanging learning and good operational practice among employers - practice that is anti-racist and intersectional in its approach.

This action sits within RAP action 3.1, and is therefore assessed in Section 5 above.

Action 2: Undertake evaluation of the 'Minority Ethnic Recruitment Toolkit' to ensure it remains fit for purpose (anti-racist and intersectional) and is applied across the public sector. Consider augmenting the toolkit to include other accessible support sources, including those for retention and progression.

This action sits within RAP action 3.1, and is therefore assessed in Section 5 above.

Action 3: Promote and disseminate learning and practice that shows positive change in employers' end to end processes to increase representation of racialised minorities.

This action sits within RAP action 3.1, and is therefore assessed in Section 5 above.

Action 4: Develop an intersectional and anti-racist training framework for public and private sector employers by which to assess their training needs and improve the quality of training offered in the organisation.

This action sits within RAP action 3.7, and is therefore assessed in Section 5 above.

Action 5: Produce guidance on positive action to support employers across the public sector and promote this guidance through a series of engagement sessions.

This action sits within RAP action 3.5, and is therefore assessed in Section 5 above.

Action 6: By the end of 2025 we will review and disseminate learning and best practice on the conclusion of the 2024 Workplace Equality Fund.

This action sits within RAP action 3.4, and is therefore assessed in Section 5 above.

Action 7: Oversee pilot to improve engagement of employers and employability services with racialised minority communities. Includes work to support EQIA process among employers. To improve the quality of assessments and how the practice can be embedded at the start of a process or policy development.

This action sits within RAP action 4.3, and is therefore assessed in Section 5 above.

Action 8: We will work with Labour Market Analysis colleagues to run a series of dissemination sessions when labour market statistics on ethnicity are published to make employers (and stakeholders) aware of data that is available and to support them to use national data to help inform their practice.

This action sits within RAP action 1.5, and is therefore assessed in Section 5 above.

Action 9: We will continue to press the UK Government to mandate ethnicity pay gap reporting.

This action sits within the aggregated action narrative of RAP as follows: "We will also lobby the UK Parliament for key changes to reserved legislation to address racialised systemic inequity, including mandating employers to report their ethnicity pay gap.

Action 10: Work with partners to establish senior leadership networks to build capability and understanding of racism and racial inequality in the workplace by the end of 2023.

This action sits within RAP action 1.4, and is therefore assessed in Section 5 above.

Action 11: Co-deliver a series of engagements with the public sector by end of 2023 to support employers to address the recommendations of the Scottish Parliament's Equalities and Human Right's Committee's inquiry report into race equality, employment and skills, which recommended employers assess their organisations' understanding of racism and structural barriers; employers subject to the Public Sector Equality Duty as a minimum, voluntarily record and publish their ethnicity pay gap and produce an action plan to deliver identified outcomes.

This action sits within RAP action 1.2, and is therefore assessed in Section 5 above.

Action 12: Ensure messaging around anti-racism and intersectionality is taken account of in Fair Work First guidance as used in procurement and grant funding processes.

This action sits within RAP action 2.2, and is therefore assessed in Section 5 above.

Action 13: The Scottish Government to undertake an equal pay audit examining pay gaps by gender, disability, race and age by March 2024. We will act on findings to review and refresh our recruitment and retention policies to address workplace inequalities by end of 2025.

This action sits within RAP action 1.1, and is therefore assessed in Section 5 above.

7. Conclusions

This BRIA assesses the potential impacts of the implementation of proposed actions set out within Scottish Government's proposed RAP and ARES. The assessment has been carried out in line with Scottish Government guidance and has been informed by consultation and further engagement with stakeholders and short life working groups.

It is recommended that the Scottish Government continue with the delivery of the RAP and ARES. The importance of the actions set out are clearly rationalised and explained. The content of each was developed and influenced by the 2021 consultation on Scotland Becoming a Fair Work Nation and further stakeholder engagement, including the short life working groups. The Scottish Government will progress the actions set out in line with governance arrangements and project management principles to track and monitor. The Scottish Government is clear that it will continue to work with stakeholders as it delivers the RAP and ARES.

Together the RAP and ARES set out a number of actions that together aim to further progress and refine the Fair Work agenda in Scotland. Key themes across all measures include: securing high quality employment opportunities which pay at least the real Living Wage and enable effective worker voice for workers in Scotland; and tackling existing labour market inequalities including employment rates and pay across groups with protected characteristics including gender, racialised minority and disabled workers.

This BRIA has assessed the potential costs and benefits of each of the actions set out in the RAP and ARES. The assessment has been informed by: a review of relevant legislation, policy and guidance; a baseline assessment of key business, employment and labour market statistics; a review of existing literature and research into the potential economic impacts of Fair Work measures; and consultation with Scottish businesses and trade organisations.

The implementation of Fair Work measures would be likely to incur short-term implementation and ongoing financial costs for organisations. Costs would be incurred on a voluntary basis for most of the actions set out in the RAP and ARES, since most actions require voluntary participation by organisations who can decide not to apply for a grant or for public sector contract. The exceptions to this are actions concerned with public sector grant conditionality, through which organisations would be required to pay the real Living Wage and support channels for effective worker voice to qualify for grant eligibility.

A review of research into the potential benefits of Fair Work measures adopted by organisations such as those set out in the RAP and ARES has informed the assessment of the potential benefits of Fair Work. A number of research studies have established measures can in the long-term: drive worker satisfaction and in turn productivity and innovation in the workplace; support higher staff retention rates, and therefore lower staff hiring, onboarding and training costs; and generate a more diverse workforce resulting in a stronger labour market. These measures would be expected to support organisational productivity, competitiveness, and a higher quality of services and production – all of which could have beneficial impacts for the Scottish economy that could be greater than potential disbenefits.

Further, where there are asks of employers to implement changes, guidance being developed by Scottish Government alongside other actions in the RAP commit to supporting employers to adopt Fair Work.

The RAP will also be supported by an evidence plan to be published late 2023 along with the accompanying measurement framework. It will set out further work to:

- Monitor the Fair Work context and progress that Scottish Government are making over time over to ensure actions respond to change;
- Draw lessons from other comparable economies on what is achievable and what has worked in different contexts;
- How to address data and wider evidence gaps in relation to a range of issues across the different dimensions of Fair Work; and
- Monitor and measure the impact of our current actions including drawing lessons from actions we will deliver as part of this plan.

The following recommendations set out in this BRIA intend to support the potential positive impacts of the measures set out in the RAP and ARES. In particular, clear, evidence-based guidance from Scottish Government on effective methods to implement specific Fair Work measures would be expected to minimise potential setup costs, and maximise potential beneficial impacts by supporting effective and efficient outcomes for organisations, workers and in turn the Scottish economy.

8. Recommendations

The following recommendations are made based on the BRIA of the RAP and ARES set out above:

Due to limited data available to inform this assessment, the outcome of proposed conditionality of Scottish Government grant funding requiring organisations to pay the real Living Wage and provide channels for effective worker voice is uncertain. More research and data is required on grant funding to understand the number and type of organisations that will be impacted, and the scale of funding that would be subject to conditionality. This in turn could inform an assessment of any potential impacts on specific sectors or types of organisation.

The RAP and ARES set out a number of measures including engagement and information dissemination to support and guide organisations in the most effective way to implement Fair Work practices. Clear and evidence-based support and guidance would be expected to reduce administrative and implementation costs for organisations, and in turn maximise beneficial impacts.

On-going engagement and research is proposed within the RAP to be carried out by Scottish Government in order to develop an evidence base on the most effective processes for achieving Fair Work outcomes. The outcomes of this would feed into on-going guidance and organisational support. This work would be expected to further support the maximisation of positive impacts arising from the implementation of Fair Work practices within organisations.

Sector specific support or exceptions to Scottish Government grant availability may be required to avoid unintended impacts. In particular, it is recommended an assessment of potential impacts on the agricultural sector arising from grant conditionality is carried out to understand the interaction between the real Living Wage and other statutory wage requirements specific to the sector.

The RAP and ARES should recognise and where possible monetise the potential for implementation costs associated with Fair Work practices to impact smaller businesses and organisations disproportionately, where these organisations have narrower profit margins than larger firms.

The Minority Ethnic Recruitment Toolkit was published by the Scottish Government to support employers in recruiting from racialised minority communities. While a lot of the content has been drawn from practice that is used in parts of the public sector, the information in this toolkit may be equally useful to employers in other sectors.

On-going engagement with businesses, carried out across a range of platforms the public sector and organisations in the third sector, as proposed by the RAP and ARES, is likely to be needed to support the successful roll out of best practice measures.

Appendix A Refreshed Fair Work Action Plan actions

A.1 Theme 1: Public sector leadership

A.1.1 Headline action 1: We will lead by example on the Fair Work agenda, including sharing and learning of practice, by 2025. We will continue to embed Fair Work in all public sector organisations, setting out clear priorities in the roles and responsibilities of public bodies

Action 1.1: Scottish Government will undertake an equal pay audit examining pay gaps by gender, disability, race and age by March 2024. We will act on findings to review and refresh our recruitment and retention policies to address workplace inequalities by end of 2025.

Action 1.2: Work with equality organisations and public sector employers to co-deliver a series of engagements with the public sector by end of 2023 to support employers to address the recommendations of the Scottish Parliament's Equalities and Human Rights Committee's inquiry report into race equality, employment and skills which recommended employers assess their organisations' understanding of racism and structural barriers; employers subject to the Public Sector Equality Duty as a minimum, voluntarily record and publish their ethnicity pay gap and produce an action plan to deliver identified outcomes.

Action 1.3: The EHRC and Scottish Funding Council (SFC) to:

Action 1.3.1: Implement National Equality Outcomes across protected characteristics (including disability, ethnicity, sex) from Sept 2022 to Sept 2025, in order to:

- improve student success and retention rates;
- ensure access to and confidence in support for students and staff that fosters good relations and tackle prejudice and discrimination;
- increase diversity of staff in the workforce and on College Boards and University Courts.

Action 1.3.2: Develop a set of SFC annual thematic reviews to inform and direct improvement.

Action 1.4: Work with partners to establish senior leadership networks to build capability and understanding of racism and racial inequality in the workplace by the end of 2023.

Action 1.5: We will work with Scottish Government's analysts to run a series of official statistics dissemination sessions with interested stakeholders to help inform their understanding of the labour market landscape in relation to fair work. Where available data allows, this will include considering intersectionality

A.1.2 Headline action 2: We will continue to use conditionality to further embed Fair Work in all public sector investment wherever possible.

Action 2.1: As part of the Bute House agreement and NSET, and within the limits on devolved competence, we will:

Action 2.1.1: Extend Fair Work conditionality with clear standards and minimum requirements to cover all forms of Scottish Government support within the limits of devolved competence. We will use all levers at our disposal to deliver on this commitment – including the use of grants, reliefs and licencing provisions

Action 2.1.2: Consider how we can extend conditionality to the other Fair Work principles, including opportunity, security, respect and fulfilment by 2025.

Action 2.2: By 2023 update the Fair Work First criteria to better reflect priority action required to address labour market inequalities faced by women, people from racialised minorities, and disabled people, ensuring people can enter, remain and progress in work.

A.2 Theme 2: Our ask of employers and support available

A.2.1 Headline action 3: We will support employers to utilise the resources and support available to embed Fair Work in their organisations. We will work collaboratively to develop these resources to support and build capability among employers, employability providers and partners.

Action 3.1: By end 2023 we will work with partners to join up provision of advice and support for employers by establishing a central Fair Work resource, making it as simple and efficient as possible for employers to use. This would enhance and consolidate existing material to ensure employers have a clear route to access guidance, support and advice on Fair Work. It will involve:

- Advice and tools to promote the benefits of Fair Work and workplace equality

- Good practice case studies

- Advice on networking and establishing peer support groups

- Collaboration with existing trusted business support services and partners.

Action 3.2: Develop a communications strategy to highlight and promote the benefits of Fair work and a diverse workplace to employers including;

- adoption of payment of at least the real Living Wage;

- effective voice channels, tackling the gender pay gap; and

- recruiting, employing and supporting disabled people and workers from racialised minorities.

The strategy will be informed by sectoral and regional analysis and utilise a range of channels.

Action 3.3: Increase the number of people who have security of pay and contract by encouraging employers to seek real Living Wage and Living Hours accreditation. We will achieve this through our continuing support of Living Wage Scotland to achieve an additional 5,000 workers uplifted annually to the real Living wage through increases in employer accreditation.

Action 3.4: By the end of 2025 we will review and disseminate learning and best practice from on the conclusion of the 2024 Workplace Equality Fund.

Action 3.5: We will develop and promote guidance to encourage more employers across all sectors to use positive action measures as per the Equality Act 2010 giving particular attention to sex, pregnancy, race, age and disability by end 2024.

Action 3.6: We will continue to promote existing and new advice and guidance on the benefits of flexible working to organisations across Scotland by working with public bodies to assess provision and highlight best practice throughout this parliamentary term (by 2026).

Action 3.7: Working with employers, equality stakeholders and training providers, develop and implement an intersectional and anti-racist training framework by 2025.

Action 3.8: We will work with employers and trade unions, in sectors where low pay and precarious work can be most prevalent, to develop sectoral Fair Work agreements that deliver improved employment outcomes such as payment of the real living wage, better security of work, and wider "Fair Work First" standards.

Action 3.9: We will work with employers, workers and trade unions to strengthen effective voice, through a range of appropriate channels. We will do this by supporting strong trade unions and, in line with our NPF employee voice indicator, will promote the benefits of collective bargaining (including sectoral agreements) and other forms of effective voice at individual and collective levels.

A.3 Theme 3: Support for people to prepare for, access and sustain fair work

A.3.1 Headline action 4: We will work collaboratively to develop resources to support workers to access, remain and progress in fair work.

Action 4.1: Work with enterprise agencies and Business Gateway to promote Fair Work and deliver wider conditionality, and:

Action 4.1.1: By end of 2023 undertake a review of the Business Gateway website, utilising analytical and tracking techniques to ensure that disabled people find the website accessible, and are able to utilise the advice given to overcome the barriers they face.

Action 4.2: Scottish Government Employability Delivery: we will continue to work with Fair Start Scotland providers, within the timescales of the current contract until March 2023, to implement a continuous improvement approach to enhance delivery and outcomes for disabled people and those furthest from the labour market, including racialised minorities and women. This will include drawing upon learning from Pathfinders/ test and learn projects being delivered by Disabled People's Organisations and the pilot project on community engagement being delivered by CEMVO Enterprises CIC in 2022/23.

Action 4.3: Scottish Government to work with stakeholders to develop a Delivery Plan 2023-26, outlining the next phase development of No One Left Behind (NOLB) from April 2024. This will:

Action 4.3.1: Build Fair Work outcomes into the design of No One Left Behind by taking account of the lived experience and needs of disabled people, people from racialised minorities, women and the over 50s.

Action 4.3.2: Draw upon the findings and recommendations of the following:

- Health and Work Strategy Review (2019)

- Supported Employment Review (2022)

- Health and Work Support Pilot final evaluation (2022)

- Individual Placement and Support Review (2022 – forthcoming)

Action 4.4: Skills Development Scotland (SDS) and Scottish Funding Council (SFC) will, on an annual basis, review disaggregated management information including the newly disaggregated Learning Disability statistics and take action where required where poorer outcomes or underrepresented groups are identified. This will include:

Action 4.4.1: Review the equality incentives for disabled people in relation to Work Based Learning (WBL) and make recommendations by end March 2024 with regard to impact on participation and achievement rates for disabled people.

Action 4.4.2: Review learning from pilot projects for Foundation Apprenticeships for disabled pupils and mainstream lessons learned by October 2023.

Action 4.4.3: Use intelligence from training and learning providers and participants to develop and deliver disability equality-focused continuous professional development to build the capacity of learning providers to support disabled individuals and ensure a continuous development cycle is implemented by 2023.

Action 4.5: Skills Development Scotland (SDS) will:

Action 4.5.1: Implement Scotland's Career Review recommendations and develop a model to ensure future career services across sectors provide meaningful and accessible support for disabled people that is both tailored to their needs and available when they need it. The implementation phase of the Career Review is due to be completed by the end of 2022.

Action 4.5.2: Continue to implement the Principles of Good Transitions across our Career Information Advice and Guidance (CIAG), through targeted Continuous Professional Development for all customer-facing CIAG colleagues and managers by the end of March 2023.

Action 4.6: Aligning with the Scottish Government's Fairer and More Equal Society (FMES) Programme by December 2023, Public Health Scotland (PHS) to:

- Collaborate with NHS Boards to develop the NHS Scotland contribution to achieving fair and healthy work outcomes for people across Scotland; and

- Work with Scottish Government, Local Government and NHS Boards to define the health offer to enable those with health conditions to secure, sustain and progress in work.

Appendix B Anti-Racist Employment Strategy actions

B.1   Action 1: Establish a platform for exchanging learning and good operational practice among employers - practice that is anti-racist and intersectional in its approach.

Theme in RAP: Our ask of employers and support available

Action 3.1 of the RAP: By the end of 2023 we will work with partners to join up provision of advice and support for employers by establishing a central Fair Work resource, making it as simple and efficient as possible for employers to use. This would enhance and consolidate existing material to ensure employers have a clear route to access guidance, support and advice on Fair Work. It will involve:
- Advice and tools to promote the benefits of Fair Work and workplace equality
- Good practice case studies
- Advice on networking and establishing peer support groups
- Collaboration with existing trusted business support services and partners

B.2   Action 2: Undertake evaluation of the 'Minority Ethnic Recruitment Toolkit' to ensure it remains fit for purpose (anti-racist and intersectional) and is applied across the public sector. Consider augmenting the toolkit to include other accessible support sources, including those for retention and progression.

Theme in RAP: Our ask of employers and support available

Action 3.1 of the RAP above.

B.3   Action 3: Promote and disseminate learning and practice that shows positive change in employers' end to end processes to increase representation of racialised minorities.

Theme in RAP: Our ask of employers and support available

Action 3.1 of the RAP above.

B.4   Action 4: Develop an intersectional and anti-racist training framework for public and private sector employers by which to assess their training needs and improve the quality of training offered in the organisation.

Theme in RAP: Our ask of employers and support available

Action 3.7 of the RAP: Working with employers, equality stakeholders and training providers, develop and implement an intersectional and anti-racist training framework by 2025.

B.5 Action 5: Produce guidance on positive action to support employers across the public sector and promote this guidance through a series of engagement sessions.

Theme in RAP: Our ask of employers and support available

Action 3.5 of the RAP: We will develop and promote good practice guidance for employers to showcase successful application of positive action measures as per the Equality Act 2010, giving particular attention to sex, pregnancy, race, age, and disability by end 2024.

B.6 Action 6: By the end of 2025 we will review and disseminate learning and best practice on the conclusion of the 2024 Workplace Equality Fund.

Theme in RAP: Our ask of employers and support available

Action 3.4 of the RAP: By the end of 2025 we will review and disseminate learning and best practice on the conclusion of the 2024 Workplace Equality Fund.

B.7 Action 7: Oversee pilot to improve engagement of employers and employability services with racialised minority communities. Includes work to support EQIA process among employers, improving the quality of assessments and how the practice can be embedded at the start of a process or policy development.

Theme in RAP: Support for People to Access and Sustain Fair Work

Action 4.3 of the RAP: The Scottish Government's Employability Delivery will continue to work with Fair Start Scotland providers, within the timescales of the current contract until March 2023, to implement a continuous improvement approach to enhance delivery and outcomes for disabled people and those furthest from the labour market, including people from racialised minorities and women. This will include drawing upon learning from Pathfinders/test and learn projects being delivered by Disabled People's Organisations in 2022/23 and the pilot project on community engagement being delivered by CEMVO Enterprises CIC.

B.8 Action 8: We will work with Labour Market Analysis colleagues to run a series of dissemination sessions when labour market statistics on ethnicity are published to make employers (and stakeholders) aware of data that is available and to support them to use national data to help inform their practice.

Theme in RAP: Public sector leadership

Action 1.5 of the RAP: We will work with the Scottish Government's analysts to run a series of official statistics dissemination sessions with interested stakeholders to help inform their understanding of the labour market landscape in relation to fair work. Where available data allows, this will include considering intersectionality.

B.9 Action 9: We will continue to press the UK Government to mandate ethnicity pay gap reporting, legislate for the prohibition of caste discrimination under the Equality Act 2010.

Part of the aggregated action narrative – "We will also lobby the UK Parliament for key changes to reserved legislation to address racialised systemic inequity, including mandating employers to report their ethnicity pay gap.

B.10 Action 10: Work with partners to establish senior leadership networks to build capability and understanding of racism and racial inequality in the workplace by the end of 2023.

Theme in RAP: public sector leadership

Action 1.4 of the RAP: Work with partners to establish senior leadership networks to build capability and understanding of racism and racial inequality in the workplace by the end of 2023.

B.11 Action 11: Co-deliver a series of engagements with the public sector by end of 2023 to support employers to address the recommendations of the Scottish Parliament's Equalities and Human Right's Committee's inquiry report into race equality, employment and skills which recommended employers assess their organisations' understanding of racism and structural barriers; and those subject to the Public Sector Equality Duty as a minimum, voluntarily record and publish their ethnicity pay gap and produce an action plan to deliver identified outcomes.

Theme in RAP: public sector leadership

Action 1.2 of the RAP: Work with equality organisations and public sector employers to co-deliver a series of engagements with the public sector by end of 2023 to support employers to address the recommendations of the Scottish Parliament's Equalities and Human Rights Committee's inquiry report into race equality, employment and skills which recommended employers assess their organisations' understanding of racism and structural barriers; employers subject to the Public Sector Equality Duty as a minimum, voluntarily record and publish their ethnicity pay gap and produce an action plan to deliver identified outcomes.

B.12 Action 12: Ensure messaging around anti-racism and intersectionality is taken account of in Fair Work First guidance as used in procurement and grand funding processes.

Theme in RAP: public sector leadership

Action 2.2 of the RAP: By 2023 update the Fair Work First criteria to better reflect priority action required to address labour market inequalities faced by women, racialised minorities, and disabled people, ensuring people can enter, remain and progress in work.

B.13 Action 13: The Scottish Government to undertake an equal pay audit examining pay gaps by gender, disability, race, and age by March 2024. We will act on findings to review and refresh our recruitment and retention policies to address workplace inequalities by end of 2025.

Theme in RAP: public sector leadership

Action 1.1 of the RAP: The Scottish Government to undertake an equal pay audit examining pay gaps by gender, disability, race, and age by March 2024. We will act on findings to review and refresh our recruitment and retention policies to address workplace inequalities by end of 2025.

Appendix C Stakeholder engagement online survey questions

1. Name

2. Organisation

3. Contact email

4. Would you prefer your responses to remain anonymous in any publication?

☐ Yes
☐ No

Potential impacts and risks to businesses

5. Could this work have an impact on the competitiveness of Scottish companies within the UK / Europe / globally?

6. What are the relevant businesses, sectors, markets, products, or services that might be affected by the changes?

7. Could this work restrict or increase competition in the relevant businesses, sectors, markets, products or services?

8. Would this work make it harder for new firms to enter a market?

9. Would this work have an impact on suppliers? For example, in terms of their range and competitiveness?

10. Could this work generate different impacts for different parts of an industry or supply chain?

11. Could micro and small businesses be impacted differently through this work?

12. Are there any other comments you have on the BHA, RAP and ARES in relation to potential impacts and risks to businesses?

Potential impacts and risks to Local Authorities

13. Could this work have any positive impacts experienced by Local Authorities?

14. Could this work have any negative impacts or risks experienced by Local Authorities, and if known, what mitigating steps could be taken to limit negative impacts?

15. Are there any other comments you have on the BHA, RAP and ARES in relation to potential impacts and risks to Local Authorities?

Potential impacts and risks on consumers

16. Could this work impact the quality, availability or price of goods or services in a market?

17. Could this work affect the essential services market? For example, water or energy.

18. Would this work increase the storage or use of consumer data?

19. Could this work increase opportunities for third parties to take advantage of government initiatives and target vulnerable consumers

20. Could this work add complexity in a market leading to information asymmetries or difficulty in consumers understanding their rights?

21. Could this work affect routes for consumers to seek advice or raise complaints on consumer issues?

22. Would this work limit the choices and information available to consumers?

23. Are there any other comments you have on the BHA, RAP and ARES in relation to potential impacts and risks to consumers?

Potential impacts and risk to regulators

24. Could this work have any positive impacts or risks experienced by regulators?

25. Could this work have any negative impacts or risks experienced by regulators, and if known, what mitigating steps could be taken to limit negative impacts?

26. Are there any other comments you have on the BHA, RAP and ARES in relation to potential impacts and risks to regulators?

Potential impacts and risk to third sector organisations

27. Could this work have any positive impacts experienced by organisations in the third sector?

28. Could this work have any negative impacts or risks experienced by organisations in the third sector, and if known, what mitigating steps could be taken to limit negative impacts?

29. Are there any other comments you have on the BHA, RAP and ARES in relation to potential impacts and risks to third sector organisations?

Digital markets

30. Does this work consider the potential development of digital technologies and markets?

31. Would this work influence change in a digital/online context?

32. Could this work have negative impacts on traditional offline business, and if known, what mitigating steps could be taken to limit negative impacts?

33. Could this work have negative impacts on incumbent operators, in both an online and offline context? If known, what mitigating steps could be taken to limit negative impacts?

34. Are there any other comments you have on the BHA, RAP and ARES in relation to digital markets?

Overall costs and benefits

35. What would the costs and benefits be, relative to the status quo if this work was not undertaken?

Appendix D Relevant policy

D.1 National Policy

D.1.1 Fair Work Framework[57]

The Fair Work Convention published the Fair Work Framework in 2016. It sets out a vision that 'by 2025, people in Scotland will have a world-leading working life where fair work drives success, wellbeing and prosperity for individuals, businesses, organisations and society'.

The framework defines Fair Work through five dimensions: effective voice, opportunity, security, fulfilment, and respect. These dimensions support positive outcomes for employers, workers and society through balancing rights and responsibilities in the workplace. The reinforcing synergies within these five dimensions nurture a workplace where the benefits of productive and innovative work are shared, while society benefits from the potential transformation towards inclusive economic growth.

The five dimensions of Fair Work are as follows:

Effective voice:

- Effective voice requires a safe environment where dialogue and challenge are dealt with constructively and where workers' views are sought out, listened to and can make a difference. Workers want a voice not only to resolve problems but also to engage and participate constructively. Voice can therefore improve the experience of work as well as improving organisational performance.
- The Framework cites evidence that shows workers rate collective voice exercised through a trade union most highly in relation to concerns over pay, discipline and grievance. Trade unions can also increase job security and equality and deliver wide ranging individual and collective benefits.
- The Framework cites evidence that worker voice can reduce absenteeism and turnover and enhance output and organisational commitment.

Opportunity:

- Meeting legal obligations by ensuring equal access to work and equal opportunities in work sets a minimum floor for Fair Work. Being proactive in ensuring opportunity for all can highlight current practice, signal areas of change and intervention, and produce a range of benefits for workers and employers.
- Opportunity for all can support social mobility, diversity within organisations (which in turn supports diversity of ideas), improved recruitment, retention and reputation, and reduced labour market and inequality, and related costs of inefficient resource allocation.
- Access to employment opportunities and the likelihood of being in work in Scotland varies by age, race and ethnicity, ability, location and gender.

---

[57] Fair Work Convention (2016). Fair Work Framework 2016. https://www.fairworkconvention.scot/wp-content/uploads/2018/12/Fair-Work-Convention-Framework-PDF-Full-Version.pdf

- The Framework reports there is evidence to suggest that union equality and learning representatives are in a unique position to access and support disadvantaged workers to access opportunities.

Security:

- The Framework sets out security of employment, work and income are important foundations of a successful life. Security as a dimension of fair work can be supported in a variety of ways: by building stability into contractual arrangements; by having collective arrangements for pay and conditions; paying at least the Living Wage; giving opportunities for hours of work that can align with family life and caring commitments; employment security agreements; fair opportunities for pay progression; sick pay and pension arrangements.
- The Framework states: '*Where people feel secure, this can increase their willingness to adapt and change, their commitment, the chances of them 'going the extra mile' and can also increase employer-worker trust. Stability of work can support more workplace learning, better skills development and fulfilment in work. Security and stability in work can also reduce worker turnover and minimise recruitment, selection costs and lost training costs.'*

Fulfilment:

- Workers who are fulfilled in their jobs are more likely to be engaged, committed and healthy. Providing fulfilling work can also benefit employers, since work that is fulfilling allows workers to produce high quality goods and services and is more likely to support creativity. Indicators of fulfilling work are generally associated with higher productivity and innovation.
- The Framework cites evidence that an individual's experience of their day-to-day work directly affects their engagement levels and also their personal effectiveness.

Respect:

- Fair work is work in which people are respected and treated respectfully, whatever their role and status. Respect at work is a two-way process between employers and workers. It includes dignified treatment, social support and the development of trusting relationships. It means being open, mutually accountable, transparent and responsive to the concerns of others.
- The Framework cites evidence that respect for and valuing of workers' contribution can impact positively on their commitment, effort and wellbeing and can also support a high performance culture.

Fair work is considered crucial to supporting worker behaviours and attitudes that can create positive outcomes for individuals, employers and society*:*

"By creating the conditions in which workers' skills and abilities are supported and developed, by promoting opportunities for skills and abilities to be deployed and by creating the motivation for workers to take up those opportunities, fair work as outlined here facilitates the discretionary efforts of workers that underpin high productivity, performance and innovation – all of which can contribute to healthier, wealthier and more inclusive societies".

D.1.2 National Strategy for Economic Transformation (NSET): Delivering Economic Prosperity[58]

The National Strategy for Economic Transformation outlines an ambition for a successful economy by 2032.

Driving this transformation is a vision to create a wellbeing economy. This recognises that 'every citizen holds Scotland's economic potential in their hands' and that not every citizen is currently afforded the same opportunities.

This vision identifies an ambition for Scotland's economy to be 'fairer' by 2032. Through 'ensuring that work pays for everyone through better wages and fair work, reducing poverty and improving life chances', the strategy seeks to not only grow the Scottish economy but to enable equality of opportunity and reward, as well as celebrating quality of life.

To achieve the vision of a wellbeing economy, the strategy sets out five programmes of action, including 'a fairer and more equality society'. This seeks to:

- 'Reorient our economy towards wellbeing and fair work, to deliver higher rates of employment and wage growth, to significantly reduce structural poverty, particularly child poverty, and improve health, cultural and social outcomes for disadvantaged families and communities.'

This strategy is aligned with Scotland's National Performance Framework, Tackling Child Poverty, Covid Recovery Strategy, and existing commitments within the five programme areas. Contributions to 'a fairer and more equality society' include:

- A Fairer Scotland for Disabled People: Employment Action Plan;
- Fair Work Nation;
- Fair Start Scotland;
- No One Left Behind;
- Culture Strategy for Scotland; and
- Community Wealth Building.

D.1.3 National Performance Framework (NPF)[59]

The National Performance Framework is Scotland's wellbeing framework setting out a vision for a more successful, sustainable, and inclusive Scotland.

Within the National Performance Framework, there are 11 National Outcomes aligned with the United Nations Sustainable Development Goals and reflect the aspiration of the Scottish population.

---

[58] Scottish Government (2022). Scotland's National Strategy for Economic Transformation. Available at: https://www.gov.scot/publications/scotlands-national-strategy-economic-transformation/
[59] Scottish Government (2018). National Performance Framework: Our Purpose, Values and National Outcomes. Accessible at: https://nationalperformance.gov.scot/sites/default/files/documents/NPF_A2_Poster.pdf

The Fair Work and Business National Outcome measures progress towards Scotland's vision for 2025. This outcome measures progress towards the Refreshed Fair Work Action Plan (RAP) vision and guides the development of necessary legislative and operational structures to achieve a just and fairer Scotland. Performance against this outcome is measured through indicators, including the following:

- Pay gap

- Contractually secure work

- Employee voice

- Gender balance in organisations

- Employees on the living wage

- The number of businesses

- High growth businesses

D.1.4 Developing the Young Workforce: Scotland's Youth Employment Strategy[60]

The Youth Employment Strategy sets out how the Scottish Government will implement the recommendations from the Commission for Developing Scotland's Young Workforce with the ambition to improve youth employment levels beyond pre-2008 levels.

The strategy prioritises equal access to work relevant educational experience for all young people, despite the barriers they may face. The active role of employers in shaping the education system to generate a talented pool of future employees is also recognised.

Scottish Government and Local Government implementation plans are set out for schools, colleges, apprenticeships, and employers, demonstrating the importance of providing young people with the knowledge to make informed career choices throughout their school studies and beyond.

D.1.5 Tackling Child Poverty Delivery Plan 2022-2026[61]

The 'Best Start, Bright Futures' delivery plan sets out a vision for tackling child poverty in Scotland, following the foundations of the 'Every Child, Every Chance' publication in 2018.

The plan recognises that an action cannot drive change in isolation, but cumulative impacts across sectors will bring about change for children and their families.

To successfully tackle child poverty, the plan will support families with children through holistic and people-centred services to access financial, emotional, and

---

[60] Scottish Government (2014). Developing the Young Workforce: Scotland's Youth Employment Strategy. Implementing the Recommendations of the Commission for Developing Scotland's Young Workforce. Available at: https://www.gov.scot/publications/developing-young-workforce-scotlands-youth-employment-strategy/documents/
[61] Scottish Government (2022). Best Start, Bright Futures: tackling child poverty delivery plan 2022-2026. Available at: https://www.gov.scot/publications/best-start-bright-futures-tackling-child-poverty-delivery-plan-2022-26/documents/

practical assistance. All parents, regardless of gender, race, or status, will be able to access high quality skills and ultimately good quality employment supported by childcare services.

The Plan sets out three parts, each of which contain key actions in achieving Scotland's offer to families as follows.

Part A: Providing the opportunities and integrated support parents need to enter, sustain and progress in work

- A strengthened employment offer to parents
- Connectivity and childcare to enable access to employment
- Transforming our economy

Part B: Maximising the support available for families to live dignified lives and meet their basic needs

- A transformational approach to people and place
- Enhanced support through social security
- Income maximisation
- Access to warm and affordable homes

Part C: Supporting the next generation to thrive

- Best start to life
- Supporting children to learn and grow
- Post school transitions

D.1.6 Covid Recovery Strategy[62]

In response to the inequality and disadvantage both exacerbated and exposed by the Covid pandemic, the Scottish Government published the Covid Recovery Strategy.

The strategy prioritises the security and resilience of communities, businesses, society, and the economy. It sets out a vision to:

1. Address the systemic inequalities made worse by Covid;

2. Make progress towards a wellbeing economy; and

3. Accelerate inclusive person-centred public services.

Accompanying this vision are the following outcomes:

- Financial security for low-income households;
- Wellbeing of Children and Young People; and
- Good, green jobs and fair work.

The 'good, green jobs and fair work' outcome sets out how a strong sustainable economy in Scotland will go hand in hand with a fair and equal society. As part of Scottish government's ambition to deliver a green economic recovery, the outcome

---

[62] Scottish Government (2021). Covid Recovery Strategy: For a fairer future. Available at: https://www.gov.scot/publications/covid-recovery-strategy-fairer-future/documents/

aims to support innovation, entrepreneurship, new, good, green jobs and build industries of the future.

The strategy outlines the unprecedented shock to Scotland's economy and job market brought about by the pandemic. The impact has been felt unevenly however, with sectors such as Accommodation and Food Services more severely affected. Self-employment has also been hit hard. More recently there is evidence of labour shortages across the economy amid labour supply challenges (eg reduced migration). Some businesses continue to be badly affected by the pandemic, and many have taken on debt in order to keep workers and customers as safe as possible.

Scottish Government is determined to do all it can to help rebuild a labour market that supports a more productive economy, including by embedding fair work so increasing productivity. Commitments set out in the strategy include a number of measures set out in the RAP and ARES.

D.1.7 Ambition Opportunity Place: Scotland's Third National Planning Framework (NPF3)[63]

The National Planning Framework (NPF) is a long-term plan for Scotland which sets out where development and infrastructure is needed in the country and acts as a spatial expression of the National Strategy for Economic Transformation. The current NPF sets out a spatial strategy with four aims for the country to become: *"a successful, sustainable place; a low carbon place; a natural, resilient place; and a connected place"*.

It is a strategy for the whole of Scotland, bringing together plans in economic development, regeneration, energy, environment, climate change, transport and digital infrastructure to provide a vision of how Scotland should evolve over the next 20 to 30 years.

Under the "successful, sustainable place" objective, the Framework aims to create high quality, diverse, and sustainable places that promote well-being and attract investment. Within this, business is a key focus and it is discussed how places should provide opportunities for business investment and growth to stimulate innovation and diversification of industry. It emphasises that business activity is key to the economy of Scotland and that growing businesses and sectors across the country is a priority to boost future development.

D.1.8 Revised Draft National Planning Framework 4 (NPF4)[64]

In January 2023, NPF4 was approved by the Scottish Parliament and is planned to be adopted and published in February 2023, replacing NPF3. It builds upon NPF3 and sets out spatial principles, regional priorities, national developments and national planning policy for Scotland.

NPF4 is intended to support the development of sustainable, liveable and productive places across Scotland. To achieve productive places, policies aim to attract new investment, build business confidence, stimulate GDP, export growth and

---

[63] Scottish Government (2014). Scotland's Third National Planning Framework. Available at: https://www.gov.scot/publications/national-planning-framework-3/
[64] Scottish Government (2022). Revised Draft National Planning Framework 4. Available at: https://www.gov.scot/publications/national-planning-framework-4-revised-draft/

entrepreneurship, and facilitate future ways of working. Overall NPF4 aims to support creating a globally competitive, entrepreneurial, inclusive and sustainable economy, with thriving and innovative businesses, quality jobs and fair work for everyone.

NPF4 also places greater emphasis on rural businesses and the rural economy, with Policy 29 intending to "encourage rural economic activity, innovation and diversification" and to ensure rural communities and businesses are supported.

D.1.9   State of the Economy: Office of the Chief Economic Advisor[65]

This report, published by Scottish Government, sets out an overview of economic indicators and the economic outlook in Scotland, as of October 2022.

A significant deterioration in the medium term economic outlook is set out, driven by inflationary pressures impacting both households and businesses. Economic activity, uncertainty, expectations and confidence were also impacted by the UK mini budget in 2022.

Business surveys for August and September 2022 indicate contracting business activity. However unemployment is near record lows.

D.1.10 Employability Shared Measurement Framework[66]

Scottish Government's Employability Shared Measurement Framework aims to create a shared understanding of how the impact of employability services is measured for the people and areas they aim to support.

The purpose of employability provision delivered through the No One Left Behind approach is to support people facing disadvantage in the labour market towards and into sustainable and fair work. This sits against a backdrop of partners working together to support a wider transformational change in how services are designed and delivered. In order to be successful, five key themes have been set to achieve:

1. Reach: Employability services are reaching all those who need support to progress towards, move into and sustain fair work.

2. Progression: To enable an individual 's progression towards fair work and sustained employment. Considering aspects such as improving well -being, confidence and motivation, maintaining or re -engaging with support, and developing aspirations and skills.

3. Skills Alignment: People are being supported to develop skills, knowledge and experience that are needed now, and in the future.

---

[65] Scottish Government (2022). State of the Economy October 2022. Accessible at: https://www.gov.scot/binaries/content/documents/govscot/publications/research-and-analysis/2022/10/state-economy-october-2022/documents/state-economy-office-chief-economic-adviser/state-economy-office-chief-economic-adviser/govscot%3Adocument/state-economy-office-chief-economic-adviser.pdf
[66] Scottish Government (2022). Employability Shared Measurement Framework. Available at: https://www.employabilityinscotland.com/media/pgujxbke/for-publication-shared-measurement-framework-updated-december-2022.pdf

4. Experience of Services: People are treated with dignity and respect, and experience support, which is accessible, aligned with other services and responsive to their needs.

5. Value of Services: Making the best use of resources invested in employability, maximising value for participants and contributing to local and national policy ambitions.

D.1.11 Race Equality Framework for Scotland 2016 to 2030[67]

This framework sets out the Scottish Government's approach to addressing racism and inequality between 2016 and 2030. Through showing leadership in advancing race equality and addressing barriers faced my racialised minorities, the Scottish Government will assist racialised minorities in realising their potential.

The key principles underpinning this ambition involve:

1. Creating awareness of how race equality benefits the whole of society;

2. Developing a detailed understanding of racial inequality and racism;

3. Promoting policy and practice that is evidence based;

4. Complementing mainstreaming approaches with lawful positive action;

5. Valuing capabilities and capacities; and

6. Looking at race equality from intercultural and intersectional perspectives.

The Framework was created to prioritise the needs and experiences of Scotland's racialised minorities. It outlines how Scottish Government will work in partnership with government agencies and key stakeholders to address opportunities for progress through six themed Visions as follows.

- Overarching work: 'our Vision for a fairer Scotland is that by 2030 Scotland is a place where people are healthier, happier and treated with respect, and where opportunities, wealth and power are spread more equally. The Race Equality Framework aims to ensure that this vision is achieved equally for people from all ethnicities, helping to build a Scotland where we all share a common sense of purpose and belonging.'

- Community cohesion and safety:' We build good race relations and community cohesion across all communities, and all minority ethnic individuals feel safe, protected and included, and experience less racism.'

- Participation and representation: 'Minority ethnic participation and representation is valued, effective, fair and proportionate at all levels of political, community and public life.'

- Education and lifelong learning: 'Everyone has the opportunity to learn in an inclusive environment without disadvantage in relation to racial inequality or racism.'

- Employability, employment and income: 'Minority ethnic people have equal, fair and proportionate access to employment and representation at all levels,

---

[67] Scottish Government (2016). Race equality framework for Scotland 2016 to 2030. Available at: https://www.gov.scot/publications/race-equality-framework-scotland-2016-2030/

grades and occupation types in Scotland's workforce and experience fewer labour market, workplace and income inequalities.'

- Health and income: 'Minority ethnic communities in Scotland have equality in physical and mental health as far as is achievable, have effective healthcare appropriate to their needs and experience fewer inequalities in housing and home life.'

The Scottish Government recognise the importance of monitoring and maintaining progress on the Framework and aligning the Framework to the National Performance Framework to further mainstream race equality.

D.2 Partnerships

D.2.1 No One Left Behind Delivery Plan[68]

The No One Left Behind is a collective approach to delivering employability services which are flexible, people-centred and responsive.

In 2018, the Scottish Government and Local Government agreed on a collaborative partnership for employability. This was followed by the publication of an Employability Action Plan setting out the framework to deliver 'No One Left Behind'.

The principles which underpin the No One Left Behind approach:

- Dignity and respect, fairness and equality and continuous improvement
- Provides flexible, and person-centred support
- Is straightforward for people to navigate
- Integrated and aligned with other services
- Provides pathways into sustainable and fair work
- Driven by evidence including data and experience of others
- Support more people to move into the right job, at the right time

Progress has been made through the Disability Employment Action Plan[69], Shared Measurement Framework[70], the Scottish Approach to Service Design[71] and Fair Start Scotland extension[72].

D.2.2 Fair Start Scotland[73]

Fair Start Scotland, our national employment support service, launched in April 2018 and has been supporting people with significant barriers towards and into sustainable work.

---

[68] Scottish Government (2020). No One Left Behind Delivery Plan. Accessible at: https://www.employabilityinscotland.com/media/ktmdiord/no-one-left-behind-delivery-plan.pdf
[69] Ibid5
[70] Scottish Government (2022). Employability Shared Measurement Framework. Available at: https://www.employabilityinscotland.com/media/pgujxbke/for-publication-shared-measurement-framework.pdf
[71] Establishment of a lived experience panel to facilitate the gathering of user views and influence future service delivery - October 2020
[72] Scottish Government (2018). Fair Start Scotland. Available at: https://www.gov.scot/publications/fair-start-scotland/
[73] Fair Start Scotland, Employability in Scotland. Available at: https://www.employabilityinscotland.com/employability-services/fair-start-scotland/

The service is entirely voluntary and offers personalised, one to one support, tailored to individual circumstances. Pre-employment support can last up to 18 months depending on the specific needs of the individual and up to 12 months in-work support is also available to participants and employers to ensure people remain supported during employment.

The service has supported over 51,000 starts since launch in April 2018 and there have been over 17,500 job starts with high rates of sustained employment for those who started work. 63% of people receiving support on Fair Start Scotland reported a long-term health condition and 45% were disabled.

D.3   Other factors

Individuals and businesses face ever-changing burdens dependent on the cumulative impacts of socioeconomic crises. Those relevant to today's populations include Covid, EU Exit and the cost-of-living crisis.

D.3.1   Covid

Covid-19 has an impact on Scotland's health, economy and society and progress towards Scotland's National Outcomes from the NPF.[74] Emerging and exacerbated labour market inequalities are likely to generate poverty and human right impacts relevant to the Fair Work and Business outcome.

Structural changes in the labour market disproportionately impact protected characteristic groups. For example, young people are increasingly faced with early unemployment, while older unemployed adults are experiencing more long-term unemployment and are less likely to participate in upskilling.

The Covid Recovery Strategy (2021) further recognises the disproportionate impacts of the pandemic on the following vulnerable populations:

- Lower income households have been less able to save and have accumulated more debt;

- Young people are more likely to have been furloughed or lost their job;

- Women, disabled people, and racialised minority groups have faced persistent employment and pay gaps;

- Young people and low-income earners employed in customer facing businesses (such as retail, hospitality, tourism, and the culture sector) have suffered through the longest Covid restriction; and

- Lower income households faced challenges in home schooling through the financial impact of remote learning, especially in accessing digital technology.

---

[74] Scottish Government (2020). Scotland's Wellbeing: The Impact of Covid-19. Available at: https://nationalperformance.gov.scot/scotlands-wellbeing-impact-covid-19

D.3.2 EU Exit

Consideration must be given to EU Exit undermining trading and collaborative relationship, which Scottish society and businesses have traditionally relied on as efforts are made to rebuild, restore, and identify new markets and potential trade relationships.

D.3.3 Price Inflation

Since 2021, significant increases in consumer and producer prices have generated social, economic, and environmental vulnerabilities across for Scottish households and businesses. These price increases have been shaped by global events such as the Covid-19 pandemic and the war in Ukraine with impacts of supply chains, energy, and food; and possible UK specific effects relating to the EU Exit.[75]

The Open Society Foundations poll of 21,000 people recorded that 70% of British respondents named inflation and cost of living as one of the top-three challenging currently facing their family, community and country. Further, online polling by Ipsos MORI revealed that 54% of British respondents expected their disposable income to decrease over the next year.

Further, the Joseph Rowntree Foundation published its annual 'Poverty in Scotland' report reflecting the results of a poll of 4,196 adults in Scotland undertaken between July and August 2022.

The report revealed that low-income households, single parents, and households with one or more disabled people are most vulnerable to the cost-of-living crisis.

Feelings of financial insecurity, food insecurity, social isolation and worsening mental health are evidenced through the following results:

- One-third of households have less than £250 in savings.
- Almost half (47%) of households have at least one debt.
- 65% of households have already cut back on an essential item.
- Three in four households have cut back on the basics.
- 18% of low-income households have skipped meals or reduced meal sizes and not heated their homes.

Household's increased chances of suffering from the current price inflation heightens vulnerabilities to changing legislation, in both positive and negative capacities.

In addition, the Quarterly Economic Indicator report[76] for Q4 2022 states that businesses are also suffering due to price inflation. It notes that Scottish businesses were under *"immense strain"* during this period due to upfront costs which are affecting cashflow and profits. Additional cost pressures are adding to this burden, particularly with rising staff costs, which is leading the majority of businesses to raise prices.

---

[75] Scottish Government (2022). The Cost of Living Crisis in Scotland: analytical report. Available at: Supporting documents - The Cost of Living Crisis in Scotland: analytical report - gov.scot (www.gov.scot)
[76] Scottish Chamber of Commerce (2022). Quarterly Economic Indicator Q4 2022. Available at: https://www.scottishchambers.org.uk/wp-content/uploads/2023/01/SCC-QEI-Q4-2022-Report.pdf

Energy bills continue to be a significant cost pressure for firms. While the report states that the energy bills relief scheme has helped since it came into effect in October 2022, the lack of further support is a major cause for concern.

While uncertainty remains, it is likely that households and businesses will face a further increase in energy costs from 1st April 2023 due to recent announcements. Given wider economic challenges, this will affect those most in need and targeted support for those most vulnerable will be necessary according to the Scottish Chamber of Commerce.

Appendix E Evidence and key issues

Population

The latest (mid-2021) estimate of the Scottish population is 5,479,900.[77] The population has grown 0.25% since mid-2020, which is 0.17 percentage points lower than the average annual growth from mid-2014 to mid-2019[78].

Approximately 63.8% of residents in Scotland were of working age (16 to 64 years old), whilst 19.6% were aged 65+, as shown in Figure E-1. Meanwhile, the working age population of the UK overall represented a slightly lower proportion of the total population (62.9%)[79].

Figure E-1 Population Age Breakdown – Scotland and UK
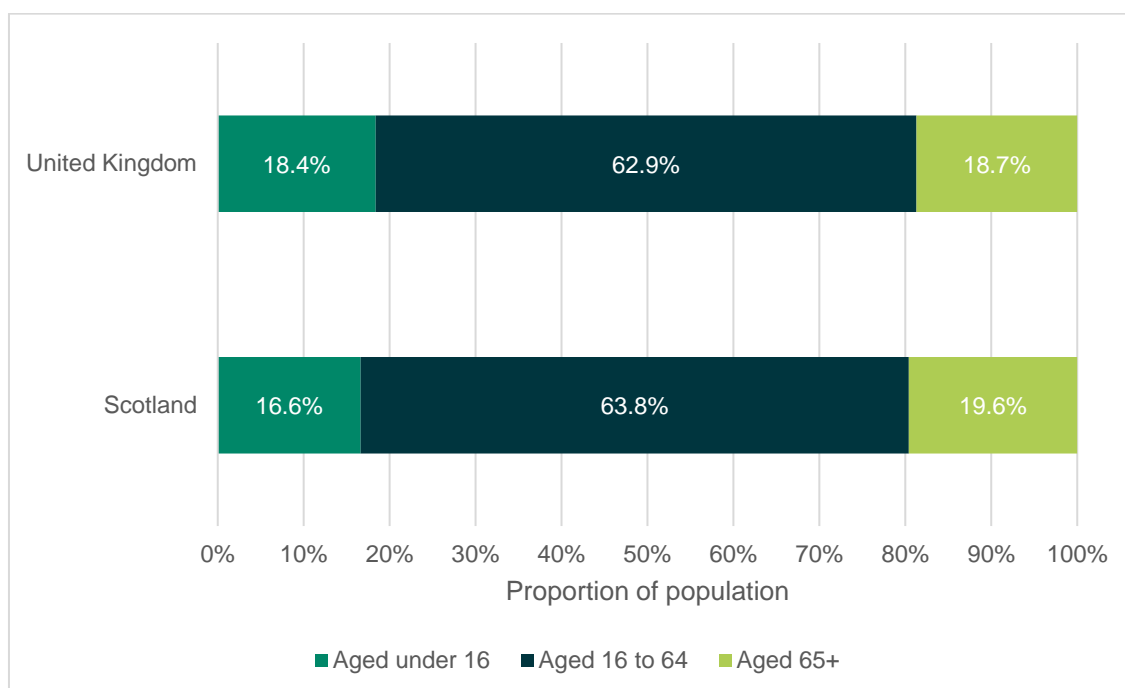
Source: Office for National Statistics (2021).

Jobs and Businesses

BRES data identifies the number of jobs by industry sector across Scotland. In 2021, the largest employment sectors in Scotland were: the Health sector (15.3% of jobs); Retail sector (10.0% of jobs); and, Education (8.3% of jobs). Two of the largest sectors across Great Britain as a whole in 2021 were also Health (13.3%) and Retail (9.2%). However, Great Britain's third largest sector is the Professional, Scientific, and Technical sector (8.9% of jobs), which comprises a lower proportion of jobs, 6.4%, in Scotland. The proportion of jobs in across all industry sectors in Scotland and Great Britain is shown in Figure E-2.

---

[77] National Records of Scotland (2022). Mid-2021 Population Estimates. Available at: Mid 2021 Population Estimates, Scotland, Report (nrscotland.gov.uk)
[78] National Records of Scotland (2022). Population Estimates Time Series Data. Available at: Population Estimates Time Series Data | National Records of Scotland (nrscotland.gov.uk)
[79] ONS (2021). Population Estimates 2021. Available at: Population estimates - Office for National Statistics (ons.gov.uk)

Figure E-2 Employment by Industry - Scotland and Great Britain
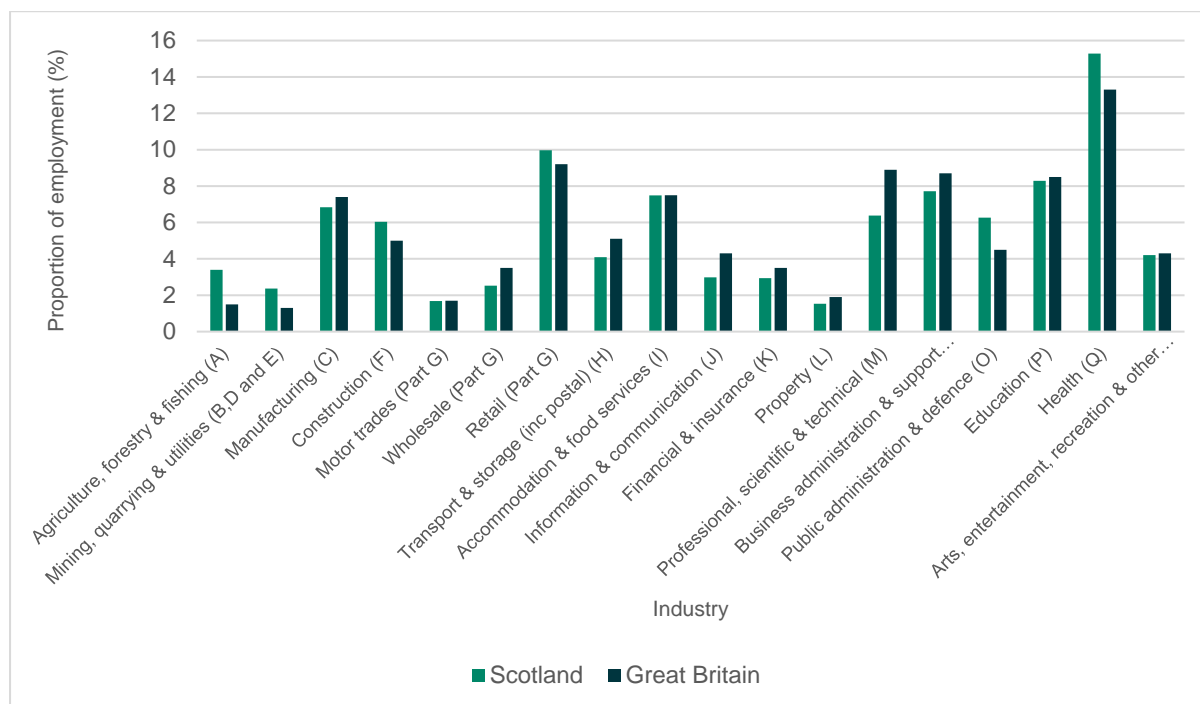
Source: BRES (2021)

In 2022, there were 173,655 businesses registered in Scotland[80]. Of these, the majority (87.8%) were classed as micro (employing 0 to 9 people), 10.2% were small (10 to 49 employees), 1.6% were medium (50 to 249 employees) and 0.4% were large (250+ employees).

The sector with the largest number of registered enterprises was the professional, scientific, and technical industry, representing 15.1% of businesses. Following this was the construction industry (12.5% businesses), and agriculture, forestry, and fishing (9.9% businesses)[81].

The National Performance Framework also details how Scotland performs across national indicators on 'high growth business' and 'innovative business' growth. In 2022, 0.9% of all registered businesses in Scotland were considered high growth, down from the 2021 rate of 1.2%. At 6.5%, the high growth business rate was the highest in the 'Mining and Quarrying' industry sector and foreign-owned businesses had the highest high growth business rate (6.7%)[82].

Labour Market

The employment rate in Scotland has fluctuated since 2004, experiencing a steep decline in employment between 2008-2012 in line with the recession and between 2019-2021 in line with Covid-19. The employment rate has since increased to 73.2%

---

[80] Office for National Statistics (2022). UK Business Counts. Available at: UK business; activity, size and location - Office for National Statistics (ons.gov.uk)

[81] Scottish Government (2022). Businesses in Scotland 2022. Available at: Businesses in Scotland: 2022 - gov.scot (www.gov.scot)

[82] Scottish Government (2022). National Indicator Performance. Available at: National Indicator Performance | National Performance Framework

in Jan-Dec 2021. While the unemployment rate figures peaked at 8.2% in 2011 and have fluctuated since 2017 to 3.9% in 2021.[83]

Productivity

Economic productivity can be measured as Gross Value Added (GVA) which is a measure of the goods and services produced in an area. In Scotland in 2020, GVA per worker was £26,572. This figure was lower than the average GVA per worker across the UK (£29,063)[84].

Gross Domestic Product (GDP) is a measure of the size and health of the economy over one quarter of a year. In 2022 Q3, Scotland's onshore GDP is estimated to have fallen by 0.1% compared to the previous quarter. However, compared to the same quarter in 2021, income from employment is estimated to have increased by 5.9%[85].

Hours and Earnings

The Annual Survey of Hours and Earnings (ASHE)[86] provides information about the structure and distribution of earnings across industries in Scotland and the UK as a whole.

The median gross hourly pay in Scotland in 2022 was £15.03 which is a similar figure to that in the UK (£14.77). As shown in figure E-3, when broken down by industry, there were differences between the two geographies. In Scotland, the industry with the greatest median gross hourly pay was electricity, gas, steam, and air conditioning supply, at £23.68[87]. This was followed by financial and insurance activities at £20.10, and public administration and defence; compulsory social security at £18.13. The industry with the lowest median gross hourly pay was accommodation and food service activities (I) at £10.00. Estimates in Scotland for B: Mining and Quarrying are considered unreliable for practical purposes.

In the UK as a whole, the industrial group with the highest median gross hourly pay was financial and insurance activities at £21.88, followed by electricity, gas, steam, and air conditioning supply (D) at £20.46[88], and information and communication at £20.44, and. Similar to Scotland, the industry paying the lowest mean gross hourly pay in the UK was accommodation and food service activities (I) at £10.00.

---

[83] Scottish Government (2022). Scotland's Labour Market: People, Places and Regions – Protected Characteristics. Statistics from the Annual Population Survey 2021. Available at: Supporting documents - Scotland's Labour Market: People, Places and Regions – Protected Characteristics. Statistics from the Annual Population Survey 2021 - gov.scot (www.gov.scot)

[84] Office for National Statistics (2021). Regional gross value added (balanced) by industry: all ITL regions.

[85] Scottish Government (2023). GDP Quarterly National Accounts Q3. Available at: GDP Quarterly National Accounts: 2022 Quarter 3 (July to September) - gov.scot (www.gov.scot)

[86] Office for National Statistics (2022). Annual Survey of Hours and Earnings. Available at: Earnings and Hours Worked, UK Region by Industry by Two-Digit SIC: ASHE Table 5 - Office for National Statistics (ons.gov.uk)

[87] Estimates are considered reasonably precise.

[88] Estimates are considered reasonably precise.

Figure E-3 Median Gross Hourly Pay by Industry, 2022[89]
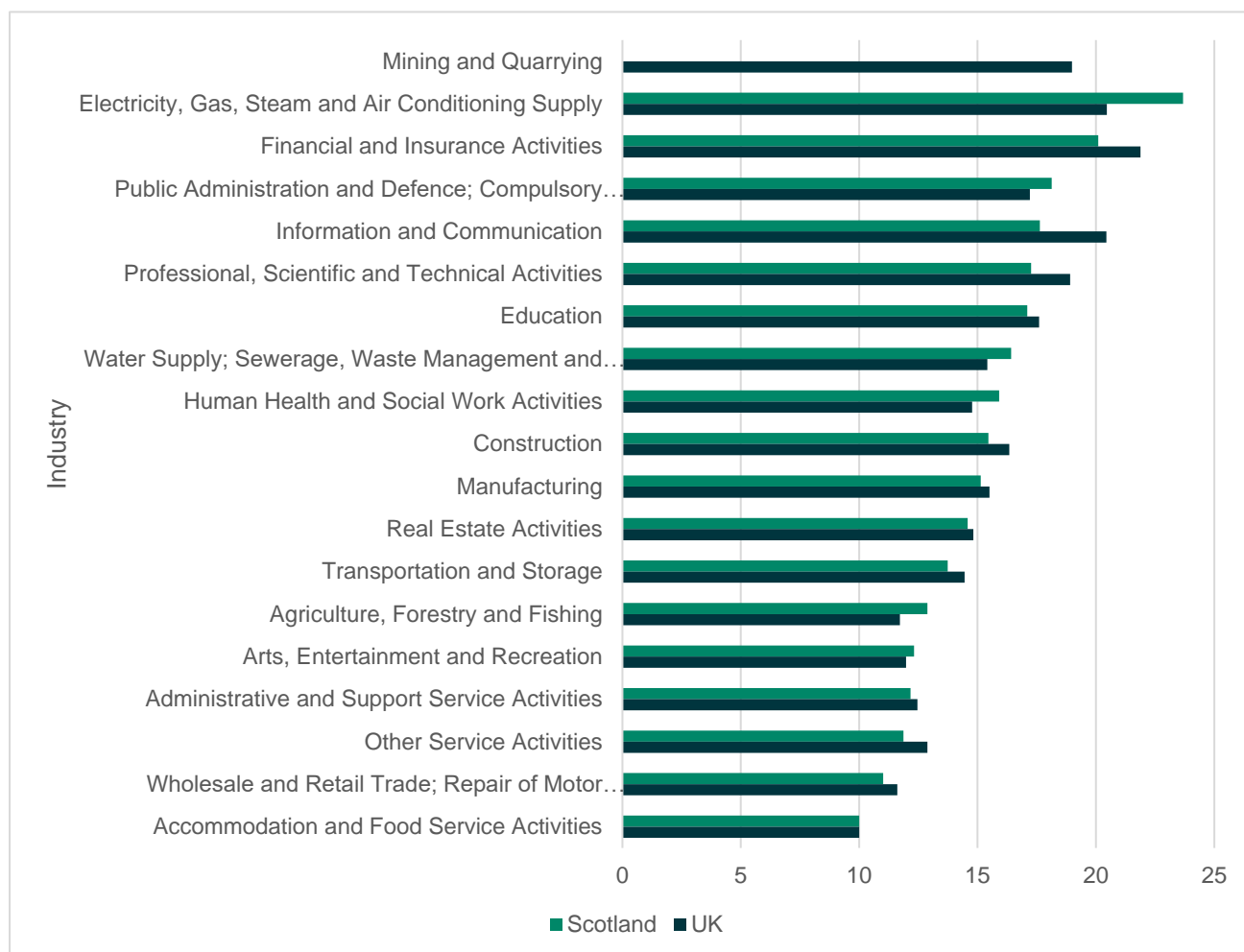
Source: Annual Survey of Hours and Earnings (2022)

In 2022, 91.0% of all employees (18+) were paid the real Living Wage in 2022.[90] Sectoral analysis reveals that over 80% of private sector employees were paid at least the real Living Wage and over 90% of public and third sector employees. While a higher percentage of men have been paid the real Living Wage compared to women between 2012 and 2022.

Research from the Living Wage Foundation[91] shows that:

- Of the 840 employers surveyed across the UK (201 in Scotland), 93% of Living Wage Businesses reported feeling they have benefited since accrediting. 86% of their respondents said it has improved the reputation of their organisation and 75% said it has increased motivation and retention rates of employees. Businesses also reported a 25% drop in absenteeism.

---

[89] Please note that data for the mining and quarrying, and activities of extraterritorial organisations and bodies industries is not available for Scotland in this dataset.
[90] Scottish Government (2022). Annual Survey of hours and earnings 2022. Available at: Annual survey of hours and earnings: 2022 - gov.scot (www.gov.scot)
[91] Living Wage Foundation and Cardiff University Business School (2017). The Living Wage Employer Experience. Available at: Microsoft Word - Survey Report Final Draft KC.DOCX (cardiff.ac.uk)

- Paying the real Living Wage can help businesses attract new workers and skills: 93% of students want to work for employers who pay at least the real Living Wage.

- Currently, two-thirds of workers earning below the real Living Wage in the UK are women.

Public Sector Grants and Funding

A wide range of public sector are currently available to businesses in Scotland, and Fair Work First has been applied to some £4 billion worth of public sector funding since 2019. This figure does however not include crisis support grants and given the range of funding across the public sector the breadth of the information makes it difficult to compile a comprehensive dataset for analysis.

Scottish Enterprise is Scotland's national economic development agency and a non-departmental public body of the Scottish Government. It is one of the key organisations that allocates government grant funding, including, but not limited to, the following:

- Scottish Venture Fund: an equity gap fund investing alongside private sector investors, offering equity funding from £10,000 up to £2 million;

- Scottish Co-Investment Fund: an equity fund matching accredited investment partners up to a maximum of 50% of the total funding package on a commercial basis. Provide from £10,000 up to £2 million;

- Workplace Innovation Fund: a fund to contribute up to £5,000 towards activities that will allow businesses to introduce new and innovative workplace practices. It will support projects centred on at least two out of the three following: people, place, and practice; and

- SMART Scotland: a research and development (R&D) grant for SMEs that aims to support high-risk, highly ambitious projects to conduct feasibility studies. Projects must last between six and 18 months, and the maximum grant is £100,000.

Since 2019 Scottish Enterprise has attached Fair Work First (FWF) criteria to all large job creation grants of £100,000 plus (condition that new jobs must pay the real Living Wage); and since January 2021 has extended the principles to all grants, with a new business process going live from September 2021 across all relevant business areas.

87% of Scotland's business base is represented in the SE region, i.e. c.155k registered businesses employing some 1.6m people.

In the 2 years pre-Covid, SE awarded an average of 2,761 grants per annum, totalling on average £172m per annum; in 2021 6,895 grants were awarded - 90% being Covid-related.

Other grants are also available to businesses in Scotland[92]:

---

[92] Smallbusiness.co.uk. (2022). A complete list of Scottish business grants. Available at: A complete list of Scottish business grants (smallbusiness.co.uk)

- Business Gateway: Offer business grants such as the Scottish Loan Scheme (SLS) which can provide loan funding of £250,000 - £2m to growth focused Scottish companies.

- Highlands and Islands Enterprise: works with businesses, social enterprises and communities across Shetland to Argyll, the Outer Hebrides, and Moray.

- South of Scotland Enterprise: available for businesses and enterprising communities throughout Dumfries and Galloway and the Scottish Borders.

- Scottish Growth Scheme: a package of financial support of up to £500m for Scottish businesses. It offers microfinance loans of up to £25,000, debt or loan finance of up to £100,000, and equity finance of up to £2m;

- Open Fund: Supporting Creative Development: the Open Fund is for individuals and organisations within the creative industries. Funding is available for between £500 and £100,000 and is open all year round, with no deadlines and can support activity for up to 12 months;

- Scottish Edge: a competition aimed at identifying and supporting Scotland's up-and-coming, innovative, high-growth potential entrepreneurial talent. Winners can receive up to £100,000 in funding plus a business support package to help them make the most of any grant money;

- Forestry Grant Scheme: this scheme is focused on providing financial support for businesses involved in the creation of either new woodland spaces or the sustainable management of existing woodlands. It is managed by the Scottish Rural Payments and Services agency and Scottish Forestry;

- Small Innovation Grants Scheme: open to SMEs in the Highlands and Islands. The grants are administered by the Highlands and Islands Enterprise agency, which is based in Inverness. The agency can offer grants of up to £15,000;

- Culture and Business Fund Scotland: Scottish social enterprises can apply for this funding which is managed by Arts & Business Scotland, an independent charity. The fund offers pound for pound match funding for eligible projects of between £1,000 and £40,000; and

- Workforce Upskilling Grant: this grant is for businesses based in Fife looking to improve the productivity and profitability of their business through staff training.

- Workplace Equality Fund: supports private and public sector employers to improve their policies and practices to address inequalities in the workplace. Up to £800,000 was made available in Year 1/2022-23.

Trade Union Membership[93]

In 2021, the proportion of employees who were trade union members in Scotland was 28.4%, higher than in the UK as a whole at 23.1%. In Scotland, this represented a fall and membership density was down 0.7% from 2020, compared to the UK where it was down 0.8% from 2020. The decrease in Scotland has occurred

---

[93] HM Government (2022). Trade Union Membership, UK 1995-2021: Statistical Bulletin. Available at: Trade Union membership UK 1995-2021 statistical bulletin (publishing.service.gov.uk)

gradually and since 1995, the proportion of employees who are trade union members has fallen by 10.6%.

Data for every industry is not available, however based on available data the industry in Scotland with the highest proportion of employees who are trade union members in 2021 was electricity, gas, steam, and air conditioning supply (60.9% of workers were members). This was followed by education (54.1%) and human health and social work (49.7%). In contrast, the industry with the lowest proportion of trade union members was manufacturing in which only 12.2% are members[94]. These trends are similar to those across the UK as a whole where the education industry contained the highest proportion of trade union members (49.4%) followed by human health and social work (39.2%) and public administration and defence (38.6%).

Benefits of Fair Work Practice

A number of research papers have sought to demonstrate how Fair Work practices can drive productivity, release untapped potential and inspire innovation - all of which add value to jobs and to business and in turn create stronger, more sustainable and inclusive growth:

- A report by Carnegie UK and the RSA[95] sets out a range of evidence supporting the finding that "higher quality work, like higher pay, can serve as a spur to greater work satisfaction and motivation, thus leading to higher levels of workplace productivity. More productive, higher-performing firms are more likely to invest in enhanced worker security, opportunity, training, and engagement". The report presents evidence there is 8% higher productivity in those workers most satisfied with pay compared to those least satisfied; and, firms with engaged employees experience around 40% less turnover of staff, representing significant savings for firms since turnover of staff is known to be costly – replacing a skilled worker costs typically 150% of their salary.
- In addition, the report above finds that organisations in the highest scoring quartile have been shown to be 22% more profitable on average than those in the bottom quartile and have 21% higher productivity.
- The Taylor Review of Modern Working Practices[96] highlights that good work for all should be a national priority across the UK. It outlines that most businesses understand that providing 'good work' is not only a good thing to do in and of itself, but can also deliver business benefits. Analysis of European data from 1995–2000 suggests that countries with higher job quality have higher levels of labour productivity and vice versa"[97].
- A University of Warwick study also examined the relationship between Fair Work and productivity. It found evidence of positive impacts on productivity across several dimensions of Fair Work including pay and benefits; health, safety and

---

[94] Where data is reliable.

[95] Carnegie UK Trust, RSA (2020). Can Good Work Solve the Productivity Puzzle? Available at: Can-good-work-solve-the-productivity-puzzle-FINAL.pdf (d1ssu070pg2v9i.cloudfront.net)

[96] Department for Business, Energy & Industrial Strategy (2017). Good work: the Taylor review of modern working practices. Available at: Good work: the Taylor review of modern working practices - GOV.UK (www.gov.uk)

[97] Siebern-Thomas (2005). Job quality in European labour markets. In: S. Brazen, C. Lucifora and W. Salverda, eds. Job quality and employer behaviour. Available at: Job Quality in European Labour Markets | SpringerLink

- psychosocial wellbeing; job design and the nature of work; and work-life balance.[98]
- The Joseph Rowntree Foundation has also carried out research demonstrating poverty can impact individual employee performance. For example, financial worry and stress can reduce the effectiveness, quality, and efficiency of work undertaken by employees. Fair Work measures that address the issues of financial worry and stress could therefore benefit business performance, as well as individual wellbeing. In addition, poverty is estimated to cost the UK public purse approximately £78 billion annually and indirectly all businesses, like other taxpayers, pay part of this cost. Implementing practices such as the real Living Wage could help to reduce in work poverty, and in turn this indirect cost[99].
- Research carried out by the OECD has also found a strong correlation of a negative relationship between job stress and at-work productivity, and a positive relationship between job rewards and productivity.[100]
- A 2019 McKinsey and Company report demonstrated employers committing to diversity and inclusion have been demonstrated to benefit in business terms.[101] The research shows that companies in the top-quartile for ethnic/cultural diversity on executive teams were 33% more likely to have industry-leading profitability.
- Chartered Institute of Personnel and Development (CIPD) research shows taking an anti-racist and proactive approach to addressing racial inequality in the workplace as well as other inequalities can also help to attract employees and improve corporate reputation. Research shows that people want to work for employers with good employment practices[102].
- Research carried out by Mencap[103] shows that employing people with learning disabilities can have numerous benefits such as higher retention, better awareness of disability issues amongst staff, and increased reputation amongst the general public.
- A report by Close the Gap to inform the 2017 Scottish Parliament debate on the Economy, Jobs and Fair Work Committee inquiry into the gender pay gap calculated that closing the gender gap in employment could be worth more than £17bn to the Scottish economy[104].

[98] Warwick Institute for Employment Research (2021). Does good work have a positive effect on productivity? Building the evidence base. Available at: Research-findings-summary-does-good-work-have-a-positive-effect-on-productivity-Jan-2020.pdf (d1ssu070pg2v9i.cloudfront.net)
[99] Joseph Rowntree Foundation (2016). Counting the Cost of UK Poverty. Available at: Counting the cost of UK poverty | JRF
[100] OECD (2017). Job quality, health and at-work productivity. OECD Social, Employment and Migration Working Papers. Available at: Job quality, health and at-work productivity | OECD Social, Employment and Migration Working Papers | OECD iLibrary (oecd-ilibrary.org)
[101] McKinsey & Company (2018). Delivering through diversity. Available at: Delivering growth through diversity in the workplace | McKinsey
[102] CIPD (2022). Equality, diversity and inclusion (EDI) in the workplace. Available at: Equality, diversity and inclusion in the Workplace | Factsheets | CIPD
[103] Mencap (2018). The benefits of employing someone with a learning disability in your workplace.
[104] Close the Gap (2017). Scottish Parliament debate on the Economy, Jobs and Fair Work Committee inquiry into the gender pay gap: A briefing for MSPs. Available at: Close-the-Gap-briefing--debate-on-the-EJFW-pay-gap-inquiry.pdf (closethegap.org.uk)

Scottish Government
Riaghaltas na h-Alba

This publication is available at **www.gov.scot**

Any enquiries regarding this publication should be sent to us at

The Scottish Government
St Andrew's House
Edinburgh
EH1 3DG