

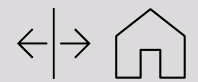
SCOTLAND'S LABOUR MARKET STRATEGY



Scottish Government
Riaghaltas na h-Alba
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FOREWORD

The Scottish Government wants Scotland to be a more successful and fairer country, with opportunities for all to flourish. To do this we need a strong economy. A vibrant, fair and inclusive labour market is a key component of achieving this.

International evidence shows that inequality has a negative impact on long-term growth and prosperity. The OECD estimate that rising income inequality in the UK reduced GDP per capita growth by 9 percentage points between 1990 and 2010.¹ Creating a fairer society is not, therefore, just a desirable goal in itself, but is essential to the sustained, long-term prosperity of the Scottish economy.

That is why I am publishing this Labour Market Strategy, as an integral part of our Economic Strategy, to outline in more detail how our approach to the labour market will help to drive inclusive growth. The labour market is the beating heart of our economy and Government, employers, employees and trade unions must work together to ensure it remains healthy, strong and resilient now and in the future.

The Scottish Government has shown its commitment to a different and more inclusive approach to the economy. It is an approach supported by a growing body of evidence which shows that countries with more equal societies typically enjoy stronger, more sustainable growth over the long run. Our focus will be on creating more jobs, better quality jobs and jobs that work for every individual in terms of skills, pay, security, and prospects.

We are starting from a solid base. The Scottish economy is strong, wealthy and productive. We have 65,000 more people in employment than we did compared to the pre-recession high. However, having weathered the economic and financial crisis, we now face further uncertainty going forward.

The outcome of the EU referendum, the difficult global conditions and the persistent underlying challenges in our labour market continue to weigh on businesses and their prospects for growth. We have made clear our commitment to protecting Scotland's relationship with the EU, and the economic prosperity, social protection and influence it provides. The Scottish Parliament made its position clear in June when it voted overwhelmingly to support us in this task and the First Minister has taken steps to ensure that this position is heard within the UK and the EU.

We also recognise that the shape and makeup of the labour market has changed significantly following the recession and real wages and actual hours worked still remain below pre-recession levels. Since the recession, we have seen increasing numbers of people in work which can offer lower levels of stability and security, such as the inappropriate use of zero-hours contracts. These are jobs which tend to offer workers little financial security which can limit their ability to plan for the future. While Scotland does perform better than the rest of the UK in many of these indicators, we must create an economy that works for everyone.

This is why we must take stock and redefine the strategic direction for our labour market.

1 www.oecd.org/social/Focus-Inequality-and-Growth-2014.pdf

We would undoubtedly be better able to address these challenges in a manner which would meet Scotland's needs if we had the full set of powers around employment law, as the Scottish Trades Union Congress (STUC) has called for, as well as around tax and social security. And it is something we will continue to press the UK Government for. For now, we will look to achieve as much as we can with the powers we have at our disposal.

This has to be a collaborative effort, building on the Scottish Business Pledge and the Fair Work Convention, and my approach to this task has been an inclusive one. At the outset of the process I wrote to the Convener of the Scottish Parliament's Economy, Jobs and Fair Work Committee and all of the opposition party spokespeople to invite them to provide me with their views and we have sought contributions from a range of businesses and employers in the private, public and third sectors, as well as from the STUC.

In the immediate period, our focus is on providing reassurance and stability so that we minimise uncertainty in the Scottish economy and mitigate impacts from the EU referendum on the labour market. To do this, the First Minister has set out a Capital Acceleration Programme with an initial £100 million to support a package of stimulus measures to boost demand, support jobs and reduce the risk of a slowdown.

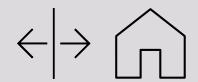
Beyond this, our priority is to put in place a framework for the long term which will help deliver our mutually supporting ambitions of tackling inequality and boosting competitiveness in a way which is responsive and adaptable to future changes. We want to do this in a way which recognises that success will also bring wider benefits in terms of improved physical and mental health and in tackling in-work poverty.

This Strategy sets out an ambitious vision and a framework to guide our approach to the labour market. The actions set out within it are just the start. Our approach will be dynamic and responsive to the shifting economic context and will evolve over time, informed by evidence and overseen by a new **Strategic Labour Market Group**.

This Group will draw its membership from business, employers, trade unions, education and skills representatives as well as academia and other experts to advise Ministers on current and future labour market issues. It will engage partners in an ongoing dialogue and will inform and advise on how best to deliver our vision as new challenges emerge, to create a labour market that works for everyone.

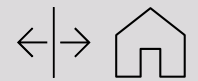


Jamie Hepburn MSP
Minister for Employability and Training



STRATEGIC LABOUR MARKET FRAMEWORK

VISION	A strong labour market that drives inclusive, sustainable economic growth, characterised by growing, competitive businesses, high employment, a skilled population capable of meeting the needs of employers, and where fair work is central to improving the lives of individuals and their families.					
PURPOSE	To focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.					
PURPOSE TARGETS	Productivity	Population	Participation	Cohesion	Solidarity	
LABOUR MARKET OUTCOMES	Skilled and Productive Workforce	Sustainable Working Population	High Employment and Low Unemployment	Equal Opportunities	Fair Work	
INCLUSIVE GROWTH PRIORITIES	Promoting Fair Work Framework and Responsible Business			Employability and Skills		
	Investment		Innovation		Internationalisation	
MAJOR POLICY AREAS FOR DELIVERY	Skills Development	Youth Employment	Employability	Equalities	Living Wage	Fair Work
	Schools	Further Education	Higher Education	Digital	Procurement	Childcare Provision
	Economic Development	Tax and Social Security	Transport	Regeneration	Housing	Health
LABOUR MARKET MEASURES	Modern Apprenticeships	Employability Fund	Scottish Employment Recruitment Incentive	Employability Services	Scottish National Action Plan for Responsible Business	Fair Work Convention
	Foundation Apprenticeships	Scottish Union Learning	Opportunities for All	Health and Work Initiatives	Developing the Young Workforce	Pay Ratios and Transparency
	Graduate Apprenticeships	Careers Advice	Community Jobs Scotland	Returners Project	Workplace Innovation Service	FitWork
	Apprenticeship Levy	Skills Planning Model	Job Grant	Workplace Equality Fund	Abolish Employment Tribunal Fees	Business Pledge



EXECUTIVE SUMMARY

Our labour market is the beating heart of Scotland's economy – its strong performance is central to our prosperity and success. This Strategy sets out for the first time how our labour market and wider social and economic policies interact to drive our ambitions for inclusive growth. We know that creating a fairer society is not just a desirable goal in itself, but is essential to the sustained, long-term prosperity of the Scottish economy.

This Strategy provides a framework for our approach to the labour market, and describes the actions we will take to deliver our vision.

That vision is for:

“A strong labour market that drives inclusive, sustainable economic growth, characterised by growing, competitive businesses, high employment, a skilled population capable of meeting the needs of employers, and where fair work is central to improving the lives of individuals and their families.”

This vision is consistent with Scotland's Economic Strategy which is focused on the complementary goals of boosting competitiveness and tackling inequality. It is an approach supported by a growing body of international evidence which shows that countries with more equal societies typically enjoy stronger, more sustainable growth over the long run. Therefore, we believe that promoting growth in employment opportunities and tackling inequality within the labour market are not mutually exclusive. In fact, we believe that tackling inequality is essential to the sustained, long-term prosperity of the Scottish economy.

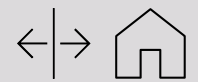
Scotland's labour market

Scotland's economy has many strengths. We have a highly-skilled workforce, and our labour market has remained resilient over the last few years despite considerable economic challenges. However, there is much more to be done to address both the immediate uncertainty in the current economic climate, as well as the long-term structural issues facing our labour market.

Our evidence and analysis² tells us that there are a number of key factors affecting performance in the labour market. These include in-work poverty, job quality, inequality of access to labour market opportunities and poorer outcomes for disadvantaged groups and those furthest from the labour market.

Changing demographics such as our ageing working population, globalisation and advances in technology also have implications on our strategic approach going forward, creating both challenges in terms of skills and training, but also opportunities in sectors and for specific types of jobs.

² Scottish Government (2016) *Scotland's Labour Market Strategy Evidence Paper*. Available: <http://www.gov.scot/Topics/Business-Industry/Workingtogether>



Our approach must be one of adaptability and resilience, focused on delivering fair work and jobs. Within this framework we have identified five priority areas to deliver our vision:

- › promoting the **Fair Work Framework** and encouraging **responsible business**;
- › supporting **employability and skills**, so that all of our people can participate successfully in the labour market;
- › **investing** in our people and our infrastructure;
- › fostering **innovation** including workplace innovation which will help spur job creation; and
- › promoting Scotland **internationally** to improve the competitiveness of our businesses.

Strong evidence exists on the link between employment and improving outcomes across a number of dimensions of Scotland's social and economic performance including health, crime, deprivation, social mobility and tackling poverty, so we all stand to benefit from getting this right. We want this Labour Market Strategy to be a shared agenda across our partners, and stakeholders.

Strengthening inclusive growth

A central part of any active labour market strategy must be considering how we influence both elements of the supply of, and demand for, skills and employment. The success of this Strategy, therefore, will be closely tied into our significant educational reforms such as **tackling the attainment gap, reforming colleges and implementing Developing the Young Workforce (DYW)**. Our education system, along with the range of employability and training opportunities provided across the country, must ensure that all of our people are equipped with the skill sets and attributes to successfully take part in our changing and evolving economy.

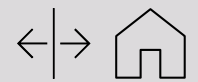
Assessing future needs

We need to ensure we have the right mechanisms in place to support businesses to grow and we want our delivery bodies to work effectively with employers, industry leads and other experts to anticipate future job growth, assess skills needs and to strengthen the systems that support workforce planning. This will ensure that we have the right skills and are responsive enough to adapt to future changes in our economy.

Delivering the change

In delivering the change, we are implementing a wide range of policies which will support the labour market, these include commitments to:

- › use our new powers to better align **employability support** in Scotland to encourage sustainable and fair work with a focus on supporting those who need most help to reduce inequality;
- › fully endorse the **Fair Work Framework**, produced by the Fair Work Convention earlier this year, and we have set out actions aimed at building momentum around the promotion of fair work. We will continue our support for the Convention with up to £500,000 this year and will work closely with them to deliver their vision over the coming years;
- › provide £200,000 to Business in the Community Scotland to support the Scottish National Action Plan for **Responsible Business**;
- › continue our support for the Poverty Alliance to meet our target of 1,000 accredited **Living Wage** employers by autumn 2017, and working with the Fair Work Convention and others to look at wider aspects of pay policy such as pay ratios and gainsharing approaches;



- › continue to help people to stay in work recognising the benefits of healthier working lives and delivering our **Health Works Strategy**;
- › be innovative in supporting those facing barriers in the workplace through initiatives such as a project to help **women returners** back into the workplace;
- › reach out to businesses, local authorities and others to support economic growth and show how we can work together to achieve greater **productivity through fair work**; and
- › work through the **Enterprise and Skills Review** to ensure our delivery bodies are best able to support productivity and inclusive growth, with a focus on boosting innovation and improving their competitiveness nationally and internationally, while also continuing to support people to get the skills they need to participate in the labour market and access good employment.

Defining success and ensuring progress

It is important that we are able to measure progress against clear outcomes, so we will focus on delivering a labour market where there is:

- › **a skilled, productive and engaged workforce capable of meeting the needs of employers;**
- › **equality of opportunity to access work and to progress to ensure everyone is able to maximise their potential;**
- › **fulfilling, secure and well-paid jobs, where employees' contributions are encouraged, respected and valued;**
- › **low unemployment and high employment; and**
- › **an economy that supports a sustainable working population and that can retain and attract new talent, to meet our wider economic and social ambitions.**

To ensure successful delivery of the outcomes set out in this Strategy, we will:

- › improve the range and quality of labour market data and develop new labour market indicators which will set out a more comprehensive view of how we are able to assess progress in the labour market within the context of our vision and the five outcomes above;
- › work with the Fair Work Convention to develop employment and **work quality indicators** that will allow us to track changes in the labour market over time as it relates to fair work; and
- › establish a **Strategic Labour Market Group** which will work alongside the independent Fair Work Convention, to advise Ministers on future developments in the labour market. This Group will contain members drawn from the trade unions, business, the third and public sectors and academia and will ensure that our Strategy is delivered and remains responsive to any changing circumstances. It will inform future policies and advise on how best to deliver our vision as new challenges emerge.

Considering equality

Finally, our commitment to equality is core to the framework and to the actions outlined in this Strategy. The economic analysis underpinning it included an assessment of the issues facing equality groups. In preparing this Strategy we also consulted with various stakeholders, including those that represent equalities groups.

The Labour Market Strategy has a strong focus on promoting equality and tackling inequality through the promotion of inclusive growth. Any proposals set out here that may be developed into specific policies and plans will be impact assessed separately to accurately gauge their impact on equalities issues.

Supporting Fair Work

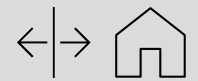
We share the vision of the Fair Work Convention that by 2025, people in Scotland will have a world-leading working life where fair work drives success, wellbeing and prosperity for individuals, businesses, organisations and society. This vision challenges not only business, employers, unions and the third sector but has clear actions for government.

We fully endorse the Convention's Framework and will work with them to embed its principles in workplaces across Scotland. We will continue to raise awareness with employers in the public, private and third sectors of the benefits of fair work, promote the Fair Work Framework and champion fairer, better workplaces.

With the Convention we will develop products and services that will support organisations to adapt their workplaces and realise our shared vision. We will ensure that our delivery bodies have a responsibility to adopt and promote the Fair Work Framework, supporting the Convention in its future role, and creating a platform to showcase how fair work can support business, organisation and individual success.

Through our public contracts we will continue to encourage public bodies to promote fair working practices for those who work on public contracts. In order to ensure that the messages in our statutory guidance on 'Addressing Fair Work Practices, including Living Wage, in Procurement' are embedded into practices and procedures and effectively applied in a relevant, proportionate and non-discriminatory way, we will work in partnership with public bodies to develop examples of best practice. Through the Convention we will develop measures of fair work that will allow us to track the impact of the Framework and we will recognise those employers who champion fair work as part of their business model by supporting the Scottish Business Awards Fair Work Employer of the Year Award.





INTRODUCTION

Vision and purpose

Our vision is for a strong labour market that drives inclusive, sustainable economic growth, characterised by growing, competitive businesses, high employment, a skilled population capable of meeting the needs of employers, and where fair work is central to improving the lives of individuals and their families.

This Strategy sets out a framework for achieving our vision of a strong and fair labour market that drives inclusive growth. It responds to and builds upon the approach set out by the Fair Work Convention earlier this year when they published the *Fair Work Framework*³. It sets out the actions we will take along with our partners to drive growth of employment opportunities whilst also delivering better jobs which embrace the principles of fair work.

It also recognises the findings of the First Minister's Independent Advisor on Poverty and Inequality, Naomi Eisenstadt, in her report, *Shifting the Curve* where she recognises that high income inequality damages economic growth, according to a number of experts, including the OECD, and has negative consequences for wellbeing and the cohesiveness of societies.⁴

We understand that businesses and other employers need to be confident in their plans for growth. They need to have the confidence to invest and innovate and to do this they

need supportive economic conditions and policies, and an engaged, skilled and productive workforce which meets their ever-changing needs.

This strategic approach will continue to evolve, responding to broader economic, technological and political developments such as the uncertainty caused following the EU referendum result. Guided by our new Strategic Labour Market Group we will bring forward further actions when appropriate to help us to create and maintain a labour market that works for everyone and which recognises and adapts to the fact that labour market issues play out differently in different sectors and regions across Scotland.

Our vision is consistent with Scotland's Economic Strategy and its complementary goals of boosting competitiveness and tackling inequality. It is an approach supported by a growing body of international evidence which shows that countries with more equal societies typically enjoy stronger and more sustainable growth over the long run.

We believe that promoting growth in employment opportunities and tackling inequality within the labour market are not mutually exclusive. In fact, we believe that tackling inequality is essential to the sustained, long-term prosperity of the Scottish economy.

By publishing this Strategy we are showing how our policies to support inclusion and growth will work together in the context of the labour market and they set out a framework against which we can measure our progress in future.

³ Fair Work Convention (2016) *Fair Work Framework*. Available: <http://www.fairworkconvention.scot/framework/FairWorkConventionFrameworkFull.pdf>

⁴ Independent Advisor on Poverty and Inequality (2016) *Shifting the Curve*. Available: <http://www.gov.scot/Resource/0049/00492430.pdf>

SCOTLAND'S ECONOMIC PROGRESS SINCE 2007



THE NUMBER OF REGISTERED BUSINESSES IN SCOTLAND HAS **GROWN BY 12%** SINCE 2007 TO AN ALL-TIME RECORD OF 170,335 IN 2015



THE VALUE OF SCOTLAND'S INTERNATIONAL EXPORTS HAVE INCREASED BY **AROUND 36%** BETWEEN 2007 AND 2014

PRODUCTIVITY (OUTPUT PER HOUR) **HAS GROWN 4.4%** SINCE 2007 COMPARED TO NO GROWTH IN THE UK OVER THE SAME PERIOD

SCOTLAND'S BUSINESS R&D EXPENDITURE HAS RISEN BY

44% IN REAL TERMS BETWEEN 2007 AND 2014 UK EXPENDITURE INCREASED BY ONLY 10% OVER THE SAME PERIOD



IN EACH YEAR SINCE 2006 THE ERNST & YOUNG ATTRACTIVENESS SURVEY HAS RANKED SCOTLAND IN THE **TOP TWO REGIONS** OUTSIDE LONDON FOR FOREIGN DIRECT INVESTMENT IN TERMS OF NUMBER OF PROJECTS SECURED

EMPLOYMENT

THE SCOTTISH EMPLOYMENT RATE CURRENTLY STANDS AT

74.1%

EMPLOYMENT IN SCOTLAND IS NOW 65,000 ABOVE ITS PRE-RECESSION PEAK



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SCOTLAND'S FEMALE EMPLOYMENT RATE IS THE **4TH HIGHEST** IN THE EU AND IS HIGHER THAN THE UK AS A WHOLE

SCOTLAND HAS HIGHER YOUTH EMPLOYMENT RATE THAN THE UK

57.3% SCOTLAND



54.9% UK



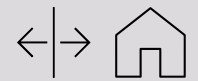
Outcome of the EU Referendum

In the referendum on continued membership of the European Union on 23 June, Scotland delivered a strong, unequivocal vote to remain. The Scottish Government welcomes that outcome, and firmly believes that EU membership delivers many social, economic and cultural benefits for individuals, businesses and communities across Scotland. Given this strong support to remain in the EU, the First Minister has committed to exploring all options to protect Scotland's relationship with the EU, and to secure the benefits of membership.

One such benefit is the free movement of labour – particularly important to Scotland, as a country that needs to grow its population to help address skills gaps and deal with an ageing population. Access to the world's largest single market – and the ability to freely trade goods and services across Europe – supports jobs and business across Scotland. Similarly, the EU guarantees core rights and protections for workers, including the right to paid holidays and maternity leave, limits to working hours, the right not to be discriminated against, and health and safety protections. All of these rights and protections are crucially important to delivering our vision for the labour market.

The Scottish Government will take all steps to protect businesses' ability to access the skills they need, and to safeguard the hard-won rights of workers.





1. SCOTLAND'S LABOUR MARKET – THE BEATING HEART OF OUR ECONOMY

We have strong foundations and much to build upon

Our labour market is the beating heart of Scotland's economy. Scotland is a wealthy and productive economy, with strong economic foundations. We have a highly-skilled workforce, substantial natural resources, a long-standing reputation for innovation, internationally recognisable brands and products and companies competing successfully in global markets. We have published an analysis of Scotland's labour market alongside this Strategy.⁵

Scotland continues to recover from the global recession

Scotland's economy has continued to grow over the last year despite challenging market conditions, particularly in the oil and gas sector. Gross Domestic Product (GDP) now stands 5.5 per cent above its pre-recession peak and grew by 2.1 per cent in 2015.⁶ Employment is reaching record levels, with 65,000 more people in employment than before the recession.⁷ We have also seen declines in poverty over the medium term.

Following the recession we have seen a growing proportion of part-time jobs and increasing female participation. While for many, part-time work can offer the flexibility they desire, we know there are fewer women in medium-high and high-skilled jobs compared to men and that women are more likely to work in lower pay occupations.

5 Scottish Government (2016) *Scotland's Labour Market Strategy Evidence Paper*. Available: <http://www.gov.scot/Topics/Business-Industry/Workingtogether>

6 Scottish Government, Gross Domestic Product.

7 Labour Force Survey, Apr-Jun 2016, ONS.

Similarly, while we are encouraged by figures that show increasing self-employment we need to understand if the drivers for this are increased innovation and entrepreneurialism or a sign of fewer job opportunities.

We understand the challenges facing the labour market

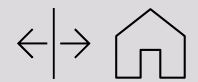
These changes are indicative of a number of challenges that remain for Scotland's labour market. Some are long-standing, some have been exacerbated by economic recession and some are more immediate. Key challenges include:

- ▶ improving the **quality of employment**, in terms of hours, earnings, and security. Currently the majority (53 per cent) of adults who are in poverty live in a household where at least one person is employed.⁸ There has also been a rise in 'non-standard' jobs, particularly zero-hours contracts though these are less prevalent in Scotland than the rest of the UK;⁹
- ▶ addressing the '**hollowing out**' of the labour market, a trend seen in many other advanced economies, whereby the number of middle income jobs has been reduced and jobs have become more polarised on either side of the income scale;¹⁰
- ▶ **improving productivity**. Productivity has risen by 4.4 per cent in real terms since 2007 (compared to no growth in the UK over the

8 Scottish Government, Poverty and Inequality in Scotland 2014/15

9 Bell and Eiser (2013). Inequality in Scotland: trends, drivers, and implications for the independence debate.

10 Bell and Eiser (2013). Inequality in Scotland: trends, drivers and implications for the independence debate.



same period) and the gap between Scotland and the UK average has been significantly narrowed from 7.8 per cent to 2.4 per cent. In spite of this improvement, the gap between Scotland and the top performers remains largely unchanged;¹¹

- ▶ **tackling inequalities between regions and groups** in Scotland. The unemployment rate varies widely across local authorities, from 2.6 per cent in the Shetland Islands to 8.7 per cent in Dundee City.¹² Employment rates for minority ethnic communities and disabled people are lower than the Scottish average and a gender pay gap persists despite some reduction in the size of the gap;¹³ and
- ▶ responding to the structural shifts in the economy experienced in many advanced economies, away from **manufacturing and towards generally lower pay services sectors**.¹⁴

In addition to these challenges, the nature of work is changing; globalisation, technological change and automation as well as demographic changes will all influence the labour market of the future. We also face the continuing possibility of further sudden major economic changes which could impact on the labour market. We must be able to adapt to such changes.

We will continue to develop a Scottish Approach

We want to support businesses to be able to respond quickly to changing market, economic and social conditions and we believe that this can be done while providing their employees with a high level of security and stability, reflecting the principles which underpin the Scottish Business Pledge.

11 Scottish Government, Labour Productivity Statistics 2014.

12 ONS, Annual Population Survey, Model-based unemployment rates, April 2015 to March 2016.

13 ONS, Annual Population Survey, 2015; Annual Survey of Hours and Earnings, 2015.

14 Reindustrialising Scotland for the 21st Century: A Sustainable Industrial Strategy for a Modern, Independent Nation.

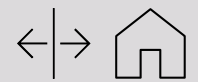
Our research, and the work of the Fair Work Convention,¹⁵ tells us that secure, well-paid jobs which give fulfilment and offer opportunities for progression in organisations where employees have effective voice are the key to increasing workplace innovation. We believe that this can help to deliver a measurable shift in productivity and boost business success.

By international standards, Scotland is a competitive economy. However, some similar-sized countries have achieved better outcomes in terms of growth, wellbeing and sustainability. This is why our vision for a labour market based on good quality jobs and rising productivity that supports inclusive growth is so important – for employers, individuals and their families.

We would undoubtedly be better able to address these challenges if we had the full set of powers around employment law, tax and social security, and we will continue to press the UK Government for them. For now, we are absolutely focused on doing everything we can within the powers we have to achieve this growth. That is why the First Minister announced in August an initial £100 million for a package of measures to provide immediate support to the economy and jobs in light of the economic uncertainty that we currently face.

We aim to build on that by broadening the productive base of the economy, ensuring that employees have an effective voice and with employers fostering the environment in which they and their workers succeed, we can ensure that productivity and growth benefits all parts of society.

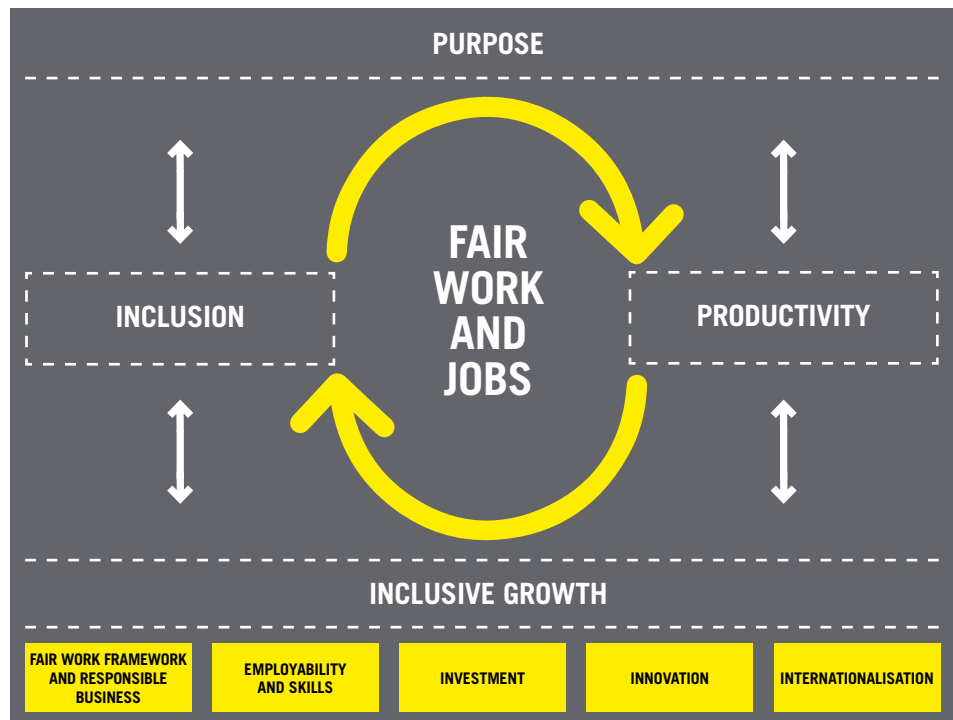
15 Fair Work Convention (2016) *Fair Work Framework*. Available: <http://www.fairworkconvention.scot/framework/FairWorkConventionFrameworkFull.pdf>



We acknowledge that these are ambitious aims and that achieving them will be challenging, which is why we have set out a clear vision for what we want to achieve through working with employers, trade unions, our delivery bodies and other stakeholders.

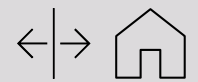
Building on Scotland's Economic Strategy

Fair work and jobs are central to our ambitions. The diagram below shows how we will build on our Economic Strategy's ambitions for inclusive growth by focusing on the labour market and driving improved productivity and inclusion through enabling more people to participate.



The diagram shows how we will deliver inclusive growth with activity in five priority areas:

- promoting the **Fair Work Framework and encouraging responsible business** to create a fair and inclusive jobs market that is resilient, innovative and sustainable over time;
- supporting **employability and skills**, so that all of our people, regardless of background, have the opportunity and can develop the skills required to participate successfully in the labour market;
- **investment** in our people and our infrastructure in a sustainable way that improves connectivity between people and places and access to labour markets, raises skills, promotes inter-generational social mobility and tackles inequality of opportunities;
- fostering a culture of **innovation** which goes beyond research and development, where innovation spurs on job creation, creates high-quality and skilled jobs across our labour market and where workplace innovation boosts the productive capacity of our business and employees; and
- promoting Scotland on the **international** stage and improving the competitiveness of our businesses to boost our trade and investment, and to retain Scotland's position as an attractive place to do business, and where inward investment creates jobs and employment opportunities to all parts of Scotland.



A shared agenda

Whether through local or national government, health or education, everything the public sector does impacts on the economy. What happens in the labour market can be impacted by a range of interventions such as, investment in our physical and digital infrastructure; improving health outcomes; provision of good quality housing; improving attainment and access to further and higher education; providing opportunities for skills; how we operate our tax and welfare systems; or extending early years child care.

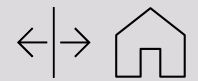
The Scottish Government has put a strong emphasis on closing the attainment gap which will form a cornerstone of our approach to supporting inclusion, equality of opportunity and improved outcomes for the most disadvantaged in the labour market. That is why we are taking steps to work with teachers, parents and local authorities to accurately measure and set transparent targets for closing the attainment gap.

Equally, our policies on issues like early learning and childcare, transport and employability can help enable people to improve their lives by removing the barriers that prevent people working. With some employability powers being devolved next year, we will be able to provide improved employment support for vulnerable groups and the long-term unemployed, including disabled people and minority ethnic communities.

Strong evidence exists on the link between employment and improving outcomes across a number of dimensions of Scotland's social and economic performance including health,¹⁶ crime, social mobility and tackling poverty.

Furthermore, healthy performance of local labour markets across urban and rural regions is central to increasing equality and accessibility of opportunities, to improve prospects for all. This cannot be achieved alone. Building on our partnerships with local authorities, delivery bodies, employers and other stakeholders will be core to our approach.

16 <http://www.healthscotland.com/uploads/documents/26039-Good%20work%20for%20all.pdf>



Ensuring our labour market is resilient in the face of economic shocks

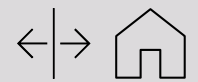
As a small, open economy Scotland is well placed to reap the benefits of trade with the global economy. However, like all other economies, Scotland's labour market is susceptible to economic shocks and downturns. In recognition of this the Scottish Government, in partnership with its agencies, has developed effective mechanisms to increase the resilience of our labour market in the face of economic challenge. Our Partnership Action for Continuing Employment (PACE) response supports individuals who are facing redundancy recognise their skills, explore their options and prepare for their next move. It is available free of charge and through its network of businesses PACE can often connect potential employers with those making redundancies.

Usually the PACE response is sufficient, complemented by business support offered through the enterprise agencies or local authorities. However, there are cases where the impact of the economic shock is particularly severe or sectoral, beyond the company, impacting on the wider community, the supply chain or on national economies. In those situations, greater intervention may be required – either locally or nationally led.

In 2014 Fergusons Shipbuilders Ltd was placed into administration, resulting in the loss of 70 employees. The Scottish Government immediately convened a taskforce to ensure that all that could be done to support the workers, was being done. With support from the First Minister, union representatives and the task force a buyer was found. Since then, the new business, Ferguson Marine Engineering Ltd, has re-employed all formerly redundant staff and is investing in the yard and expanding its workforce. This includes a commitment to take on 10 Modern Apprentices per year between 2015 and 2020.

On 20 October 2015 Tata Steel announced a plan to mothball all of its UK plate mills, citing challenging global market conditions for steel plates for its decision. This impacted 270 staff in Motherwell and Cambuslang. Under the direction of the First Minister, a multi-agency Steel Task Force was convened, chaired by Fergus Ewing, then Minister for Business. The Task Force drove forward actions in order to secure an alternative commercial operator for the sites and to produce a viable future for the highly-skilled workforce there.

On 23 March 2016, the Scottish Government agreed to enter into back-to-back contracts with Tata Steel, which included facilitating the sale of the sites to Liberty Steel. Liberty Steel started recruiting to the mills in June 2016, including introducing apprenticeship opportunities, and hope to resume steel production in September. Around 60 staff are already engaged in preparations to re-open Dalzell, with a further 40 expected to join the workforce before the site starts to produce plate again. In addition, the new business is supporting additional local jobs through the award of about 20 new supply contracts to firms in the Motherwell area.



2. STRENGTHENING INCLUSIVE GROWTH

Improving Scotland's competitiveness and inclusivity requires us to develop the human capital and productivity of our entire workforce, to invest in Scotland's infrastructure and to increase the ability of all people to participate effectively in the labour market through quality employment. This process cannot simply be left to market forces. That is why it is crucial that we have a Strategy in place that takes into account the unique opportunities and challenges for growth and inclusion, to ensure that all of Scotland can flourish.

Stimulating growth and creating jobs (labour demand)

A strong, dynamic economy that actively invests in its workforce is key to raising productivity boosting job creation and supporting wage growth.

In the short term, business confidence and consumer sentiment are key drivers of investment and employment growth, as are global economic conditions. The UK's decision to leave the European Union has created a level of uncertainty that requires a strong policy response to ensure Scotland retains the stability, jobs and investment that come from being part of the world's biggest single market.

During this period of uncertainty, the UK Government's policy of austerity continues to have a detrimental impact upon Scotland's labour market by constraining activity in the economy. The Scottish Government will do all that it can within its powers to boost competitiveness, tackle inequalities and prioritise fair work and

jobs. And, we will continue to argue for greater powers to come to Scotland to help achieve higher level of sustainable, high-quality employment.

Over the medium to long term, there are a number of key areas which will help drive business growth and support the creation of employment opportunities, including:

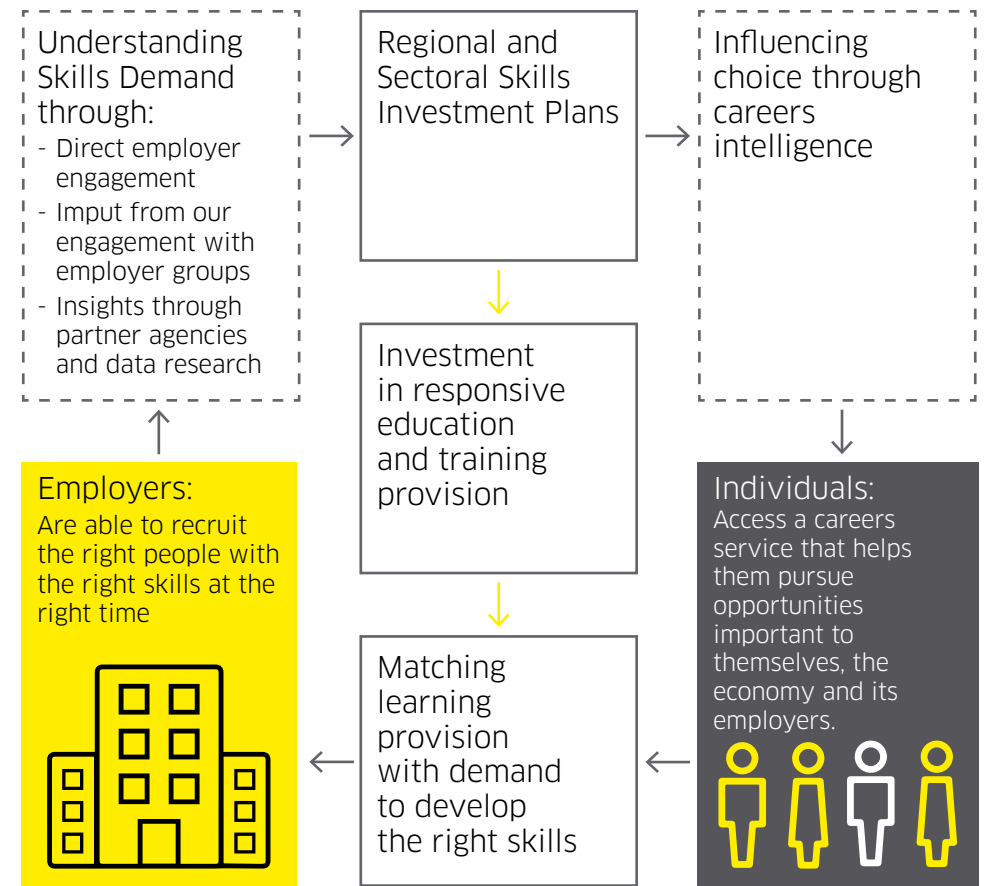
- ▶ building on the large body of evidence that shows **progressive workplace practices**, like workforce engagement, taking an active role in the community and investing in innovation can benefit companies through increased productivity, enhanced employee commitment and improved reputation. We will promote the Scottish Business Pledge, the Fair Work Framework, and the ethos that underpins them, to businesses across Scotland;
- ▶ building on our extensive actions to **support businesses to grow, innovate and export**. This will include: ensuring that we create an enabling business environment which allows them to thrive; supporting the development of highly innovative businesses across the Scottish economy and encouraging more of Scotland's diverse business base to engage in innovation as part of their day-to-day activities; and, supporting businesses to take advantage of international opportunities;
- ▶ promoting **workplace innovation**, through exploring new approaches to business practices, workplace development and applying new technologies, are also key to boosting competitiveness across the sectors;

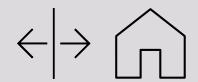
- › **investing in sustainable physical and digital infrastructure** boosts Scotland's competitiveness through providing our businesses with access to local, national and global markets, enabling growth, innovation and creation of good quality employment opportunities;
- › promoting business models which encourage employers to create **sustainable and productive jobs** that deliver business success; and
- › **supporting sectors and companies to exploit opportunities for boosting growth**. We will ensure that delivery bodies, both in Scotland and internationally, work collaboratively with local authorities and sector leads to stimulate sustainable growth and create jobs.



SKILLS PLANNING MODEL

As part of their Skills Planning Model, Skills Development Scotland have been working closely with employers, sector-leads and others to develop a robust evidence base (Regional Skills Assessments) to inform Sectoral and Regional Skills Investment Plans. This is central to how we will work with employers to help them anticipate and reflect future skills needs, while also increasing our focus on supporting employers to retain their workforce and ensure workers' skills remain up to date through continued training, workplace learning and up-skilling.





Promoting a skilled, workforce and high levels of participation (labour supply)

Improving labour market participation not only improves outcomes for individuals but is also a critical driver of national economic performance over the long term.

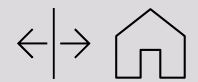
To promote inclusive growth and to provide opportunities for all, we need to encourage a fair and inclusive jobs market and promote regional cohesion. This includes the need to remove long-standing barriers to people being able to fulfil their economic potential.

It is also necessary that our workforce continues to be dynamic and is able to adapt to emerging opportunities in the labour market as this is a key factor behind inclusive growth. In doing this there are a number of issues that need to be considered:

- > **addressing the challenges facing women, the young workforce, disabled people, older people and minority ethnic communities.** Our aim is to enable equal access to an increased range of opportunities while challenging bias and systemic institutional barriers;
- > tackling inequalities in **health, wellbeing and education** across Scotland, including widening access to Higher and Further Education;
- > promoting **gender equality in providing unpaid care** and providing access to affordable early learning and childcare to support those with caring responsibilities to participate in the labour market (see carers positive scheme case study on page 23);
- > ensuring that the **workforce is adequately equipped with the skills businesses need**, both now and in the future. Skills formation and development is important at all ages. Quality

early learning is essential to build basic skills, as is formal education and lifelong learning. Scotland has a highly-skilled workforce, with the highest percentage of the population with tertiary education of all EU countries. However, there is evidence of both skills shortage and underuse. Addressing this requires government to work with employers to help them retain their workforce through continued training, workplace learning and up-skilling;

- > employers and industry leads are also essential in **establishing their skills requirements** to ensure our approach is shaped, informed by, and meets current and future employer demand;
- > the growing integration of technology into jobs and workplaces across all sectors of the economy requires a workforce with a range of specialist as well as general **digital skills**. We must also ensure that our population is equipped with the necessary digital capabilities, qualifications and specialisms, as well as the leadership and management skills to take advantage of emerging opportunities; and
- > **growing the working age population** plays a key role in underpinning sustainable economic growth. Despite Scotland's population currently being at record levels, we have an ageing population and levels of in-migration have been lower in Scotland than in many similar countries. Demographics have an important impact on labour market participation, and the economy as a whole, and attracting people to live and work in Scotland will be important to supporting economic growth as will supporting older people who wish to continue working, or people who wish to return to work after a career break.



Creating sustainable inclusive future gains (sharing in success)

Like many advanced economies, there has been a growing concentration of income at the very top of the income distribution in Scotland, with the highest earners experiencing the largest increases in income between 1997-98 and 2010-11.¹⁷

Scotland has the highest proportion of employees in any UK country being paid at least the Living Wage. Despite this, a significant proportion of the population still earns below the Living Wage¹⁸ and too many people are in poverty.

The Scottish Government is committed to promoting the **Living Wage** and pays all its employees, and all those covered by our pay policy, at least the real Living Wage – as set by the Living Wage Foundation. We have partnered with the Poverty Alliance to promote it across all sectors of the economy. We are also committed to enabling all adult care workers, including in the independent and voluntary sector, to be paid the Living Wage of £8.25 per hour from October of this year.

Evidence shows that income inequality has a negative impact on the sustainability of long-term economic growth, prosperity and our ability to tackle poverty. We agree with the First Minister's Independent Advisor on Poverty and Inequality, Naomi Eisenstadt's assessment that income inequality damages economic growth and has negative consequences for wellbeing and the cohesiveness of societies. Our approach to tackling this will include:

- › realising opportunities across Scotland's cities, towns and rural areas, capitalising upon local knowledge and resources to **deliver more equal growth across the country**;
- › continuing our commitment to promoting **the Living Wage**;
- › working to ensure that the **gains from growth are distributed more evenly** and raising real wages, particularly for those on the lowest incomes;
- › continuing to **tackle inequalities around pay gaps and occupational segregation** in the labour market for women and for other equality groups; and
- › exploring wider **pay-related issues such as pay ratios and transparency** and the negative impact of executive pay processes on investment, growth and productivity.

 17 Scottish Government analysis of the Survey of Personal Income (Public Use Tape).

18 In 2015, 19.5 per cent of employees aged 18 and over in Scotland were earning less than the Living Wage. This is the second lowest rate across the countries and regions of the UK and below the UK average (22.7 per cent).

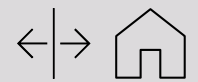
Carers positive scheme

Scotland's 2011 census showed that 11 per cent of over 16s in Scotland had caring responsibilities, with only 56 per cent of those with caring responsibilities also being in employment. We must do more to support those carers in Scotland who can and who want to work and who presently find their caring responsibilities a barrier to doing so.

Operated by Carers Scotland on behalf of Scottish Government, the Carers Scotland Scheme aims to 'make life better for carers' by: giving expert advice, information and support; connecting carers to each other; campaigning with carers for lasting change; and innovating to find new ways to reach and support carers.

For employers, being Carer Positive means that staff can now more easily juggle their caring and work responsibilities, leading to reduced absenteeism, reduced turnover and reduced avoidable recruitment costs. As of June 2016 over 245,000 employees have worked for employers who are recognised as being Carer Positive.





3. ASSESSING OUR FUTURE NEEDS

Our Strategy needs to take account of the evolving economy and societal change if we are to ensure our labour market remains resilient and adaptable to the future needs of both employers and workers.

In its 2016 report on *The Future of Work: Jobs and Skills in 2030*,¹⁹ the UK Commission for Employment and Skills identified a range of trends that would shape future jobs and skills up to 2030 such as:

Societal change:

- ▶ desire for an improved work/life balance and changing work environments, potentially leading to a further increase in flexible working arrangements, with 57 per cent of employees saying flexible working is important to them;
- ▶ changing demographics, which project a continuously ageing population, leading to workplaces becoming increasingly multi-generational;
- ▶ growing diversity, such as women being projected to take a larger share of net job growth in the next decade and an increase in multiculturalism in the workplace; and
- ▶ growth in income uncertainty, with income not expected to return to peak (2009) levels until the next decade and inequality in income, while the proportion of national income accounted for by the highest 0.1 per cent of earners will increase from 5 per cent to 14 per cent by 2030, if trends continue.

¹⁹ UK Commission for Employment and Skills (2016) *The Future of Work: Jobs and Skills in 2030*. Available: <https://www.gov.uk/government/publications/jobs-and-skills-in-2030>

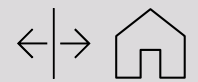
Technology and innovation:

- ▶ converging technologies and cross-disciplinary skills, such as the increasing use of digital technology like bioinformatics in sectors such as Life Sciences;
- ▶ digitalisation of production, meaning production no longer has to be factory centralised. This de-centralisation of production could lead to increases in employment by 100,000 to 200,000 by 2023 (UK);
- ▶ ICT Development and 'big data', with ICT development characterised by performance increases. The amount of data produced by the digital economy is ever increasing and the analysis of this data has the potential to contribute to increased business efficiency; and
- ▶ the increasing automation through technological advance in processes and services in many workplaces, especially in professional tasks, could dramatically reshape the labour market in the future.²⁰

Business and economy:

- ▶ due to globalisation and technological change, economy and financial systems are increasingly complex. Companies will need to make their activities and value chains more resilient to cope with uncertainty;
- ▶ economic power will continue to shift to Asian countries. If current trends continue, India and China will account for 40 per

²⁰ A recent study suggests that overall across the 21 OECD countries, on average 9% of jobs are automatable. www.oecd-ilibrary.org/social-issues-migration-health/the-risk-of-automation-for-jobs-in-oecd-countries_5jlz9h56dvq7-en



cent of all young people with a degree in G20 and OECD countries – with the US and Europe accounting for just under 25 per cent. At the same time Asia presents important growth opportunities for Scottish firms as well as offering increased opportunities to develop educational links; and

- ▶ it is anticipated that collaboration across businesses will be increasingly important in future. Around 40 per cent of global CEOs expect the majority of innovation in the future to be co-developed with partners outside the organisation.

Predicting changes in the Scottish labour market

As a small open economy, our sectors and industries continue to evolve and are shaped by global trends. Over recent decades, Scotland has undergone a period of **structural transformation** from a manufacturing to a service-based economy, where services now account for around 73 per cent of our economy.

Increasing international competitiveness and the mobility of both capital and labour, as well as technological change will have implications for the type of jobs in the labour market. Over the last five years, the greatest increase in employment has been in **professional occupations**, from 16.7 per cent of all employment in 2004 to 19.9 per cent in 2015, an increase of 107,100 jobs.

Employment in **ICT and digital technology** is predicted to increase substantially (84,000 to 150,000) by 2020. The profile of the current workforce is ageing and the proportion of 16 to 24 year olds working in Scotland as IT and telecoms professionals is half that of other occupations. Forecasts suggest that there could be as many as **11,000** job opportunities each year in ICT and digital technology roles presenting a major opportunity for young people. Roles include software and web development, project management and sales.

In other specialised sectors, for example, in **Subsea Engineering** where Scotland has world-leading capabilities largely built up by experience in the North Sea oil and gas fields, this provides development opportunities for a declining jobs market. Opportunities currently exist around research and development in global markets such as subsea mining, defence, decommissioning, renewables and aquaculture.

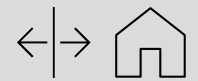
Public sector employment, currently accounts for around one fifth of Scotland's workforce. Our changing demographics, alongside our policies and actions to promote inclusion will have further impacts on the demand for our public sector workforce. This will require a concerted effort on workforce planning particularly around health, social care, education and early years provision (see public sector workforce planning on page 26).

Being adaptable and responsive

We recognise the need to anticipate future trends and economic or societal changes and to be able to adapt and react to them quickly. Our approach will be informed by the best evidence we collect in Scotland, but also by reflecting other international analysis, such as recent work by The University of Oxford and Citi on Technology at Work.²¹

We are aware that issues such as automation and digitisation will have a significant impact over the next few decades. This will mean that the demand for skills and occupations will change as businesses and sectors adapt. This Strategy, and the subsequent outcomes from the Enterprise and Skills Review, will allow us to take forward the analysis of issues like this in the future and help employers respond to them positively, with the support of the Strategic Labour Market Group.

21 http://www.oxfordmartin.ox.ac.uk/downloads/reports/Citi_GPS_Technology_Work_2.pdf



Public sector workforce planning

The public services provide substantial employment opportunities across all parts of Scotland – both directly within the public sector and indirectly through the private and third sector. However, the nature of employment demand across the public services workforce will change in the coming years as a result of key policy commitments.

For example, the most significant new employment demand will come from the expansion of free early learning and childcare provision. This will require a considerable scaling up of the workforce in this sector, with up to an estimated 20,000 additional staff required by 2020 to deliver the commitment. In addition to the quantity of new jobs provided by the expansion it also offers, due to the geographic spread of the employment (with opportunities in all local authority areas) and the range of roles across different qualification levels, a considerable opportunity to further support our ambitions around inclusive growth.

New opportunities will also be created in health and social care through the commitments to:

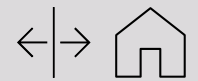
- › recruit an additional 500 health visitors by 2018; and
- › provide further resource to enable local authorities to commission adult social care services that pay care workers the real Living Wage of £8.25 per hour.

There will also be continued demand across all parts of the public services in the coming years as new workers are required to replace retirees and movement between sectors. The nature of this replacement demand will vary across sectors reflecting, in particular, differences in the demographic profile of the workforce.

In addition, the public sector is the largest consumer in the economy and the pattern of its expenditure creates opportunities across the economy. For example, there will be increased demands on the construction sector as a result of the substantial infrastructure development required to support the expansion of early learning and childcare provision, 50,000 additional affordable homes, and the national energy efficiency infrastructure priority.

Meeting these pressures requires coordinated action across public sector delivery partners and key stakeholders to ensure alignment of supply and demand.

Maximising the impact of these new opportunities requires the public sector to attract, train and retain workers, ensuring that these opportunities are open to those in our most disadvantaged communities thereby supporting inclusive growth.



4. DELIVERING THE CHANGE

To achieve our vision, we need coordinated actions for the short, medium and long term which will deliver the changes we want to see. Some of these actions are new; others show how work already underway will relate to this Strategy. However the key difference is the creation of a strategic framework (page 5) through which issues facing the labour market can be addressed and progress measured and delivered in a coherent way, that will evolve and adapt over time.

We face a number of challenges, including:

- › **improving the quality of employment;**
- › **improving productivity and competitiveness;**
- › **tackling inequalities between regions and groups; and**
- › **responding to structural shifts in the economy.**

This is not an exhaustive list, none of these challenges are simple and they are inter-connected. Solutions do not lie in one place and as such, here we describe how the Scottish Government's priorities are being marshalled around our five priorities:

- › **Promoting the Fair Work Framework and Responsible Business;**
- › **Employability and Skills;**
- › **Investment;**
- › **Innovation; and**
- › **Internationalisation.**

These priorities are the ones we see as key in setting out a coherent and wide-ranging response which can address our mutually supporting ambitions of increasing productivity and inclusion, with the promotion of fair work and the creation of good quality jobs right at the centre of this.

Our progress will be measured under a set of outcomes which are defined later in this Strategy.

Our immediate efforts are around the continuing implementation of the Economic Strategy, delivering the Enterprise and Skills Review and ensuring that people understand that Scotland is still open for business, despite the uncertain economic implications of the EU referendum decision.

EU referendum response

The decision to leave the European Union was not one endorsed by the Scottish public, nor has the uncertainty caused been welcomed by Scotland's business community. This Government has a mandate to protect Scotland's interests and ensure a continuing relationship with Europe. We will work with business, trade unions and others to maintain our strong economic performance and to pursue new business opportunities as they arise. Our overriding priority is protecting Scotland's relationship with, and place, in the European Union, and its related economic and social benefits.

We welcome the statement issued jointly by Scotland's main business organisations on 8 July, which made clear that:

- ▶ Scotland's businesses need continued access to the single market and free movement of labour;
- ▶ Scotland's businesses need information and support which is clear, relevant and up to date; and
- ▶ Scotland remains part of the EU and an attractive and stable place to do business, with a fundamentally strong economy.

Those key themes - with social protection and solidarity - will structure the Scottish Government's programme to recalibrate and reinvigorate Scotland's labour market.



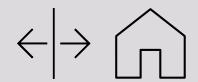
Enterprise and skills review

To enable Scottish Enterprise (SE), Highlands and Islands Enterprise (HIE), Skills Development Scotland (SDS) and the Scottish Funding Council (SFC) to play a full role in supporting the delivery of the priorities in Scotland's Economic Strategy, it is important that they collaborate behind a clear and shared vision; have a common understanding of their roles, responsibilities and what services and investments to prioritise; and use their skills and tools to respond confidently and flexibly to changing economic circumstances.

The Enterprise and Skills Review has been established with three main aims:

- ▶ building on the evidence of 'what works' and national and international benchmarking to achieve the step-change needed in Scotland's economic performance;
- ▶ capturing the user journey and experience to understand what might be simplified and improved; and
- ▶ shaping which services should be prioritised and how they should best be organised and delivered.

The fundamentals of the Enterprise and Skills review are critically linked to success in the labour market. By analysing our evidence and by understanding what is working and what is holding back progress, this Labour Market Strategy will set the context for this review. This will highlight areas where we believe our delivery activity should be focused to make the step changes we want to see around better matching skills to the needs of employers and supporting innovation, productivity and growth.



Promoting the Fair Work Framework and Responsible Business

Treating people fairly in the workplace and valuing their contribution is not just the right thing to do for employees – it makes business sense. It is central to achieving the balance between inclusiveness and growth and it can be the hallmark of Scotland's distinctive approach to the labour market.

Many of the challenges we have set out illustrate that the UK Government's approach is not achieving sufficient improvements in inclusiveness and equality of opportunity within the labour market necessary to deliver inclusive growth. As we do not have the necessary powers over employment law we cannot directly enforce all of the change we would like to see. Where we have powers, or will be receiving them, we will use them to their full extent, for example to promote equality on public sector boards. We will use all the levers that we have, whether around procurement, or through our promotion of fair work, to encourage best practice in these areas.

More and more employers are recognising the benefits that the focus on balancing inclusion and growth brings, not just to the organisation and those who work within it, but to business growth and the bottom line. This is the key to tackling issues like the quality of work, ensuring effective employee voice and making workplaces more equal.

By thinking more explicitly about the way jobs are designed and how people can shape their role and progress through work, we are more likely to be able to address issues around hollowing out. It is also clear that the Scottish Government and its delivery bodies

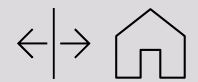
can support employers by linking them to support based on the best available evidence, insight, analysis and research, such as SDS, regional and sector skills investment plans.

Through this Strategy we will put in place new activity and funding to support the promotion and implementation of the Fair Work Framework and foster responsible business by:

- › working with the **Fair Work Convention** to develop a new remit for the second phase of their work with a focus on championing and advocacy for the adoption of the fairer working practices; supporting organisations to embrace the Fair Work Framework and developing new approaches to measuring the impacts of the framework. We will provide up to £500,000 to help support them in the delivery of these ambitions;
- › working with a range of businesses through Business in the Community Scotland by providing them with £200,000 this year to support the **Scottish National Action Plan for Responsible Business**, in close association with the Fair Work Convention;
- › working with stakeholders to help frame how we can best use our new powers around **Employment Tribunals** to ensure that any new system in Scotland, based on the abolition of fees, will meet the needs of employees, businesses and society; and
- › continue to sponsor the **Scottish Business Awards Fair Work Employer of the Year Award**, which aims to recognise and raise the profile of companies that lead the way in adopting fair working practices.

Support employers to be fairer and more inclusive by:

- › developing a **Workplace Equality Fund** which recognises that the labour market does not provide good outcomes for many equality groups. This fund will draw on the recommendations



made in the Race Equality Framework for Scotland 2016-2030 and the findings of the Equal Opportunities Committee inquiry into *Removing Barriers: Race, Ethnicity and Employment*, published in January 2016; and

- › establishing a **Returner's Project** focused so that women can get help updating skills and knowledge and employers can retain skilled staff after a career break.

We will respond to the recommendations in the independent poverty adviser's "Shifting the Curve" report by:

- › working with the Fair Work Convention to look at broad issues around pay, including real wages, pay ratios, and gainsharing approaches;
- › assessing the real economic impact of paying the Living Wage for employers and employees and promoting the benefits of the Living Wage as part of a wider approach to Fair Work and productivity; and
- › continuing to tackle inequalities around pay gaps and occupational segregation in the labour market for women and for other under represented groups.

This is in addition to our existing commitments to:

- › continue our support for the trade union movement, recognising the valuable role that unions have to play in delivering our ambitions. In particular we will provide:
 - £2.262 million in 2016-17 for the **Scottish Union Learning Fund**; and
 - continuing funding of £100,000 to the STUC in 2016-17 to build capacity around leadership and equalities.

- › help more businesses recognise the benefits of paying the Living Wage. We will boost our support for the **Living Wage** with our commitment of £300,000 to the Poverty Alliance to increase the accreditation target to 1,000 by Summer 2017;
- › provide extra resource to enable local authorities to commission adult social care services that pay care workers the real Living Wage of £8.25 per hour;
- › bringing forward legislation on gender balance on public sector boards using the new competence transferred to the Scottish Parliament through the Scotland Act 2016;
- › increase the number of public, private and third sector boards that are gender balanced by 2020 through our voluntary campaign '**The Partnership for Change: 50/50 by 2020**' which enables organisations to signal their intention to work towards gender balance by 2020. Since its launch in 2015 over 180 organisations have signed up to the Partnership;
- › establish an **Advisory Council on Women and Girls** to advise on issues relating to gender inequality, including in relation to the labour market;
- › appoint a **Commissioner for Fair Access** to drive the change that will be needed across the education system and to ensure that the recommendations of the Commission on Widening Access are implemented in full;
- › continue to work with the **Partnership on Health and Safety Scotland**;
- › make it easier for supported businesses to access public sector contracts through the **Procurement Reform (Scotland) Act 2014**, which imposes a sustainable procurement duty on public bodies to consider, before every procurement competition valued at £50,000 or more, how they can carry out that procurement

exercises in a way that facilitates the involvement of supported businesses. We have issued statutory guidance in support of that duty;

- ▶ use our statutory guidance on **'Addressing Fair Work Practices, including Living Wage, in Procurement'**²² to encourage public bodies to promote fair working practices for those who work on public contracts; and
- ▶ continue to support companies who sign up to the **Scottish Business Pledge**, which aims to encourage business to business learning in order to boost productivity, growth and the international outlook of many of Scotland's businesses.



Employability and Skills

Employers need workers who have the skills and commitment to deliver high-quality products and services. In return, employers need to build a business model that offers all workers fair access to a job, security and flexibility, the opportunity to develop and use their skills and role within their organisation, and the understanding that their contribution is heard, respected and valued.

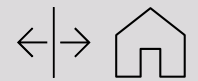
From 1 April 2017, employment support services in Scotland will change. New powers to provide employment support for disabled people and those at risk of long-term unemployment will be devolved to Scotland.

The Scottish Government aims to use these powers to better align employability support in Scotland, helping the unemployed find sustainable and fair work, and focusing on those who need most help to reduce inequality, ensuring the principles of fairness, dignity and respect are at the heart of our new services.

This is also an opportunity to help employers to find, employ, and retain the people they need to help them compete successfully and grow their business, building on the Skills Planning Model, the sectoral Skills Investment Plans in key and growth sectors and the Regional Skills Assessments.

Through these mechanisms, we will ensure employability support and skills provision are firmly aligned with the needs of the Scottish labour market and that industry sectors and the businesses in them, have the skilled employees they need to grow and to succeed.

22 <http://www.gov.scot/Publications/2015/10/2086>



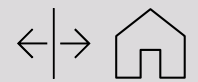
Supporting long-term unemployed people into work by:

- ▶ providing up to £20 million in additional funding in 2017-18 to put in place transitional arrangements offering continuity of support towards employment for those at risk of long-term unemployment particularly those with disabilities and health conditions:
 - replacing the Department for Work and Pensions (DWP) Work Choice services in 2017-18 with new services from current providers in Scotland and ensuring continuity of support for the disabled at a time the employment support they will receive in future through DWP is unclear; and
 - at the same time, working with SDS to replace the DWP Work Programme with a one year transitional employment service in 2017 for those with a health condition and at risk of long-term unemployment who want to enter work;
- ▶ delivering from 1 April 2018 a new devolved employment support programme with additional £20 million Scottish Government funding in each year to supplement the Fiscal Framework settlement; and
- ▶ driving a programme of alignment and integration of employability services across Scotland to ensure that support services build on the strengths we have in service delivery in Scotland. The aim will also be to ensure services are better coordinated around the needs of individuals locally, regionally and nationally.

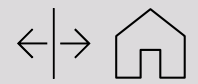
Equipping our young people by:

- ▶ ensuring every child has the same opportunity to succeed, particularly focusing on closing the poverty-related attainment gap. To achieve this we will extend the funding available through the **Scottish Attainment Challenge** to £750 million over the next five years to make demonstrable progress in closing the attainment gap over the lifetime of this Parliament;
- ▶ preparing them for the labour market of the future by delivering on our seven year reform programme, '**Developing the Young Workforce**',²³ to create a truly world class vocational education offer in Scotland working to address the wider demand for intermediate skills that meets the needs of employers;
- ▶ introducing **career information, advice and guidance** earlier through the **Career Education Standard 3-18** which sets out the support young people can expect when considering their future career path. We will continuously improve the existing high-quality services through external review conducted by Education Scotland and supported by SDS;
- ▶ improving delivery of our **Modern Apprenticeship** programme, ensuring that the opportunities our young people are given are closely aligned with key areas of growth;
- ▶ increasing the number of **Modern Apprenticeship opportunities to 30,000 per year by 2020** and delivering 5,000 new Modern Apprenticeships in highly skilled areas, improving access to underrepresented groups across Scotland;

²³ Scottish Government (2014) *Developing the Young Workforce - Scotland's Youth Employment Strategy*. Available: <http://www.gov.scot/Publications/2014/12/7750>



- › consulting with employers on the potential use of any financial settlement we will see from the **UK Apprenticeship Levy**. The Apprenticeship Levy was announced by the UK Government without prior consultation, despite its status as a devolved responsibility. We have therefore been engaging with Scottish employers and launched a public consultation on our use of funds in the future. This engagement has indicated that there is clearly an opportunity to develop a distinctively Scottish approach to the use of Levy funding to both maintain our ambitious approach to the Modern Apprenticeship programme and also to support wider skills ambitions;
- › encouraging and supporting more employers to engage with education and to recruit more young people through the network of industry-led **DYW Regional Groups**. The establishment of the **Scottish Apprenticeship Advisory Board** also brings much greater direct employer influence to the development of apprenticeships in Scotland;
- › **significantly increasing the numbers of young people getting industry experience while still at school** to help them kick-start a successful career. SDS is working in partnership with schools, local authorities, colleges and employers to boost work-based learning. We are currently expanding **Foundation Apprenticeships** opportunities for pupils in the senior phase of Curriculum for Excellence;
- › working with SDS to consider how we might best broaden opportunities for training, re-skilling, up-skilling and encouraging greater levels of **work-based learning**;
- › continuing to develop **Skills Investment Plans** and **Regional Skill Assessments** through SDS and using them as the evidence base to inform the Regional Outcome Agreements to ensure that the provision of skills and training is geared towards the current and future needs of employers;
- › continuing to build on the unique national information sharing arrangements that exist in Scotland to identify, track and monitor 16-24 year olds who need support to get back in to learning, training or work. This approach to using live information to drive service delivery is key to ensuring our resources are targeted at the individuals who need it most;
- › supporting young people aged 16-24 who have been out of work for six months or more by **introducing a Jobs Grant**. The grant is worth £100 or £250 for those who have children. We plan to supplement this cash payment with free bus travel for a three-month period; and
- › developing a **Science Technology, Engineering and Maths (STEM) Strategy** that offers young people qualifications, knowledge and training in key economic sectors with skills gaps such as engineering, digital technology, life sciences and construction. Building on the likes of the successful Digital World campaign which is raising awareness of the variety and attractiveness of careers requiring digital skills and qualifications, we will seek to ensure that, from an early age, children, and in particular girls, are alive to the opportunities that science, technology, engineering and maths can offer them.



Helping people in work by:

- › ensuring that **older workers' needs are considered in the development of new employment services**, some of which will be devolved to Scotland from April 2017. Particular support requirements might include retraining and confidence building, as well as increased support for flexible working. All programmes will be fully person-centred, with support plans being tailored to individual needs;
- › recognising the importance of employment for health and wellbeing. Every year in Scotland too many people of all ages leave the labour market early due to ill health or disability and this trend could increase as our working age population ages. Many of these people say they would like to continue working, and could do so with the right support. We will address this by delivering our **Health Works Strategy**,²⁴
- › helping those at risk of long-term sickness absence return to work through **Fit for Work Scotland** and **Working Health Services Scotland**, which provide holistic approaches to an individual's health condition and work needs to help the individual/employer and health professional work together to create a detailed return to work plan;
- › continuing to fund **Healthy Working Lives** to support employers with measures and workplace policies that can be introduced to promote health, safety and wellbeing in the workplace; and
- › working with SDS to review our **Individual Learning Account** offer. We will ensure the programme is aligned with the needs of individuals and the economy with a greater focus on helping those out of work make a transition into work as well as helping those in low-paid jobs gain additional qualifications to aid their progress.

 24 Scottish Government (2009) *Health Works*. Available: <http://www.gov.scot/Resource/Doc/295517/0091521.pdf>

Investment

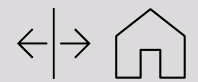
To achieve inclusive growth and reduce regional inequalities across Scotland, it is essential that our national labour market strategy takes account of regional and local variations. We must provide high quality, sustainable digital and physical infrastructure to boost mobility and connectivity to enable all people across Scotland to utilise local knowledge and resources to access high-quality jobs and to realise opportunities across our cities, towns and rural areas.

Investment in education and the careers service can also ensure that our people have the confidence and knowledge to allow them to judge how to be successful in an increasingly polarised labour market and ensure they have the skills to progress.

We must also invest to ensure our regional labour markets provide the necessary skills to allow our growth sectors and sectors of strategic importance to thrive. This is why the First Minister has announced a £100 million Capital Acceleration Programme with a package of measures to provide immediate support to the economy and jobs in the light of the economic shocks we currently face.

Invest in our colleges and universities by:

- › adding to the good progress made over recent years through our **College Reform Programme**, ensuring that the number of full-time equivalent college places is maintained. In 2014-15, almost 11,000 *more* students (both further and higher education) successfully completed full-time courses leading to recognised qualifications than in 2008-09;
- › ensuring college **Outcome Agreements** continue to improve the progress of colleges in meeting the needs of their students and communities, providing a better service for employers, becoming



stronger, more strategic, regional players as part of an efficient and effective education system;

- ▶ continuing to invest in **higher education** provision throughout Scotland, ensuring that access to higher education remains free for Scottish domiciled students taking their first undergraduate degree. We are continuing to support to Scottish Universities, investing over £1 billion per year since 2012-13. The Scottish Funding Council also works with universities through their Outcome Agreements to ensure that the subjects offered align with the skills needed in the labour market; and
- ▶ piloting a programme with the **University of Highlands and Islands** and its college partners to deliver thousands more additional funded places per year from 2012-13 to 2015-16 to address demographic imbalances in the Highlands and Islands. These additional places are aligned to regional needs, through an Outcome Agreement and from 2016-17 onwards these places are included in the University's base allocation.

Invest in our cities and regions by:

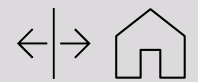
- ▶ continuing to work with local authorities through our **City and Regional Partnership Deals**, which enable long-term strategic approaches to be taken to improve local and regional labour markets. The deals are bespoke to each region and give local authorities the scope to deliver on the priorities laid out within Scotland's Economic Strategy; and
- ▶ helping companies improve their productivity and provide employment within their communities by offering **Regional Selective Assistance** (RSA) to aid those businesses whose projects will directly result in the creation of or safeguarding of jobs especially in areas that are suffering from below average GDP and above average unemployment rates. In 2015-16,

Scottish Enterprise offered £17.1 million of RSA investment to 65 businesses, which is expected to result in the creation or safeguarding of almost 1,900 jobs and total capital investment of around £100 million. Since April 2015, all new recipients of RSA have committed to make a positive contribution to developing Scotland's young workforce.

On top of our commitments to:

- ▶ invest in broadband infrastructure through the **Digital Scotland Superfast Broadband programme**, which will deliver fibre broadband to 95 per cent of premises across Scotland by the end of 2017, we are committed to delivering 100 per cent superfast broadband access by 2021;
- ▶ continue to build on our world leading reputation as a supporter of **social enterprises** by strengthening an ecosystem of support which includes funding for intermediaries such as Social Enterprise Scotland, Social Firms Scotland, Just Enterprise and Developing Markets for Third Sector Providers contracts; and
- ▶ deliver on our **Infrastructure Investment Plan 2015**,²⁵ which sets out how we will deliver key transport and broader commitments including:
 - Aberdeen to Inverness Rail Improvements phase 1, scheduled to be completed by 2019 and overall programme completion by 2030.
 - The Forth Replacement Crossing, scheduled for operation by May 2017.
 - The A9 dualling programme from Perth to Inverness, scheduled to be completed by 2025.

²⁵ Scottish Government (2015) *Infrastructure Investment Plan*. Available: <http://www.gov.scot/Publications/2015/12/5962>



Innovation

Having a thriving and dynamic innovation ecosystem is essential for improved productivity, competitiveness and growth. We are investing in the development and application of research, innovation and technology and supporting entrepreneurial activity – all crucial in shaping Scotland's future and helping to create sustainable economic growth. We are also recognising the increasing links between workplace innovation and increasing productivity.

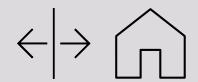
Continuing to encourage and support business innovation will help create the conditions that will allow the opportunities for businesses to thrive, increase productivity and create more jobs.

Bringing academia and businesses together through:

- › our eight **innovation centres** that allow academics and businesses to collaborate to address real world business issues;
- › the Scotland **CAN DO Innovation Forum** will focus our efforts on maximising the contribution that innovation makes to Scotland's productivity and economic growth. The Forum which includes members from business, academia and the public sector, will propose specific actions to boost productivity through innovation; and
- › increasing our investment in **Interface** which helps business create and develop their products, services and processes by connecting them to the right academic expertise within Scotland.

Increasing innovation in Scotland's businesses by:

- › using the Fair Work Convention to identify and promote **innovative and productive workplace practices**;
- › support Scottish Enterprise's recently launched **Workplace Innovation Service** which aims to support companies to increase productivity and business performance by unlocking talent and innovative new ideas from their existing staff;
- › providing £110,000 to support the second year of the **Fair, Innovative and Transformative Work** (FITWork) project, at the Centre for Employment Research (University of Strathclyde) which is working with businesses/employers, employees and unions to design and test innovative ways of working which are focused on improving productivity and performance while enhancing the quality of work. As part of this, they will make available their bespoke online FITwork diagnostic to Scottish Business Pledge and other businesses;
- › using Scottish Enterprise's £2.9 million **Open Innovation programme** to support the development of an open innovation culture across Scotland, by identifying innovation projects and creating partnerships to drive them forward;
- › build on our public/private sector partnership to tackle the digital skills shortage facing our economy through the delivery of the **ICT and Digital Technologies Skills Investment Plan**. Initiatives like the establishment of CodeClan – Scotland's first industry-led digital skills academy – and work to attract international talent to the sector are already helping to address immediate need. Complementing that, we will take a number of actions to broaden the talent pipeline over time and ensure that our education system both responds to and capitalises on the future high quality job opportunities available to young people. New opportunities to develop these skills will also be available outside



school – for example, the new Digital Xtra fund is encouraging girls and other under-represented groups to join coding clubs. Increasing the number of those pursuing technical courses and qualifications across our further and higher education sectors, ensuring these courses remain relevant to industry requirements, will be another key focus (see CodeClan case study on page 38);

- › helping businesses and employers to access expertise to build their skills capacity through the **Skills for Growth** model developed by SDS to help business to up skill or reskill their workforce and we will consider options for expanding that model in future; and
- › continuing to work closely with **Investors in People Scotland** to promote the benefits of Investors in People as a tool for promoting more innovative leadership and management approaches.

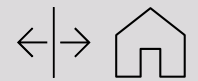
Foster the entrepreneurial spirit by:

- › implementing **Scotland CAN DO SCALE**, an education programme aimed at developing entrepreneurial skills and innovative ideas.

Alongside our existing commitments to:

- › build on our participation in wider networks including in new European partnerships such as the **Vanguard Initiative**, and through organisations such as the Big Innovation Centre;
- › continue to support research and innovation in Scotland's Universities by implementing the **Innovation Scotland Forum Action Plan** to boost academic and business collaboration;

- › help our key industries remain competitive by helping them improve their productivity:
 - Scottish Government, SDS, Scotland Food and Drink and Scottish Bakers are due to launch a **Productivity Action Plan** for the food and drink industry in Autumn.
 - our **Manufacturing Action Plan** sets out our ambition to work with industry to develop concrete initiatives to boost productivity within the industry;
 - develop the approach to raising productivity through **Skills Investment Plans** in sectors such as Tourism and Food & Drink; and
 - make the manufacturing sector more attractive as a career choice for our young people;
- › trial new types of business innovation support through Scottish Enterprise by piloting three place-based productivity projects; digital in Edinburgh, Health and Wellbeing in the Highlands and Islands and Manufacturing in the West of Scotland.



Developing our digital skills – CodeClan; Scotland's first digital skills academy

Scotland's digital sector requires around 11,000 new entrants each year to meet demand for growth as well as replace those leaving the labour market. As a response to this shortage, the Scottish Government, along with public sector partners and industry, has been delivering the recommendations set out in the ICT and Digital Technologies Skills Investment Plan (SIP).

These actions are designed to address and reduce the digital skills shortage facing both the digital sector and, increasingly, all other areas of the Scottish economy. The SIP was designed in partnership with industry, and its recommendations are grouped under four different themes. A key action, under the immediate need theme, was the establishment of Scotland's first industry-led digital skills academy called CodeClan in October 2015.

CodeClan is also the first skills academy worldwide to provide its students with a professional developmental qualification (SCQF level 8). Designed to complement Scotland's further and higher education systems, CodeClan's employer-partner model allows students direct access to employers during their time at the academy.

CodeClan's curriculum is designed with input from industry representatives who advise of their immediate and short-term needs on a rolling basis. This approach enables employers to gain access to the right talent required to allow their business to grow whilst ensuring those entering the sector's workforce have the skills necessary to help them embrace the opportunities of the digital revolution.

CodeClan is also committed to playing its part in reversing the prevalent gender imbalance in digital jobs, with a target to reach at least a 60:40 male-female student ratio once fully established. Within the next two years, CodeClan aims to open locations in Glasgow and northern Scotland to help maximise access to work-ready software developers for industry.

Internationalisation

Internationalisation is key for creating sustainable economic growth and boosting employment within Scotland. Increasing Scotland's international competitiveness and accessing overseas markets is vital to growing our exports and creating sustainable employment opportunities. Equally, attracting foreign direct investment (FDI) brings in employment and investment to Scotland.

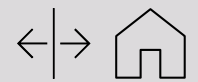
As well as direct employment, FDI brings other benefits in terms of wider employment impacts, increased productivity and the transfer of knowledge, skills, technology and innovation to Scotland; investor companies tend to pay higher wages, be more productive than average and generate around 70 per cent of Scotland's Business Enterprise Research and Development expenditure (BERD).

Scotland's Trade and Investment Strategy (2016-2021) aims to support more businesses to sell more goods and services to a wider range of international markets. It also seeks to attract significant inward, capital and risk investment to Scotland by:

- › continuing work to **increase the value of Scottish exports and the number of exporters**, both to traditional markets in the EU and US, and to growth economies in Asia and the Middle East;
- › piloting **innovation and investment hubs** at key global locations including Dublin, London and Brussels;

- › continuing to **promote Scotland's global outlook** and positioning us as a country which values fairness and progressive people practices; and
- › supporting **Scottish Development International**, in their aims to attract new foreign direct investment and further engage with existing investors whose presence will strengthen and sustain Scotland's growth sectors and supply chains.





5. DEFINING SUCCESS AND ENSURING PROGRESS

Our vision as set out in this Strategy is for a strong labour market that drives inclusive, sustainable economic growth, characterised by growing, competitive businesses, high employment, a skilled population capable of meeting the needs of employers, and where fair work is central to improving the lives of individuals and their families.

To achieve our vision we have identified five outcomes that provide the strategic framework that we will use to measure and ensure the progress we wish to see within the labour market.

- › **A skilled, productive and engaged workforce capable of meeting the needs of employers.**
- › **Equality of opportunity to access work and to progress to ensure everyone is able to maximise their potential.**
- › **Fulfilling, secure and well-paid jobs, where employees' contributions are encouraged, respected and valued.**
- › **Low unemployment and high employment.**
- › **An economy that supports a sustainable working population and that can retain and attract new talent, to meet our wider economic and social ambitions.**

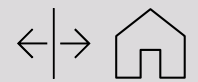
These outcomes do not sit in isolation, they are interdependent and they all have an important role to play in meeting our vision and, moving forward, they will be used as a framework to guide and deliver our actions.

Our vision and outcomes for the labour market support the overarching Purpose of the Scottish Government to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.

Delivery of this Purpose is measured by the **National Performance Framework** (NPF).²⁶ The NPF measures and reports progress in Scotland across a wide range of indicators measuring national and societal wellbeing, incorporating a range of economic, social and environmental indicators and targets. The Purpose Targets that guide the NPF are of direct relevance to this Strategy:

- › **Productivity** – Productivity in Scotland has risen relative to the UK and in real terms since 2007. The gap in productivity between Scotland and the best-performing countries in the OECD has been largely unchanged in recent years.
- › **Participation** – Scotland has the second highest employment rate among the four countries of the UK. Scotland also has the thirteenth highest employment rate in the OECD.
- › **Population** – The population of Scotland is now at its highest ever. Since 2007 Scotland's population has grown by 0.5 per cent a year on average, faster than in the EU-15 as a whole (0.4 per cent a year).

²⁶ Progress against these indicators is published via the online reporting tool Scotland Performs on the Scottish Government's website: www.scotlandperforms.com



- **Cohesion** – The gap in labour market participation between Scotland's best- and worst-performing regions has been reduced between 2014 and 2015 – although the gap remains larger than it was prior to the recession.
- **Solidarity** – Overall, levels of income in Scotland are rising, however, the proportion of income received by the bottom 40 per cent income deciles has remained largely unchanged since 2005-06.
- **Sustainability** – Greenhouse gas emissions in Scotland were 45.8 per cent lower in 2014 than the baseline period, exceeding the percentage reduction required to meet the statutory target (42 per cent) and outperforming the percentage reduction required to meet an 80 per cent reduction in 2050.

Delivery of the Purpose and Purpose Targets is supported by sixteen National Outcomes. Our ambitions for the labour market are articulated in the following National Outcome within the NPF:

“We realise our full economic potential with more and better employment opportunities for our people.”

More broadly, delivery of our labour market outcomes will be vital in achieving a range of national outcomes spanning areas including business and the economy, health, justice and tackling inequality.

These outcomes and targets set out our ambition. Delivery against them is measured by an array of statistical information and performance indicators. In particular, three labour-market indicators have recently been added to the NPF, focusing on reducing **underemployment**, reducing the proportion of employees earning less than the **Living Wage** and reducing the **gender pay gap**. Moving forward, we will marshal and improve this performance information to ensure effective delivery of this Strategy.

Improving our approach to measurement

Our evidence base and level of understanding of these issues continues to grow through the Fair Work Convention, the FIT work programme and a range of other developmental work being undertaken by organisations such as Oxfam.

Building on these and other research in this area, we will seek to measure our performance against the five outcomes, drawing where appropriate on relevant labour market indicators from the NPF and from broader sources.

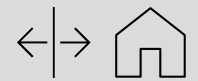
These new sources will include working with the Fair Work Convention to develop employment and work quality indicators that will allow us to track changes in the labour market over time as it relates to Fair Work.

This will be especially helpful in tracking progress towards:

- delivering equality of opportunity to access work and to progress to ensure everyone is able to maximise their potential; and
- to having fulfilling, secure and well-paid jobs, where employees' contributions are encouraged, respected and valued.

As part of this work we will review the data sources available, looking to establish where any gaps may exist, to ensure we have the most accurate possible picture of the labour market. We are committed to collecting good quality data surrounding the labour market and will work with relevant bodies to achieve this.

We will develop a more comprehensive approach to how we are able to measure progress – within the context of our vision and our five outcomes and consider how this is then presented through the National Performance Framework.



Overseeing delivery and development of the Strategy

Through our engagement in developing this Strategy there was a strong focus on the importance of adaptability and resilience to meet future challenges in a changing world. That is why this Strategy is an open framework, and while we highlight key actions and priorities these are not the limit of our ambitions.

This Strategy anticipates some of the continuing economic and social changes that will impact on our labour market. But this situation is dynamic and uncertain. That is why we are establishing a mechanism to ensure that our strategy remains relevant and achievable in an often turbulent and ever-changing economic climate.

To assist Ministers in that, we will establish a **Strategic Labour Market Group** with a membership drawn from business, the third and public sectors employers, from trade unions, from education and skills representatives and from academia. This Group is necessary to ensure that key partners are engaged in an ongoing dialogue about labour market issues which evolves over time. It will advise Ministers on how to respond to future changes and ensure that our partners are engaged in future decision making.

The Group, which will work alongside the independent Fair Work Convention with its refreshed remit, will draw on the experience of the other bodies and groups who are already working in related areas to ensure that it brings a cohesive approach to the consideration of issues surrounding the labour market. This is essential to give an wider overview of activity in a way which does not currently exist.

The Group will work with Ministers to review, mitigate and flex our approach and develop future interventions so that this Strategy remains current, adaptable to change and delivers a fair, inclusive and successful labour market in Scotland.



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