

GOOD PRACTICE

EMBEDDING FAIR WORK IN WORKPLACES ACROSS SCOTLAND

An approach to promoting social
dialogue and living wages

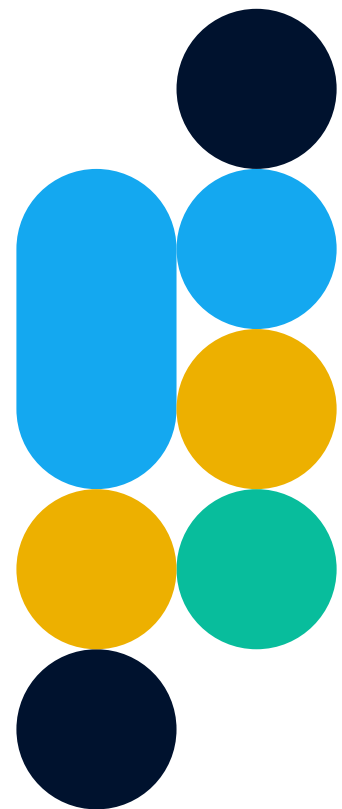


GLOBAL DEAL



EMBEDDING FAIR WORK IN WORKPLACES ACROSS SCOTLAND: AN APPROACH TO PROMOTING SOCIAL DIALOGUE AND LIVING WAGES

The Scottish Government and the Fair Work Convention, both partners to the Global Deal, share the same vision: that by 2025, people in Scotland will have a world-leading working life where fair work drives success, well-being and prosperity for individuals, businesses, organisations and society. To achieve these goals, Scotland has put in place its Fair Work policy, a set of programmes and actions to improve working conditions and advance labour rights by mobilising the power of social dialogue.



1. INTRODUCTION

The Scottish Government, as a devolved government within the United Kingdom, does not have legislative powers over employment law. This means that in order to tackle labour market issues, Scotland must take a strategic approach, using the levers available to promote fair work practices across the economy. The Scottish approach is built on collaboration, engagement and using wider powers and strategic influence to put fair work at the heart of the economic and social programme while driving a just transition to a net-zero well-being economy. At the centre of this agenda, fair work conditionality plays a pivotal role by specifying certain criteria or standards that must be met to ensure that work conditions are fair, just and supportive of workers’ rights.

In February 2014, the Scottish Government commissioned [the Working Together Review](#), an independent review of progressive workplace policies and practices in the public and private sectors in Scotland, focusing on measures that would optimise the relationships

that link trade unions, employers and the government. Following a recommendation from this review, [the Fair Work Convention](#) was established in 2015 to act as an independent advisory body to Scottish Ministers on the Fair Work policy. The Fair Work Convention is founded on the principle of social dialogue and brings together unions, employers and academics to advise the Scottish Government and advocate and promote fair work.

Outlining a vision for fair work in Scotland, the Convention published in 2016 its Fair Work Framework, along with the first report by the advisory body. Fair Work is defined as work that offers effective voice, respect, security, opportunity and fulfilment; that balances the rights and responsibilities of employers and workers; and that can generate benefits for individuals, organisations and society as a whole. The framework is organised into five dimensions, all of them embedded in the Scottish Government’s Fair Work policy.

Figure 1: The five dimensions of the Fair Work Framework



In 2019, the Scottish Government released its initial Fair Work Action Plan, along with action plans on Disabled People's Employment and addressing the Gender Pay Gap. These plans outlined the steps Scotland intends to take to fulfil its vision for 2025.

In 2022, following a public consultation, Scotland published a [Refreshed Fair Work Action Plan](#), recognising the need to revisit

its approach in light of the impacts of the COVID-19 pandemic on the labour market and wider economy. This also provided the opportunity to take an intersectional approach to addressing labour market inequalities. As such, the Refreshed Action Plan incorporates actions on tackling the gender pay gap, the disability employment gap, and is complemented by an [Anti-Racist Employment Strategy](#).

2. SCOTLAND'S FAIR WORK POLICY: THE STRATEGIC CONTEXT

The Scottish Government and the Fair Work Convention are committed to putting fair work at the heart of Scotland's workplaces and economy. [The Fair Work and Business National Outcome](#), incorporated within Scotland's National Performance Framework, serves as a means to measure and showcase this vision. It aids in the establishment and attainment of policy goals by providing the legislative and operational foundations required. This vision is measured and demonstrated through the Fair Work and Business National Outcome included within the country's National Performance Framework, which helps Scotland develop the necessary legislative and operational structures to help set and achieve its policy. Furthermore, each action outlined in this plan is accompanied by indicators and aligned with a measurement framework to ensure the desired outcomes are effectively achieved.

Scotland's Fair Work policy is underpinned by the principles of equity and equality of opportunity

for all regardless of any individual or group characteristics. As such, fair work practices are crucial at both individual level for worker and employer outcomes, and at a strategic level for Scotland's economic performance. By achieving equality of opportunity for all to access and progress in work, fair work can drive productivity, release untapped potential and inspire innovation.



Achieving this vision is a journey which demands a continuing shift in culture and values in the approach to work and workplaces. Many employers are at the forefront of this transition and have demonstrated the strengths of a Fair Work approach. Moreover, Fair Work is relevant beyond the workplace and supports positive outcomes in all parts of society. This

is why Fair Work is central in the Scottish Government's ten year National Strategy for Economic Transformation ([NSET](#)), the Tackling Child Poverty Delivery Plan ([Best Start, Bright Futures](#)), and [the National Planning Framework](#).

3. CHALLENGES IMPACTING THE SCOTTISH LABOUR MARKET

The exit from the European Union, the impact of the COVID-19 pandemic, and the ongoing cost of living crisis are placing huge burdens on employers. While the unemployment rate (aged 16+) remains low, Scotland's economic inactivity rate (aged 16-64) is higher than the United Kingdom (22.6% compared with 21.7%)¹ and many sectors are continuing to experience labour shortages.

Despite the relatively tight labour market driving record high nominal wages, soaring inflation rates have subdued real earnings growth. The escalating cost of conducting business has led to substantial burdens passed onto consumers and customers. This situation can further worsen pre-existing structural inequalities within the labour market, including in-work poverty, particularly for disabled people, women and people from racial minorities.

These challenges permeate all the dimensions of Fair Work, but they also highlight why Fair Work is now more important than ever, and can offer a solution to addressing these challenges.



1- Source: Annual Population Survey, April 2022-March 2023, ONS

4. PROMOTING FAIR WORK AND LIVING WAGES THROUGH SOCIAL DIALOGUE

Realising the Fair Work policy is a key priority for the Scottish Government and constitutes a central element of any exchange of information or negotiation with workers and employers, making it one of the main topics addressed by social dialogue.

Through the integration of social dialogue, employers have the opportunity to engage in active and constructive negotiations with workers and their representatives. This collaborative approach enables social partners to improve working conditions and achieve living wages for all workers. By actively involving workers and employers in these discussions, their perspectives and needs are given the necessary attention during the formulation of wage and other work-related policies. As a result, this inclusive process promotes fair work conditions and contributes to the overall enhancement of workers' well-being.

The Fair Work's dimensions (see Figure 1), will manifest in different ways in different workplaces aiming to balance the rights and responsibilities of workers and employers. They should be visible in the attitudes, behaviours, culture and policies and practices within an organisation – demonstrating the value placed on fair and equal opportunity in work. These dimensions are supported by Fair Work First, Scottish Government's flagship policy for advancing fair work.



Paying the living wage is important to Allied Vehicles because we want to make sure our staff feel valued – especially in times like now, when the cost of living is rising. We want to look after our staff both from the local community, which is one of Scotland's most deprived areas, and from further afield. It's important for us that we do everything we can to help ease our employees' worries about money and about the cost-of-living crisis.

Peter Facenna, Managing Director at Allied Vehicles Group

The living wage has made a huge difference personally to myself and family as I am the only income in my household, my wife is the carer for our son who has additional support needs. While there is a cost-of-living crisis, knowing Allied Vehicles has committed to being a living wage employer helps to take the burden from a lot of people with regards to utility bills, food, fuel and rent or mortgages. Things are tight just now for a lot of people, and it shows that Allied Vehicles are prepared to go that extra mile investing and showing faith in the workforce.

Kenny Preston, Machine Operator at Allied Vehicles Group

BOX 1: FAIR WORK FIRST CONDITIONALITY – A KEY LEVER

Fair Work First is among the policies implemented by the Scottish Government to foster fair work practices. Its core objective is to ensure that grants, funding, and contracts within the public sector adhere to equitable working conditions and requirements. It is the Scottish Government's flagship policy for advancing fair work by applying fair working conditions or requirements to grants, other funding and contracts awarded across the public sector. These criteria include investment in workforce development, no inappropriate use of zero hours contracts, flexible and family-friendly working practices to all employees, opposition to fire and rehire practices, payment of the real living wage and appropriate channels for effective workers' voice. While most criteria can be only strongly encouraged within the limits of devolved competence, the two last conditions are mandatory as of July 1 2023, and Scotland published the updated Fair Work First guidance to support the adoption of this new requirement.

The Fair Work First criteria align with the dimensions of Fair Work, and are focused on:

- Providing a decent standard of living and income
- Offering security of contract, including hours and earnings; other entitlements including sick pay and pension
- Fostering an environment where workers' views are actively sought, listened to and can make a difference, including through a stronger role for trade unions
- Giving opportunities for all to learn, develop and progress
- Creating a healthy and safe environment, where individuals' well-being is actively supported
- Enabling people to have a good work-life balance
- Supporting people to feel valued and respected and that they have a sense of purpose in work and wider society
- Promoting innovation and productivity

Fair Work First is further depicted in the [Global Deal's 2022 Flagship Report](#), with a focus on the Fair Work criteria and showcasing how social dialogue can advance fairer work conditions, including living wages.

What Fair Work can help achieve

Fair Work criteria can reinforce each other, creating a virtuous circle of positive practices, behaviours, attitudes and outcomes that can help organisations to remain competitive and to grow and prosper, and creating a culture which ensures workers are treated fairly.

Fair Work is key to supporting people and business to flourish and is critical to achieving a modern, high value, inclusive economy – today and in the future. Enabling a more inclusive, people-centred culture of work which supports workers and employers to shape

their organisations together, and to develop the skills needed for a successful future, is key. Talented people are at the heart of every successful operation. By creating the conditions for workers to develop and utilise their skills, Fair Work can enable workers to play a full and active role – underpinning high productivity, performance and innovation and contributing to healthier, wealthier and more inclusive societies.

[Research](#) by Carnegie UK and the RSA shows that higher-quality work, including higher pay, leads to increased satisfaction, motivation, and workplace productivity. Similarly, a [report](#) by the London School of Economics Centre for Economic Performance found a positive correlation between employee satisfaction, well-being, and productivity.

Integrating these findings into the concept of Fair Work highlights the importance of creating conditions for worker development, enhancing productivity, and contributing to healthier, more inclusive societies. Fair Work fosters an inclusive, collaborative work culture that empowers workers and employers to shape successful organisations. Ultimately, Fair Work enables talented individuals to fully engage, driving productivity, innovation, and overall well-being.

Fair Work is an agenda for all and requires employers to go beyond statutory employment rights and protections, including in relation to workplace equality. The principles of Fair Work hold true for all workers: direct employees as well as others who are paid to work for and on behalf of an organisation.



5. HOW SCOTLAND HAS ADVANCED FAIR WORK

Through its [Fair Work Policy](#), the Scottish Government is taking action to improve workers' rights by:

- Promoting social dialogue – including through conditionality as well as supporting trade unions and promoting collective bargaining: for instance, these collaborative efforts were embodied in the Fair Work Agreement between Scottish Ministers and Civil Service Trade Unions.
- Mainstreaming Fair Work across all ministerial portfolios. From 8 June 2023 to 6 July 2023, the Scottish Government undertook a social media campaign aimed at promoting the benefits of Fair Work to employers and encouraging them to embed Fair Work principles in their business. Prior to the campaign, the Cabinet Secretary for the Well-being Economy, Fair Work and Energy, Neil Gray MSP, wrote to ministers to advise them of the campaign and highlight the importance of collective cross-government promotion of Fair Work during engagements with employers.
- Applying conditionality to public grants and contracts, through focused criteria designed to respond to specific challenges in the labour market. Through Fair Work First, Scotland implemented these criteria to some £4bn of public funds since 2019.
- Creating more diverse and inclusive workplaces – supporting women, racialised minorities and disabled workers. Studies have demonstrated that companies with executive teams ranking in the top quartile for ethnic and cultural diversity are 33% more likely to achieve industry-leading profitability (see full report [here](#)).
- Promoting the access of disabled workers into the labour market. For instance, Scotland

has invested £1 million into its Public Social Partnership to help address the disability employment gap and to improve the recruitment and retention rates for disabled people by developing and testing different types of support for employers.

- Furthermore, Scotland's Workplace Equality Fund, first launched in 2018, is aimed at removing labour market barriers for certain priority groups including the over 50's workforce, racialised minorities, disabled people and women. For 2022-23, 13 projects received funding of over £750,000.
- Addressing the gender pay gap is of utmost importance to the government of Scotland. According to calculations by [Close the Gap](#) (based on a report by McKinsey & Company), the potential economic value of closing the gender gap in employment for the Scottish economy exceeds £17 billion. In 2022, Scotland's Gender Pay Gap for full-time employees, although estimated to have increased slightly by 0.7 percentage points since 2021 (from 3.0% in 2020 to 3.7% in 2021), is still below pre-pandemic levels in 2019 (7.2%), continuing the longer term downward trend. The proportion of women (employees aged 18+) earning the real living wage or more has increased from 83.9% in 2021 to 89.7% in 2022, continuing the upward trend seen since 2018².
- Taking a sectoral approach to promoting Fair Work – including through sectoral workplace guidance published during the COVID-19 pandemic (such as the hospitality, education and health care sectors), all of which were developed through collaboration between government, sector representatives and trade unions.

- Working with employers and trade unions in sectors where low pay and precarious work can be most prevalent (including leisure and hospitality, and early learning and childcare) to deliver sectoral Fair Work agreements, in partnership with industry and trade unions, that deliver payment of the real living wage, better security of work, and wider Fair Work First standards. Data published in October 2022 by the Office for National Statistics shows that the proportion of employees aged 18 and over in Scotland paid the real Living Wage or more, in April 2022, was 91.0%, an increase from 85.5% in 2021 and continuing the upward trend seen since 2018. The number of accredited Real Living Wage employers is up from 14 in 2014 to over 3,200 in 2023. Some 61,000 workers in Scotland have had a pay rise as a result of accreditation, making a real impact for people in the lowest paid jobs.

- Increasing the number of people with secure pay and contracts through living wage and Living Hour Employer Accreditation.

- Supporting implementation of the recommendations from the Fair Work Convention's sectoral inquiries in relation to fair work practices. Launch of [the Construction Accord](#) for the sector in Scotland, underlining the principles of Fair Work and driving forward its practices and tackling the specific Fair Work context the construction sector operates in.

- Putting Fair Work at the heart of [the National Strategy for Economic Transformation \(NSET\)](#), which aims to reorient the Scottish economy towards well-being and fair work, and to deliver higher rates of employment and wage growth, including for those who may face challenges in accessing the labour market. The Scottish government, in line with its commitment to enhance Fair Work conditionality in public sector grants, is introducing a requirement for grant recipients to ensure that their employees receive at least the Real Living Wage and establish

suitable channels for facilitating effective worker input.

- Committing to Fair work in the country's trade policy through Scotland's [Vision for Trade](#). To date this has included developing a Green Freeport model which will deliver two Green Freeports in Scotland, establishing hubs for global trade and investment, whilst simultaneously embedding a Fair Work First approach and exemplifying progressive best practice. In addition, recognising that there are winners and losers from trade shocks, trends and policy, which can affect employment and well-being, Scotland is in the process of building its evidence base on the differential impacts of trade. In the last year, for example, the government has engaged with a range of other administrations to gather insights from best practices. This year Scotland intends to build on this work, including by identifying practical actions the Scottish Government could take to increase the benefits of trade for women.



BOX 2: LIVING HOUR EMPLOYER ACCREDITATION – HOW TO ACQUIRE IT?

To become an accredited Living Hours Employer, organisations must ensure the following for both directly employed staff and third-party contracted staff:

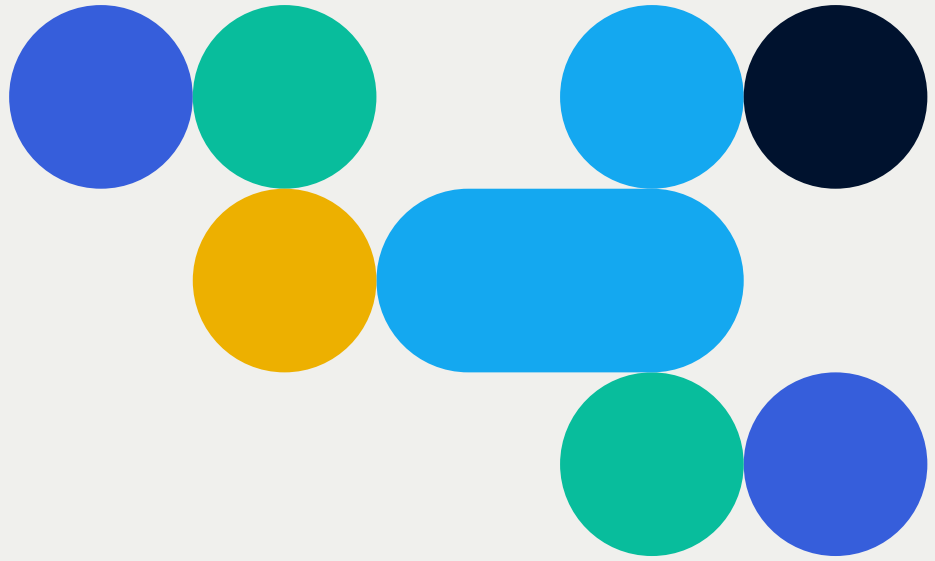
- Adequate notice periods for shifts, ensuring a minimum of 4 weeks' notice.
- The employment agreements should precisely reflect the regular working hours of the employees.
- Unless otherwise requested by the worker, there should be a guaranteed minimum of 16 hours per week in their employment.

The Living Hours Accreditation Programme, launched by the Living Wage Foundation in 2019, is supported by the Scottish government.

The number of employers accredited as real Living Wage employers has risen significantly, increasing from 14 in 2014 to over 3,200 in 2023. By targeting employers that will see their workers' pay being uplifted, this accreditation has resulted in a pay raise for approximately 61,000 of the lowest paid workers in Scotland. This serves as tangible evidence of the profound impact that progress in this field has on individuals in low-paid positions.






More information is available on scottishlivingwage.org.





THE GLOBAL DEAL FOR DECENT WORK AND INCLUSIVE GROWTH

The Global Deal is a multi-stakeholder partnership of governments, businesses and employers' organisations, trade unions, civil society and other organisations for the promotion of social dialogue and sound industrial relations as effective means for achieving decent work and inclusive growth. The Global Deal enables knowledge sharing, facilitates policy discussions, strengthens the capacity of partners to engage in dialogue, and produces evidence-based research. As a unique action-oriented platform, the Global Deal accelerates positive change by encouraging partners to make voluntary commitments to advance social dialogue.

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