



7. Enabling fair work, productivity and inclusive growth: lessons from Scotland

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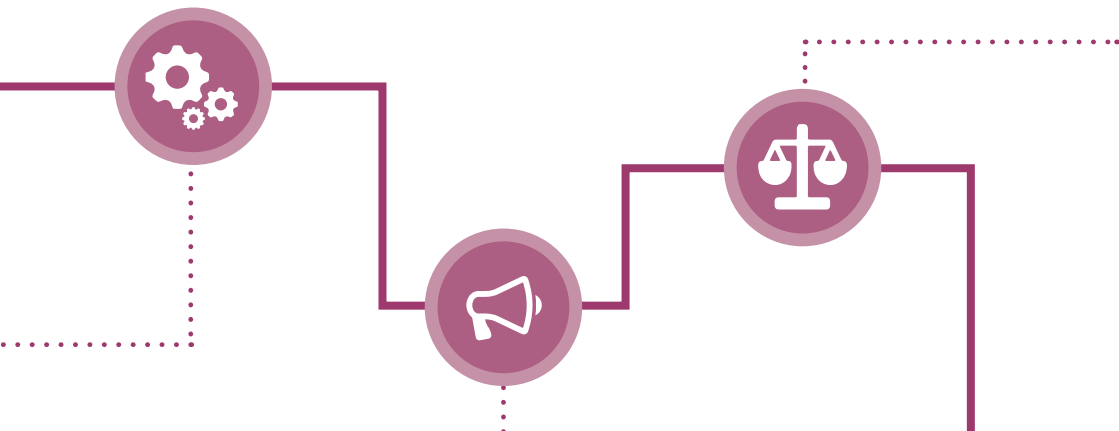
Introduction

Fair work – that offers opportunity, security, fulfilment, respect and effective voice, and that centres on reciprocity and mutual benefit – lies at the heart of policy priorities in Scotland aimed at driving productivity, growth and inclusion¹. Fair work is explicitly embedded in the activities, strategies, policies, practices and performance indicators of the Scottish Government and its public agencies. Crucially, fair work is increasingly recognised as important by employers, employers' organisations, trade unions, campaigning and civil society organisations, fuelling a constructive and challenging debate across civic Scotland.

This hasn't happened overnight. The fair work agenda in Scotland builds upon multiple stakeholder networks (researchers, unions, employers, policymakers and campaigning organisations) that acknowledge the centrality of work and workplaces to economic, social and civic life, and the need to engage holistically with distinct stakeholder interests and objectives

in addressing complex problems that require innovative solutions. These 'wicked' problems span low relative productivity and innovation; low pay, unequal pay and in-work poverty; under-employment and skills under-utilisation; work intensification; income inequality and limited social mobility². Addressing the potential benefits of fair work for productivity involves focusing on the need for supportive management practices that harness the productive potential of labour.

This essay makes four key arguments about the crucial need for, and role of, fair work. The first is that fair work is necessary to deliver inclusive growth. The second is that a commitment to fair work drives a better approach to value creation and capture and is a choice (within constraints) that employers can make. The third is that employers are the primary actors in delivering fair work: as key decision makers, their choices of business models, technology adoption, and management and HR practices *really* matter. The fourth is that constructive engagement between key workplace stakeholders supports employers in delivering fair work.



Fair work is key to delivering inclusive growth

As inclusive growth has gained traction in policy debates, definitions³ have focused heavily on two components: improving opportunities to participate in economic life and the need to benefit from this participation. These are, of course, linked because participation without sharing in benefits makes growth unjust, while benefitting without participating in economic life represents a welfare approach rather than an approach to growth⁴. Implicit in discussions of inclusion is a growth effect that is hoped to arise from more people engaging in economic activity and from the positive wider economic benefits thereof.

However, what is missing is what comes between participating in economic life and sharing in its rewards – that is, the process of creating value. Fair work spans all three key elements of inclusive growth: by ensuring that workers have first, opportunities to participate on equal terms in work, second, that they have a constructive role in the value creation that participation entails, and third that they are able to derive benefits from the distribution of that value⁵. The workplace is, therefore, the crucial domain in bridging inclusion and growth.

The cost to individuals of not having fair work is often plain to see. But businesses also miss out on the benefits that fair work brings: more engaged, committed and adaptable workers who identify

challenges, solve problems, offer insights and ideas for business improvement and who create more value. Governments and society miss out on tax revenues, and on returns from education and skills investment.

Employers are the key actors in fair work

Employers are at the heart of how fair work might better create value and drive productivity. It is employers who make the decisions that govern the character of work and workplaces, largely unconstrained by policy beyond statutory minimum standards. This is not to underestimate the potential power of regulation, but to recognise its inevitable ‘bluntness’ as a driver of change within widely heterogeneous businesses. It is also to recognise widely differing appetites in the UK for regulating the labour market and workplaces, and that employment law and corporate governance powers are reserved to Westminster.

Whether or not individuals can access fair work isn’t down to the luck, nor is it simply a reflection of their individual talents, skills, qualifications and effort. Employers’ decisions shape the kind of work that is available. Those decisions are constrained but crucially, the constraining factors do not determine the fairness or otherwise of work. Businesses even in the same sectors can – and do – make quite different decisions that shape the nature of work. Of course, some employers choose

business models that are in character inimical to fair work. Where this is the case, more effective regulation and enforcement may be needed to make a difference, as these employers are unlikely to be responsive to persuasion and soft influence.

Fair work is a choice employers can make

Employers as key decision makers can choose to achieve their aims through committing to fair work. Fair work can drive a distinctive – and better – approach to creating value and sharing it. Recent work by Findlay *et al.*⁶ highlights employers' choice of business models that 'design in' practices to reduce in-work poverty that enhance employee performance and business outcomes.

Positive choices are available to employers across all five fair work dimensions – opportunity, security, fulfilment, respect and effective voice – that can enhance business performance and productivity directly and indirectly. Employers who support fair opportunity to enter, develop and progress in work can benefit from better

reputation, recruitment and retention, and from having a more diverse workforce with a richness of talent and ideas. Management and HR practices that promote security and stability of employment, income and working hours can reduce turnover; increase returns from investment in training; generate trust and commitment; increase willingness to learn, adapt and change; and the discretionary behaviours that support productivity improvement. By providing fulfilling work that underpins self-belief and self-worth, employers can support improved task participation, and where work is designed to harness skills and talents, this helps unleash creativity and innovation. Ensuring respect at work and ensuring dignified treatment enhances health, safety and wellbeing, with positive implications for productivity. Respectful relationships at work improve communication and social exchange, encourage idea generation and learning and can support workplace cohesion, all of which can improve performance and productivity. Crucially, where employers seek out and listen to employee voice and support staff participation in decision-making at work, staff are more likely to resolve problems and conflicts, and to contribute creatively to performance.



The role of collaboration, challenge and constructive engagement by stakeholders

Notwithstanding employers' central role, a complex ecosystem of actors and institutions can support and challenge employers to deliver fair work. The establishment of the Fair Work Convention (FWC) in 2015 and the launch of its Fair Work Framework in 2016 were defining moments for fair work in Scotland. The FWC's role is to advise Scottish Government and to advocate for fair work. The advice focuses on how Scottish Government might use any policy levers at its disposal to support fair work and how it might influence the UK Government. The advocacy connects the FWC to employers and their representatives, unions, employees, public agencies and bodies, regulatory and professional bodies, campaigning groups and civil society organisations.

A number of actions clearly signal the degree of government, and First Ministerial, commitment to making fair work a reality. These include the Scottish Government's acceptance of the FWC's Framework; its attention to fair work across a range of its policies and priorities; the requirement to help deliver fair work placed on public agencies; the development of a wide-ranging Fair Work Action Plan within government; and, notably, the incorporation of fair work measures within government performance indicators. 'Quality jobs and fair work for all' is enshrined in as one of 11 national outcomes in

Scotland's National Performance Framework, which sets out a vision of national wellbeing and charts progress towards this through a range of social, environmental and economic indicators.

The approach of the FWC has been voluntarist and social partnership-oriented – winning over employers to fair work by presenting its positive impacts on business; adducing and assessing evidence to identify what works best; sharing best (and worst) practice; engaging in continuing dialogue on areas of agreement and disagreement; and having a voice that engages with different groups of workers, different sectors and sizes of business, and with the many different challenges that employers currently face. These activities entail practice, policy and research challenges, but also highlight the opportunities and potential of fair work to address real issues relating to labour supply, economic uncertainty, automation, demographic change and environmental sustainability.

Improving and enhancing what happens in work and workplaces is, or should be, a key focus of public policy. The delivery of fair work can be shaped through business support, economic development and skills provision; the creative use of procurement approaches and grant funding (Fair Work First⁷); and by nudging employers towards fair work as an important component of social legitimacy and business responsibility. Policymakers can also use their influence to deter business approaches where there is little reciprocity, where workers

carry the burden of risk or where negative outcomes require remedial action by the state.

A crucial part of the fair work agenda is to establish common cause with trade unions, consumers, campaigning organisations, civil society organisations and communities, and to increasing their engagement with businesses and other employers. The Working Together Review⁸ that advocated the establishment of the FWC made a clear statement about the contemporary relevance of trade unions who are acknowledged as legitimate actors and important resources in the pursuit of fair work. Unions have engaged constructively with the fair work agenda, recognising their own members' priorities but also employer and sector pressures, as the FWC's recent Inquiry into social care⁹ illustrated.

Conclusion

Fair work in Scotland is an aspirational agenda steeped in workplace practice and experience. At its heart is an explicit recognition of the need to balance the rights and responsibilities of all workplace stakeholders and to build mutual benefit for workers, employers and society. All five dimensions of fair work support enhanced value creation and are inextricably linked to wellbeing.

Although considerable progress has been made, there is a long way to go to achieve Scotland's ambition to be a world leading fair work nation¹⁰, and delivering fair work remains challenging, requiring patience and perseverance. Capturing impact is complex, but measuring progress remains important to delivering on this ambition. The fair work agenda affords an enormous opportunity, but it also brings a significant responsibility for stakeholders to be creative, develop new thinking, identify new solutions and develop their own internal capability. The emerging debate on fair work in Wales, and good work at UK level, offer important opportunities for learning from similarities and differences of approach. Crucial to the progress of fair work is embedding it in the architecture of government and in the narratives of employers, workers, unions and citizens.

