

## **Fair Work Convention's Response to:**

# **'Measuring Scotland's Performance as a Leading Fair Work Nation'**

**Undertaken by Alma Economics**

**October 2023**



# Introduction

The Fair Work Convention is an independent body which brings together employers, trade unions and academic expertise. The Convention's role is to:

- Provide impartial advice and recommendations on fair work to Scottish Ministers, and
- Advocate and promote fair work.

Within the Fair Work Framework (2016), the Fair Work Convention sets out a vision that, “by 2025, people in Scotland will have a world-leading working life where fair work drives success, wellbeing and prosperity for individuals, businesses, organisations and society”<sup>1</sup>. The Scottish Government shares this vision and has restated it in on a number of occasions including in the Programme for Government 2023/24.

This paper sets out the Convention's view of what can be learned from research undertaken by Alma Economics and outlines our advice to the Scottish Government on how to support progress in becoming a leading Fair Work Nation by 2025.

## The Research

The Fair Work Convention commissioned Alma Economics to carry out independent research. The research provides 3 key outputs:

1. Updated indicators in the Fair Work Measurement Framework
2. A new International Fair Work Nation Framework
3. Useful lessons in areas where Scotland is lagging behind countries that are showcasing leading performance in fair work.

## Fair Work Measurement Framework

The refresh of the Fair Work Measurement Framework<sup>2</sup> shows that there has been improvements in some areas of fair work in Scotland, but progress has not been uniform. Out of the 45 indicators considered, 19 have improved, 10 have worsened, and 14 have fluctuated or remained broadly stable. For two newly added indicators (career progression, and discrimination, harassment and bullying at work), there is no data from previous years.

Three dimensions of fair work (opportunity, security and fulfilment) saw overall improvements in their indicators, while two dimensions of fair work (respect and effective voice) saw overall mixed performance.

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<sup>1</sup> Fair Work Convention (2016), [Fair Work Framework 2016](#)

<sup>2</sup> Alma Economics (2023), [Measuring Scotland's Performance as a Leading Fair Work Nation](#)

Within the Fair Work Measurement Framework measures there were a number of interesting findings<sup>3</sup>.

Positively:

- There was a significant decrease in the proportion of employees earning less than the Real Living Wage, which now sits at 9% (2022).
- The gender pay gap almost halved since 2016 from 6.4% to 3.7% in 2022.
- Involuntary self-employment fell from 3.7% in 2016 to 2.0% in 2022.
- The ethnicity employment gap fell from 16.3 p.p in 2016 to 11.7 p.p in 2021, while the ethnicity pay gap declined slightly from 7.5% in 2016 to 5.9% in 2021.

More negatively:

- Between 2016 and 2021 the prevalence of self-reported stress, depression or anxiety caused or made worse by work more than doubled.<sup>4</sup>
- The percentage of employers who provided training to their employees has fallen from 73% in 2017 to 70% in 2021.
- Access to flexible working improved slightly since 2016 but 75.9% of workers in 2022 still have no access to flexible working.
- The disability pay gap increased from 13.7% in 2016 to 18.5% in 2021.
- The use of Zero Hours Contracts increased from 2.2% in 2016 to 3.4% in 2022.

The new International Fair Work Nation Framework builds on the Fair Work Measurement Framework, helping us understand comparative performance across a range of indicators.

## International Fair Work Nation Framework

The International Fair Work Nation Framework<sup>5</sup> compares Scotland's performance to that of Denmark, Belgium, Austria, Finland, Iceland, Ireland, the Netherlands, and England. The comparator countries chosen offer a stretching yet realistic benchmark for Scotland, incorporating a range of countries that are a similar size and with a similar GDP and where comparable data is available. The nations chosen have a variety of institutional contexts and many have positive performance across a number of the indicators, providing a range of strengths and weaknesses to learn from.

The framework includes 14 indicators, of which 13 are drawn from the Fair Work Measurement Framework and one, low pay, is unique to the International Fair Work Nation Framework due to the complexity of comparing rates of pay between countries. Overall, the limited selection of indicators reflects issues of data

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<sup>3</sup> Alma Economics (2023), [Measuring Scotland's Performance as a Leading Fair Work Nation](#)

<sup>4</sup> From 1,340 per 100,000 workers in 2013/14-2015/16 (3-year average) to 2,860 per 100,000 workers in 2019/20-2021/22 (3-year average)

<sup>5</sup> Alma Economics (2023), [Measuring Scotland's Performance as a Leading Fair Work Nation](#)

comparability at an international level. In spite of this, it provides an indication of performance across the fair work dimensions.

The heatmap below<sup>6</sup> shows the relative performance of each nation across the selected range of fair work indicators.

International Fair Work Nation Framework: Heatmap

	Scotland	Austria	Belgium	Denmark	England	Finland	Iceland	Ireland	Netherlands
Disability Employment Gap	31.2	26.3	38	7.9	25	22.2	No data	41.3	25.8
Gender economic inactivity gap	6.2	8.6	8	6	7.3	3.1	5.5	9.5	6.9
Youth unemployment rate	10.2%	12.0%	18.2%	10.8%	12.8%	17.1%	12.0%	14.5%	9.3%
Workplace non-fatal injuries	1630	1416.5	2234.9	2565.2	1800	4025.1	553.1	526.3	997.1
Work-related ill health and disease	4.9%	13.2%	9.5%	9.0%	5.1%	25.7%	9.4%	3.1%	7.4%
Gender pay gap <sup>7</sup>	11.6%	18.8%	5.0%	14.2%	16.2%	16.5%	10.4%	9.9%	13.5%
Underemployment	6.3%	3.5%	6.0%	3.9%	7.3%	6.7%	3.8%	5.8%	7.2%
Permanent employment	95.0%	91.0%	89.7%	89.1%	94.4%	83.7%	83.8%	89.6%	71.8%
Involuntary non-permanent work <sup>8</sup>	28.7%	3.7%	29.8%	16.8%	28.9%	25.0%	7.6%	17.2%	15.8%
Involuntary part-time work	13.7%	9.2%	21.4%	9.3%	11.8%	31.6%	15.4%	12.6%	3.7%
Low pay	9.6%	14.7%	11.5%	8.7%	No data	8.6%	7.6%	18.0%	6.5%
Skills underutilisation - overqualification <sup>9,10</sup>	29.0%	20.0%	10.8%	17.1%	No data	8.4%	23.2%	10.6%	15.0%
Trade union membership	29.3%	26.2%	49.1%	67.0%	22.1%	58.8%	91.4%	24.9%	15.4%
Collective bargaining <sup>11</sup>	38.1%	98.0%	96.0%	80.3%	24.8%	89.2%	90.0%	34.0%	75.6%
<b>Average ranking</b>	<b>4.9</b>	<b>4.6</b>	<b>5.6</b>	<b>4.1</b>	<b>5.9</b>	<b>5.6</b>	<b>3.7</b>	<b>5.1</b>	<b>4.5</b>

<sup>6</sup> Alma Economics (2023), [Measuring Scotland's Performance as a Leading Fair Work Nation](#)

<sup>7</sup> Data from 2021 for all countries, except for Ireland for which data is from 2020.

<sup>8</sup> Data from 2021 for all countries, except for Iceland for which data is from 2019.

<sup>9</sup> For this indicator, we use United Kingdom data for Scotland due to data unavailability.

<sup>10</sup> Data from 2019 for all countries except for: (i) the United Kingdom (2020), and (ii) Denmark and Iceland (2018).

<sup>11</sup> Data from 2019 for all countries except for: Denmark and Finland (2018 data), and Ireland (2017 data).

The International Fair Work Nation Framework helps us understand areas where Scotland is performing well with reference to comparable nations and helps us identify areas where improvement is required. Moreover, the International Fair Work Nation Framework offers us learning and insight from comparable nations on how improved practice can be achieved.

## International Learning

Based on a rapid literature review, the researchers set out a group of policies which appeared to be driving strong performance on one or more indicators in particular nations, from where Scotland could consider learning<sup>12</sup>. The policy areas include:

- Active Labour Market Policies, including training, job search support, job creation schemes, and other specialised support programmes.
- Family Support policies, including parental leave and childcare support.
- Health, safety and well-being at work policy and best practices.
- Firm-level gender equality enforcement in the workplace policies.
- Trade Union and Collective Agreements, building on the Scottish Government's already stated intentions within fair work.

Scotland's institutional and legislative environment is unique, as is the Scottish Government's limited control over employment law. Despite this, understanding better what works in other contexts can support improved practice in Scotland. It is also important to recognise the elements of devolved powers that can be used to support meaningful progress and meet our aspirations around fair work.

The Fair Work Measurement Framework and the International Fair Work Nation Framework are complementary and both offer important guidance on how to strengthen fair work outcomes in the Scottish economy. When making recommendations, therefore, the Convention has considered findings from both frameworks.

## Becoming a leading Fair Work Nation

As the research illustrates, the nature of fair work is complex and cannot be measured by a single indicator. Becoming a leading Fair Work Nation, therefore, means improving performance across a range of indicators relative to a set of comparator countries. The value of the International Fair Work Nation Framework is that it allows us to measure this concept of **leading** performance.

At present no country is leading on all indicators. The indicators chosen were drawn from the Fair Work Measurement Framework and reflect data availability and comparability but provide a range of data points relating to all of the dimensions of fair work. Improving performance across all data points will support Scotland's overall performance in relation to fair work. The research suggests that there are

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<sup>12</sup> Alma Economics (2023), [Measuring Scotland's Performance as a Leading Fair Work Nation](#)

areas of relatively positive performance in the Scottish economy, but that Scotland’s performance could also improve on a number of measures to become a leading Fair Work Nation.

Scottish Ministers committed to be a leading Fair Work Nation by 2025, and should therefore strive to have leading performance across all indicators in the International Fair Work Nation Framework by 2025.

**Overarching recommendation:** Scotland should strive to have leading performance across all indicators in the International Fair Work Nation Framework by 2025.

In order to achieve the overarching recommendation, it is necessary to:

- 1) Better understand Scotland’s current performance;
- 2) Draw on international learnings to support improved performance;
- 3) Better understand the relationship between current economic and labour market policy of the Scottish Government and fair work outcomes.

## Understanding Scotland’s Performance

The research sets out three areas where Scotland has relatively positive performance<sup>13</sup>.

### Comparatively Positive Performance

Indicator	Place	Gap to Best Performing Nation
Permanent Employment Rates	1 <sup>st</sup> out of 9	-
Youth Unemployment	2 <sup>nd</sup> out of 9	0.9 p.p
Work related ill-health and disease	2 <sup>nd</sup> out of 9	1.8 p.p

Thereafter, Scotland sits mid-table for seven indicators and has poor relative performance on four indicators.

### Mid-table Performance

Indicator	Place	Gap to Best Performing Nation
Gender Economic Inactivity Gap	4 <sup>th</sup> out of 9	3.1 p.p
Gender Pay Gap	4 <sup>th</sup> out of 9	6.6 p.p
Work place non-fatal injuries	5 <sup>th</sup> out of 9	11,037 per 100,00 workers
Low Pay	5 <sup>th</sup> out of 8	3.1 p.p

<sup>13</sup> Alma Economics (2023), [Measuring Scotland's Performance as a Leading Fair Work Nation](#)

Trade Union Membership	5 <sup>th</sup> out of 9	62.1 p.p
Underemployment	6 <sup>th</sup> out of 9	2.8 p.p
Involuntary Part-Time Work	6 <sup>th</sup> out of 9	10 p.p

### Comparatively Poor Performance

Indicator	Place	Gap to Best Performing Nation
Disability Employment Gap	6 <sup>th</sup> out of 8	23.2 p.p
Involuntary Non-Permanent Work	7 <sup>th</sup> out of 9	25 p.p
Collective Bargaining	7 <sup>th</sup> out of 9	59.9 p.p
Skills Underutilisation	8 <sup>th</sup> out of 8	20.6 p.p

When considering Scotland's current performance it is important to note the following points:

- While Scotland performs well on the headline indicator of permanent employment, Scotland performs relatively poorly on measures of insecurity at work: involuntary non-permanent work (6<sup>th</sup> out of 8), involuntary part-time work (6<sup>th</sup> out of 9) and underemployment (6<sup>th</sup> out of 9).
- The Fair Work Measurement Framework highlights a range of employment gaps including for disability, race, age and gender. Young people, women disabled workers and ethnic minority workers are also more likely to be paid below the Real Living Wage or be in insecure roles like Zero Hours Contracts. Tackling systemic inequality within the labour market is necessary to become a leading Fair Work Nation.
- Scotland performs relatively well at an international level on both youth unemployment and work-related ill-health and disease but both indicators are worsening in the Fair Work Measurement Framework. This suggests that action may be needed to sustain any relatively positive performance.
- Scotland is performing worst on the measure of skills underutilisation. This area requires significant focus from employers as it relates to how work is designed and organised at the workplace.
- In many of the areas where Scotland is performing poorly there are large gaps between Scotland and the leading Fair Work Nation.

**Action 1:** The Scottish Government should work with the Fair Work Convention to consider each indicator in the International Fair Work Nation Framework in turn, identifying clear targets for 2025. On indicators where there are significant gaps between Scotland's performance and that of the leading Fair Work Nation for that indicator, an appropriate and achievable target for 2025 should be set. However, a longer term target to become a leading nation should also be developed, which includes a clear timeframe for when this will be achieved.

## International Learning

The Fair Work Convention supports the research report's strong emphasis on the role of **Active Labour Market Policies (ALMP)**<sup>14</sup>, which may include a range of measures such as workforce training, job search assistance, job creation, addressing skills shortages and inclusion. This is an important focus within the Scottish context as these tend to be devolved areas of competence. It is also an area where spend will increase in future years, due to structural changes in the labour market associated with automation and the need to undergo a Just Transition to a zero carbon economy.

The research<sup>15</sup> notes that the UK ranks among the lowest of OECD countries in terms of its expenditure as a share of its GDP on active employment measures. The researchers did not determine a comparative share of investment on Active Labour Market Policies for Scotland.

Denmark invests significantly in active employment measures, investing £10.9 billion<sup>16</sup> in 2019 on elements like: (i) subsidies to firms for a disability-friendly design of workspaces and adaptations, and (ii) support for job centres across the country in providing services to people with limited working capacity, through various employment initiatives, seminars, networking activities, and online resources.

The research highlights the following points for consideration:

- While government policies often focus on addressing skills shortages through additional training and improving education policy, overqualification and underutilisation of skills is an important challenge that should also be addressed.
- Different types of ALMP measures can support improvements in indicators such as involuntary part-time work and involuntary non-permanent work, worker underemployment, skills underutilisation, and the disability employment gap.

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<sup>14</sup> Alma Economics (2023), [Measuring Scotland's Performance as a Leading Fair Work Nation](#)

<sup>15</sup> Alma Economics (2023), [Measuring Scotland's Performance as a Leading Fair Work Nation](#)

<sup>16</sup> Converted from EUR to GBP using the latest exchange rate as of 05/06/2023. The value in EUR was EUR 12.7 billion. <https://www.forbes.com/advisor/money-transfer/currency-converter/eur-gbp/>



**Action 2:** The Scottish Government should consider its relative investment in Active Labour Market Policies in comparison with the leading Fair Work Nations and should ensure effective fair work objectives and measures are included in all Active Labour Market Policies.

**Action 3:** The Scottish Government should focus on drawing lessons from countries that are doing well on fair work indicators and Active Labour Market Policies. Particular focus should be given to:

- Denmark on the disability employment gap.
- Finland, Belgium and Ireland on skills utilisation.

## Current economic and labour market policy of the Scottish Government and fair work outcomes

The Scottish Government has undertaken significant work on fair work through the Fair Work Action Plan and through policies like Fair Work First. Yet there are areas which have received significant focus but where measures are not improving within the Fair Work Measurement Framework and/or where Scotland's relative international performance is weak. There are some key areas where this is the case<sup>17</sup>:

- The disability employment gap is dropping slowly but Scotland has a relatively poor performance compared to comparator countries. The disability pay gap has also widened since 2016.
- Scotland performs poorly on measures of insecurity and the use of Zero Hours Contracts is growing rather than falling, despite the focus on Zero Hours Contracts in Fair Work First.
- Flexible work has received significant focus within Fair Work First and specific funding has been dedicated to promoting flexibility across the labour market. While there have been small increases in the number of workers with access to flexible working, more than three quarters of workers have no access to flexible work.

The researchers note that focusing on eradicating the gender pay gap and increasing gender equality in the labour market is a key element of achieving better fair work outcomes. Three key elements support this:

- The role of employers in promoting pay transparency, flexible working and gender inclusive practice at the workplace.
- The role of government in promoting and facilitating good practice in workplaces and ensuring that women's skills and labour are sufficiently valued within public services or publicly funded sectors where many women work.
- The role of state funded childcare to support women's inclusion in the labour market and address in-work poverty.

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<sup>17</sup> Alma Economics (2023), [Measuring Scotland's Performance as a Leading Fair Work Nation](#)

The Scottish Government has placed a significant focus on gender equality, equal pay and improving childcare. However, it remains the case that more can be done to improve the scale of policy interventions, or the degree to which policy focus is aligned with fair work and positive labour market outcomes.

The research also identifies the importance of both collective bargaining and trade union membership to supporting fair work, and correctly identifies the structural nature of support for collective bargaining which is a feature of many of the best performing nations. Despite limitations in powers in this area, the Scottish Government has committed to improving collective bargaining coverage within the National Performance Framework, yet little tangible progress has been made.

**Action 4:** The Scottish Government should undertake an evaluation of the effectiveness of Fair Work First in promoting fair work outcomes across the economy.

**Action 5:** The Scottish Government should seek to strengthen fair work conditionality and the effectiveness of fair work interventions on:

- reducing insecurity (including, but not limited to, reducing the prevalence of Zero Hours Contracts);
- tackling the gender pay gap and supporting diversity and inclusion;
- increasing the use of flexible working arrangements; and
- addressing in-work poverty.

**Action 6:** The Scottish Government should undertake an evaluation of how current childcare policy supports labour market outcomes for women. This evaluation should then inform work with the Fair Work Convention to strengthen early learning and childcare policy to better support women's participation in the labour market.

**Action 7:** The Scottish Government should seek to effectively implement accepted Fair Work Convention recommendations and Fair Work Action Plan commitments on collective bargaining including in social care, construction and early learning and childcare.

## Conclusion

Both the Fair Work Measurement Framework and the new International Fair Work Nation Framework are useful tools in that they track Scotland's performance on fair work and offer a way of understanding how Scotland is performing on key fair work indicators<sup>18</sup>. Ultimately the purpose of measurement is to support effective action in the economy and improve outcomes for employers and workers.

Becoming a Fair Work Nation is both challenging and aspirational and it will take sustained effort to change the experience of work for the better. The Scottish

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<sup>18</sup> Alma Economics (2023), [Measuring Scotland's Performance as a Leading Fair Work Nation](#)

Government has placed significant focus on this issue, but the scale and the reach of fair work actions has, to date, been limited. However, the work undertaken has created an effective foundation on which to build. Significant focus now needs to be placed on mainstreaming a fair work approach across the public sector, on building capacity amongst employers, and delivering on Fair Work commitments to create meaningful change.

## Summary of Actions

<b>Overarching Recommendation</b>	<b>Scotland should strive to have leading performance across all indicators in the International Fair Work Nation Framework by 2025.</b>
<b>Action 1</b>	The Scottish Government should work with the Fair Work Convention to consider each indicator in the International Fair Work Nation Framework in turn, identifying clear targets for 2025. On indicators where there are significant gaps between Scotland's performance and that of the leading Fair Work Nation for that indicator, an appropriate and achievable target for 2025 should be set. However, a longer term target to become a leading nation should also be developed, which includes a clear timeframe for when this will be achieved.
<b>Action 2</b>	The Scottish Government should consider its relative investment in Active Labour Market Policies in comparison with the leading Fair Work Nations and should ensure effective fair work objectives and measures are included in all Active Labour Market Policies.
<b>Action 3</b>	The Scottish Government should focus on drawing lessons from countries that are doing well on fair work indicators and Active Labour Market Policies. Particular focus should be given to: <ul style="list-style-type: none"> <li>• Denmark on the disability employment gap.</li> <li>• Finland, Belgium and Ireland on skills utilisation.</li> </ul>
<b>Action 4</b>	The Scottish Government should undertake an evaluation of the effectiveness of Fair Work First in promoting fair work outcomes across the economy.
<b>Action 5</b>	The Scottish Government should seek to strengthen fair work conditionality and the effectiveness of fair work interventions on: <ul style="list-style-type: none"> <li>• reducing insecurity (including, but not limited to, reducing the prevalence of Zero Hours Contracts);</li> <li>• tackling the gender pay gap and supporting diversity and inclusion;</li> <li>• increasing the use of flexible working arrangements;</li> <li>and</li> <li>• addressing in-work poverty.</li> </ul>
<b>Action 6</b>	The Scottish Government should undertake an evaluation of how current childcare policy supports labour market outcomes for women. This evaluation should then inform work with the Fair Work Convention to strengthen early learning and childcare policy to better support women's participation in the labour market.
<b>Action 7</b>	The Scottish Government should seek to effectively implement accepted Fair Work Convention recommendations and Fair Work Action Plan commitments on collective bargaining including in social care, construction and early learning and childcare.

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