WORK, EMPLOYMENT, SKILLS AND TRAINING: WHERE NEXT FOR SCOTLAND?

Scottish Centre for Employment Research and the ESRC Centre on Skills, Knowledge & Organisational Performance

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1. Introduction

This report examines employment and workplace issues in Scotland as thinking about these areas evolves in the run-up to the referendum in September 2014. Whatever the constitutional future of Scotland, the focus of this research is of considerable importance to economic, social and political life on both sides of the border. In the context of the preparations for the 2014 referendum, however, the report has a particular role to play in offering a synthesis of developments to date and a snapshot of contemporary issues, priorities and concerns. The report has been written for a policy and practitioner audience. More academically-located work will follow in a different format.

There has been remarkably little discussion of labour market and workplace issues in the debate on constitutional change in Scotland. At one level, this is understandable. Much though not all labour legislation emanates from European rather than UK legislation and hence is likely to survive any of the forms of constitutional change currently proposed for Scotland. Many of the powers that impact on employment and workplace issues are either held already by the Scottish Parliament (education, skills, training and economic development), or are neither reserved nor retained matters (e.g. public policy in relation to some workplace matters). At another level, however, the lack of debate around work, employment, skills and training issues is surprising given the crucial role of a well-functioning labour market and productive workplaces in delivering a strong and competitive Scottish economy. If economic matters are likely to influence how Scottish citizens vote on constitutional change, a better informed debate regarding employment and the workplace is crucial. This report aims to provide data and analysis of stakeholder views on employment and the workplace to inform public debate about the referendum but also to explore contemporary challenges in the work and employment sphere whatever Scotland's constitutional future.

The report focuses on five substantive areas:

1. Education, skills and training

2. Welfare to work and employability policies

3. Employment and related matters

4. The workplace

5. Governance of employment and work

Within each area, qualitative data collected through in-depth interviews with 45 high level labour market/workplace stakeholders are presented. Representatives from all relevant stakeholder groups were invited to participate in the research: government, the policy community, public agencies, employers, employers' representatives, trade unions, the Scottish Trade Union Congress (STUC), educational institutions and civil society organisations. Stakeholders were asked to reflect on the key challenges facing Scotland now in each of the five substantive areas, current responses to these challenges, whether additional policy levers and interventions were possible within current constitutional arrangements and on the potential impact of constitutional change. While it was originally envisaged that the research would ask stakeholders to distinguish between independence and greater devolution/'DevoMore', it very quickly became clear that stakeholders felt that, as 'DevoMore' might take different forms, a more general approach that specified particular additional powers (such as responsibility for welfare spending or employment regulation) would more effectively address the range of future scenarios that might unfold.

To place the five substantive sections in context, the report begins with a section giving details of our data collection and then provides an overview of the relevant landscapes in Scotland. Each substantive area is then addressed in turn, although clearly there are common threads that link each separate discussion – for example, youth unemployment. Throughout these sections, the report examines where policy diverges between Scotland and England. The report concludes with a brief section on emerging issues arising from the WEST research that have resonance for both Scotland and the rest of the UK (rUK) beyond the September 2014 referendum.

2. Data Collection

Data collection took place in Scotland between July 2013 and January 2014. With one exception, all interviews were face to face with either one or two members of the research team present. Detailed notes were taken in all interviews and in many the interview was recorded. All respondents were guaranteed anonymity: this guarantee was crucial to gaining access to respondents and to encouraging open engagement with the research. In this report, the key emergent themes from the interviews have been drawn out and presented thematically. Disseminating research of this nature presents particular difficulties given the relatively small size of the high level stakeholder population in Scotland. For that reason, we have avoided direct quotes that could lead to the identification of particular respondents. Other than where we can assure anonymity is maintained, we have not attributed quotes or comments to a particular stakeholder group. The majority of interviews preceded the publication of the Scottish Government's White Paper on Independence and the also the launch of *Building Security and Creating Opportunity: Economic Policy Choices in an Independent Scotland*, both in November 2013. Hence, stakeholders interviewed earlier and later in the research process had access to different levels of information. We have taken this into account in analysing the data and make reference to the implications of this where relevant.

The research approach adopted has a number of strengths. It gives a voice to a wider relevant stakeholder group than is currently publicly available. The in-depth nature of the interviews (which lasted between 45 minutes and 3 hours) generated rich qualitative data and allowed complex issues and interactions between these issues to be explored. However, research of this nature has a number of limitations. While 67 stakeholders were selected to represent all relevant stakeholder groups, and while all key players were approached, not all relevant stakeholders participated. Moreover, on some of the detailed issues, respondents who represented organisations did not have an explicit policy position and, as such, their responses were speculative as to what such a position would be.

3. Work, Employment, Skills and Training in Scotland: The Current Policy and Stakeholder Landscape

The following section outlines the current policy landscape and institutional architecture for the fields covered by the WEST project. These form the backdrop to the discussions about the future development of policies and governance systems in the five areas upon which the research was focused.

Education, Skills and Training

The description of Scottish education and training (E&T) that follows is relatively brief. This is an area of policy which is fully devolved, and the major current issues are dealt with in Section 4 (below).

In institutional terms, the key points to note are that Scottish schools are funded through local authorities (in contrast to England, where they are directly funded either by central government or the Education Funding Agency), while further and higher education are funded through the Scottish Funding Council (SFC). Unlike English and Welsh universities, Scottish institutions are funded by the SFC via a block grant rather than through student fees paid by individuals. Skills Development Scotland (SDS) has a remit which covers the support and funding of apprenticeships, workforce development and adult training, special training schemes aimed at workers under threat of redundancy, and also careers information, advice and guidance (IAG). SDS and the SFC work closely together to deliver the government's E&T objectives, and have a joint Skills Committee that provides oversight and co-ordination (see Keep, 2014 for details).

The other major agency is the Scottish Qualifications Authority (SQA), whose creation reflected a belief that a unified qualifications framework was required in Scotland with a single qualifications awarding body. This represents a major difference from the system in England. The two main roles of the SQA are: awarding qualifications (other than degrees) and accreditation (Bryce and Humes, 2013).

The distinctive development of the school curriculum in Scotland is dealt with below in Section 4. Scottish degree courses exhibit some significant differences from those in the rest of the UK. For example, most school leavers in Scotland enter university at 17 rather than at 18. In addition, in Scotland a lower proportion of undergraduates study part-time. Within a standard model of four-year degrees, the first two years of study in Scotland feature a degree of breadth, with greater specialisation occurring in the final two years.

The strategic direction of Scottish E&T policies is outlined in the government's 2010 skills strategy. This has four priority themes: empowering Scotland's people, supporting Scotland's employers, simplifying the skills system, and strengthening partnerships (Scottish Government, 2010). One key focus within policy is dealing with youth unemployment and reducing the numbers of young people who are not in education, employment or training (NEET), and this issue and the implementation of policy responses to it are covered in greater detail in Section 6. The Smith Group Report (2011) addressed some of the issues relating to NEETs in Scotland, and made a number of recommendations, including:

a focus on skills for learning, life and work throughout formal education; engaging support from employers in the public and private sectors, as well as voluntary organisations; the introduction of 'Training Champions' to motivate, support and inspire young people; and ensuring flexibility. In addition, the 'More Choices, More Chances' policy aims to tackle the issues surrounding young people outside employment, education and training in Scotland (Finlay, Sheridan, McKay and Nudzor, 2010).

Other current initiatives include: continuation of investment in training, skills and education to support participation in the labour market and increase skill levels that, in turn, are expected to drive innovation and productivity; continuation of the Making Young People Your Business campaign which promotes the economic benefits of offering work to the young unemployed; the Youth Employment Scotland recruitment incentive which offers SMEs a contribution to the wages of newly-created youth jobs; and Skills Investment Plans to match current and future skills needs for each of the priority growth sectors in Scotland with the supply of skills.

Welfare to Work and Employability

In Scotland the overall level of unemployment in October 2013 stood at 7.1% (a 2.1 percentage point increase since 2008 but down 0.5 percentage points from 2012). For the UK as a whole over the same period, unemployment stood at 7.4% (down 0.5% from 2012) (Scottish Government, 2013a). At the same time, employment for the 16-64 age group stood at 72.6% (a 1.2% reduction since 2008, but a 2.2% increase year on year) and economic inactivity stood at 21.7% (a 0.6% reduction since 2008 and 2.1% reduction year on year). Yet youth (18-24) unemployment stood at 18% (a significant increase since 2008 but constant year on year according to Labour Force Survey data - APS data differs slightly) while figures for December 2012 indicate that unemployment in the most deprived areas in Scotland stood at 19.5% (up from approximately 10% in 2008 and a 2 percentage point increase year on year) (Scottish Government, 2013a).

Welfare matters are substantially reserved to Westminster. Most benefits provision (including all that relate to employment and pensions) is controlled by Westminster as is National Insurance. Scotland has some control over employability services and also supports the delivery of UK-wide initiatives provided through Job Centre Plus. Given this complex matrix of responsibilities, there are policies and strategies associated with improving employability ('job readiness') in Scotland that emanate from both the Scottish and Westminster governments.

For example, the Scottish Government has produced *Working for Growth* (2012) (a refresh of Scotland's employability framework to support those most disadvantaged in the labour market into work), *Action for Jobs – supporting young Scots into work* (Scotland's Youth Employment Strategy), and *Opportunities for All* (Scotland's strategy to increase the proportion of young people in post-16 learning, training or employment). The ensuing initiatives include access to employability opportunities through Local Employability Partnerships that map on to a Strategic Skills Pipeline. Specific to youth employability, initiatives include: training programmes through the Employability Fund; a boost to employment opportunities with government and its agencies; training and employment opportunities through interventions in public procurement and in major sporting events; and offering all 16-19 year olds who are not in education or work the chance to re-engage through a range of opportunities including national training programmes, university and college courses, and Activity Agreements (which are plans of learning and activity in the community for the most vulnerable young people that aim to act as stepping stones into further education, training or employment).

Westminster has produced *Helping People to Find and Stay in Work* which offers Job Centre Plus customers opportunities for work experience placements and volunteering, or the Work Programme for those requiring more tailored support from a third-party Prime Contractor (Working Links or Ingeus in Scotland). Further initiatives include the Youth Contract 2012 which incentivises employers to recruit a young person, and the Work Choice programme for supporting disabled people to find and stay in employment. Enveloping the above policies and strategies is the Westminster reform of the UK welfare system, which seeks to enhance the incentives for people on benefits to enter and remain in employment.

Employment and Related Matters

Scotland continues to face significant problems regarding unemployment, a perceived lack of high quality jobs and, increasingly, underemployment (Scottish Government, 2013b). Data from 2011/12 suggest that the proportion of individuals experiencing in-work poverty stands at between 6% and 8% of the population. This feature has stubbornly held since 1998/99 while, in comparison, workless poverty levels have reduced (Scottish Government, 2013c).

Employment (including employment regulation) is a matter reserved to Westminster, although the EU has extensive jurisdiction over employment law particularly in relation to equality and health and safety matters. Responsibility for economic development, however, is devolved to Scotland. This gives Scotland some control over job creation but not regulation. The policies and initiatives relevant to employment and the labour market in Scotland therefore emanate from Holyrood, Westminster and Brussels.

At Westminster, employment law is a mix of domestic legislation to implement EU directives and British statute law (for example, in relation to the National Minimum Wage, unfair dismissal, and rights to request flexible working) and statutory codes of practice. The statutory framework interacts with the relevant common law within the English and Scottish judicial systems. As Willey *et al* (2009) note, 'these are not isolated sets of measures. They invariably interlink and influence each other' (p. 2). While 'comparative analyses show the UK regulatory environment to be "light touch"' (Jordan *et al*, 2013), there is a longstanding and negative public discourse around regulation and 'red tape' in the UK. The current UK coalition government conducted a review into employment law in 2010/11 to address complaints from employers that UK labour regulation was 'difficult to cope with'. The policy outcome of this on-going review, *Making the Labour Market More Flexible, Efficient and Fair* (DBIS, 2011) addresses three themes: making it as easy as possible for businesses to recruit their first, and subsequent, members of staff; getting Government out of the relationship between employer and staff by removing inflexible processes and requirements; and encouraging conversations between employers and their staff, thereby allowing change to happen in a way that is flexible and economically efficient, whilst remaining fair for individuals. Specific policies aim to strip out what some perceive as the 'gold-plating' of EU Directives during transition into UK law (IOD, 2013), while other parts limit domestic employment protection, for example in increasing the length of service required for unfair dismissal protection. All of these changes are posited as improvements for the material benefit of employers thus, arguably, rebalancing UK employment law further away from the protectionist and social justice model favoured by Europe.

A number of Scottish Government policies interact with employment and related matters. These include the Government's annual Programmes of Work: *Empowering Scotland*; *Working for Scotland*; and *Renewing Scotland* (that set out the priorities for the year ahead including job creation); and *The Government Economic Strategy 2011* attempts to promote more and better jobs, echoing the *Economic Recovery Plan (last updated in 2011)*, in addition to the six strategic priorities[1] and high-growth sectors identified for Scotland.

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[1] 1. Supportive business environment; 2. Transition to a low carbon economy; 3. Learning, skills and well-being, 4. Infrastructure development and place; 5. Effective Government; and 6. Equity.

Scotland has higher workforce qualification levels that the rest of the UK, yet this stronger human capital base is not reflected in higher innovation and productivity (UKCES, 2010). At the same time, people who experience disadvantage within the labour market experience significant difficulty in making the transition from low to higher skilled jobs (Scottish Government, 2013c).

Table 1

Cross-UK Skills Position: Distribution of 25-64 year old population by highest level of education attained

Low skills	Intermediate skills	High skills
Scotland 29.5%	UK 38.8%	Scotland 34.9%
UK 31%	Wales 38.8%	England 30.7%
England 32.4%	England 37%	UK 30.2%
Wales 34.9%	Northern Ireland 36.2%	Northern Ireland 27.8%
Northern Ireland 36%	Scotland 35.63%	Wales 26.3%

Date showing % Qualified in order of rank. Source: OECD, Education at a Glance 2008 and Labour Force Survey, ONS. Data relates to 2006 (in UKCES, 2010).

Despite labour force participants in Scotland having higher levels of education than in England, occupational skill levels show that over 70% of 16-24 year olds in Scotland were in medium-low or low-skill occupations. For older workers across Scotland, this drops to below 50% except for those living in the most deprived areas where the figure remains over 60%, suggesting that this latter group experience more problems with the transition from low-skill to higher-skilled jobs (Scottish Government, 2013a).

The workplace is neither an exclusively reserved nor devolved policy domain. While economic policy impacts on workplaces, the workplace at UK policy level is a sphere of relatively limited policy intervention beyond aspects of employment law relating primarily to health and safety, equality and employment rights (Keep, 2013). In Scotland, however, there are a number of recent policies and strategies that attempt to influence workplace and workforce development to some extent. These include: the *Government Economic Strategy* 2011 (GES) (the Government's six-pronged approach to achieve its purpose of opportunities for all through sustainable economic growth and which is stated to be measurable by its impact and influence on businesses); the *Christie Commission Report* (2011) (an inquiry into the future delivery of public services in Scotland, which recommends maximising the talents of workers to meet this challenge); the *Review of Post-16 Education and Vocational Training in Scotland* (2011b) (which seeks to increase employer investment in the development of their workforce); *Skills for Scotland* (2010) (Scotland's lifelong learning and skills strategy which calls upon partnerships across the skills system in Scotland to deliver better skills development and utilisation in the workplace); and *Scotland Performs* (2011c) (the Scottish government's National Performance Framework which seeks, for example, employer buy-in to the Government's skills utilisation work).

Recent policy interventions within the public services have included:

- the creation of the Improvement Service for the public sector (formed in 2005 to support local councils to improve the quality of their public services in part through leadership and management development and knowledge management systems);

- living wage and no compulsory redundancy commitments (the Scottish Government committed to pay the Living Wage (from 2011), and to guarantee its employees no compulsory redundancies in the hope that other employers follow their example);

- the Scottish Government People Survey (2005 onwards) (an annual employee engagement survey for directly employed Scottish Government staff);

- the work of the Scottish Leaders Forum Workforce Development Group (which aims to develop and engage the talents of public service workers to deliver the outcomes of the Christie Commission Report (2011);

- investments in skill (with the apparent expectation that government workplaces would become the site of improved innovation and skills utilisation);

- the work of the National Economic Forum (2008 to date) (bi-annual meetings that bring together a broad group of stakeholders to discuss new initiatives including 'the role of skills development, skills utilisation, workplace development and innovation in meeting the Government's growth targets');

- the formation and work of the Skills Utilisation Action Group (formed in 2008), which sought to encourage employer interest in the purpose and practice of effective skills use in the workplace;

- the development of Skills Investment Plans (discussed above) for each of the key sectors identified in the GES;

- Management and Leadership support programmes (that aim to foster ambitions for growth and capacities for managing change among Scotland's current and future business leaders);

- and the introduction of new Technical and Professional Apprenticeships (thus opening up potential for progression routes).

In addition, the Scottish Government announced in January 2014 the formation of an independent review group entitled 'Working Together: progressive workplace policies in Scotland' with a remit 'to improve workplace policies through effective union and employer cooperation'.

Governance of Employment and Work – The Stakeholder Landscape

In 1995 the Independent Constitutional Commission (appointed by the Scottish Constitutional Convention) published *Scotland's Parliament, Scotland's Right* which outlined how devolution in Scotland might operate. The overarching theme was the importance of co-operative working; an approach that the Commission argued reflected its own diverse membership and approach to reaching a consensus.

This co-operative approach was posited as an attempt to create a system which would be less procedural than Westminster and more radical through its accessible and open methods of working. A culture of co-operation between the Scottish Parliament and local government was endorsed, as were regular conferences with stakeholders and individuals to ensure that all decisions and strategies were

sound in principle and practice. In addition, and with a view to ambitions for economic prosperity, it was recognised that the scale benefits of Scotland relative to the centralised English model could offer better relationships between business and political decision-makers which would support 'a broader and deeper mutual understanding of business and political conditions'.

The Scottish Parliament was designed to embody and reflect the sharing of power between the people of Scotland, the legislators and the Scottish Executive; to be accessible, open and responsive; and to develop procedures which would make a participative approach to the development, consideration and scrutiny of policy and legislation possible.

A key element in seeking to deliver on these principles was the establishment in 2005 of the Scottish Leaders Forum (formerly the Scottish Government Forum) to facilitate collaboration on the important issues facing public services in Scotland. The membership of this Forum includes: local authorities, the NHS, Further and Higher Education institutions, the voluntary sector, housing associations, the police and fire services, public bodies, and the Scottish Government. Themes for discussion have included Workforce Development, Supporting Resilient Communities, supporting Sustainable Economic Growth and addressing Youth Unemployment.

Partnership and participative working in Scotland continues to bring government and its agencies together with employers, unions and the voluntary sector across a range of topics in various settings. The key policy actors and institutions involved in policy formation in Scotland include: the departments of the Scottish Government (arranged in portfolios under Health, Finance, Education, Justice, Rural Affairs, Infrastructure, and Culture), the UK government's Department for Business, Innovation and Skills, and Department for Work and Pensions; the Scottish Government Strategic Board; the committees of the Scottish Parliament; the Confederation of Scotland's Local Authorities (COSLA); and local authority councils and their respective Community Planning Partnerships (for the development and implementation of the Single Outcome Agreements (SOA) to improve national outcomes in localised contexts). The key actors representing employers, unions and the voluntary sector include: employer representative groups such as the Confederation of British Industry (CBI), the Scottish Council for Development and Industry (SCDI), the Federation of Small Businesses (FSB), the Institute of Directors (IOD), the Scottish Chambers of Commerce, (SCC), and Scottish Business in the Community (SBC); the STUC (a Memorandum of Understanding has existed between the Scottish Executive/Government and the STUC since 2002); and the Scottish Council for Voluntary Organisations (SCVO). The relevant WEST stakeholder groups are a mix of Scottish-based organisations and UK-based organisations with a Scottish remit.

Various combinations of the above groups, among others, meet to consider particular issues or campaigns including: the Industry Leadership Groups for the government's priority sectors (including Energy, Constructions, Food & Drink and Digital Media); the Scottish Leaders Forum (a network of leaders from Scotland's public services that addresses policy issues such as youth unemployment and sustainable economic growth); and the National Economic Forum (a broad-based social and economic partnership which operates via a series of meetings and business breakfasts). Other groups have formed to consider more specific issues including: the Skills Utilisation Leadership Group; the Strategic Group on Women and Work (formed in 2013 to follow through the actions identified at the 2012 Women's Employment Summit to remove the barriers women face in employment); the Partnership on Health and Safety in Scotland (formed in 2005 to promote health and safety in the workplace); and more recently the Expert Working Group on Welfare (formed to review the aims, projected costs and delivery mechanisms for welfare policy in an independent Scotland).

Having sketched out the institutional and policy backdrop against which thinking about the independence vote are taking place, we now turn to a series of sections that review the different areas of debate covered by the WEST project. We start with education, training and skills.

4. Education, Skills and Training

Introduction

Historically, the Scottish education system has long had a separate identity from that in England, with its own qualifications, teachers unions, funding and inspection system and governance structures (see Bryce et al, 2013). Thus, education in England and Scotland was already different before Devolution in 1999, and the divergence has grown subsequently (Payne, 2008; Keep, Payne and Rees, 2010). Distinctive features of current Scottish policy include the absence of tuition fees for Scottish university students, relatively high numbers of apprenticeship starts and positive support for unemployed young people, as well as a school curriculum (see below) which is radically different in design and execution from that which is evolving south of the border.

Since Scottish education and training (E&T) policy and practice is already following a separate and distinctive trajectory, it has not been a central focus within the debates on independence and the referendum and has not been the subject of as much discussion as other, currently non-devolved areas, such as finance and taxation arrangements. For example, while the Scottish Government's White Paper on the case for independence published on 26th November 2013, *Scotland's Future: Your Guide to an Independent Scotland* (Scottish Government, 2013), runs to 650 pages, education, skills and employment are the focus of Chapter 5 (of 10), and this chapter runs to just over 20 pages. Thus, as one of our respondents noted, "*From the point of view of skills policy, independence is not a big issue, as the area is already devolved and divergent*".

That said, some commentators (Arnott and Ozga, 2010) have noted that the SNP government has made a conscious effort to re-frame thinking on education in Scotland in ways that 'de-centre' England as the prime reference point. Northern European countries have instead been placed centre stage.

The present research identified a number of ongoing issues, challenges and areas of debate within E&T policy. None of these was directly related to, or sparked by, contemplation of the upcoming referendum. It is worth noting that there was a strong degree of consensus across the respondents on the bulk of the issues discussed.

Challenges

The E&T system faces a number of challenges, all of which pre-date the referendum. These centre upon:

- Modernisation of the school curriculum

- Young people's transitions into the labour market and youth unemployment

- Apprenticeship numbers and quality

- The size and orientation of the Higher Education (HE) system

- How to better plan E&T provision on a sectoral, regional and national basis, and how to ensure that there is closer matching between skill supply and demand in the labour market (current and future)

- Employer involvement in E&T

Responses

Modernising the School Curriculum

Reform of the school curriculum (ages 3-18) via Curriculum for Excellence (CfE) is viewed as the 'next step' in Scotland's education history (Scottish Government, 2013d: p. 187). It has also been seen as part of a wider project to further differentiate Scottish education from that in England and to build a distinctive Scottish model that emphasises the creation of more autonomous and independent learners and citizens (Arnott and Ozga, 2010). CfE aims to encourage the teaching profession to move beyond a traditional academic curriculum, and to help make schools more innovative organisations. It is claimed to represent a move away from a prescriptive, top-down model of curriculum design and delivery to one that establishes broad principles and which aims to foster generic skills and dispositions. Schools and teachers have been expected to develop their own ways of implementing its aims. As such, it represents what one respondent termed *"the polar opposite"* of the approach being pursued in England.

The implementation of this fundamental re-orientation of school education (described by a respondent as a *"seismic shift"*) has been a slower and more complex process than had originally been anticipated, and has not been without its critics (Paterson, 2012). Moreover, its effects are hard to judge, as the first cohort of pupils whose education has taken place entirely within this new model has yet to 'graduate' from schools and enter post-compulsory provision or employment. Potentially, CfE offers a number of features that could support employability and the creation of generic skills.

Young People's Transitions into the Labour Market and Youth Unemployment

The recession and a slack labour market have brought the issues of youth unemployment and youth transitions from education into work into sharp focus. As a result, Scotland moved to become the 'only European country with a dedicated Youth Employment Minister' (Scottish Government, 2013, d, p. 189). This development has marked a clear commitment to address the problems in a relatively co-ordinated way, and as a respondent from a government agency noted: "*One of the sensible bits of 'clear tartan/red water' is the Scottish Government's strong focus on youth unemployment relative to England. The issue is being better tackled in Scotland than elsewhere in the UK, not least via broader policies stressing the need for work experience across all forms of provision, and quality improvements within modern apprenticeships not yet mirrored in England"*. Developments such as the Certificate of Work Readiness were seen by respondents as a serious attempt to address issues regarding employer perceptions of young people's employability.

More broadly, considerable attention has been directed at improving transitions by young people as they leave education and enter the labour market. Within this, a major area of development has been in the area of Information, Advice and Guidance (IAG), where SDS has been refining the delivery of IAG on a national basis. One government agency respondent suggested that Scottish policy and practice was "*light years ahead"* of that in England, and it is certainly the case that, at present, school-based IAG in England is in some disarray and has attracted sustained criticism from a variety of quarters, not least from the Office of Standards in Education (Ofsted).

Another strand within the Scottish government's response was to establish, in January 2013, the Commission for Developing Scotland's Young Workforce, chaired by Sir Ian Wood (2013 a & b). Its task is to formulate recommendations that will improve young people's transitions into employment. The Commission's Interim Report (2013a) focuses on '...the importance of significantly enhancing vocational education in schools through partnership with colleges, the opportunities presented by the enlarged regional colleges, and the increasing importance of quality apprenticeships to higher skilled, modern employment opportunities' (2013a: 2). This approach was welcomed by some respondents, as was the Commission's notion that, in future, schools need to be judged (at least in part) on how they perform on progression for those who do not enter HE. The second phase of the Wood Commission's work focuses on the role of employers within the E&T system (see below).

Apprenticeship

The Scottish Government has established ambitious targets for apprenticeship expansion, with the aim of 25,000 starts per year, which SDS has, so far, been able to deliver. Scotland has been also more successful than England in maintaining a high proportion of apprenticeship starts at Level 3 (craft and intermediate) rather than at Level 2, and has also managed to focus a higher proportion of apprenticeship provision on young people rather than adults already in work. Respondents noted that this had been supported via initiatives such as 'Adopt an Apprentice', the employer recruitment incentive programme and by encouraging smaller employers to get involved.

Higher Education

Higher Education (HE) has a high profile in Scottish politics, economic policy and civic society, and is generally viewed as one of the nation's key assets and strengths. It has also been a political focus for promoting policy divergence from England. Kerevan (2013: p. 755) recalls that one of the first actions of the new Scottish administration in 2007 was to abolish tuition fees and, when Alex Salmond started the referendum campaign, the example he cited of Scotland wishing to take a different route from the rest of the UK was that of free university tuition. HE is also a successful Scottish export industry – with regard to both fee income from non-Scottish students and also to the amounts they spend in Scotland (Field, 2013: 751). Overall, universities generate around 6 per cent of GDP (Kerevan, 2013: 758).

The major policy issues within HE that were identified by respondents, alongside sustaining the funding of the system, were bound up with ensuring that the system delivers the higher level and employability skills that the Scottish economy requires, and that higher education institutions (HEIs) contribute effectively towards the wider economic development agenda (Keep, 2014). To this end, universities in Scotland are more closely integrated into the wider skills system than is the case in England (see Keep, 2014), and the new planning and funding arrangements that have been introduced (see below) are designed to ensure a tighter coupling between HE and economic need.

Planning and Matching Provision

There has been a growing concern regarding the need to develop a closer fit between skill needs in the economy and the outputs of the skills system (in terms of numbers of students and levels and types of skill). Complaints by employers, a perception of current inadequacies by policy makers, and a tightening in the amount of funding available for both further and higher education, have added a stronger impetus to this quest to enhance employment prospects and ensure that skill shortages do not stifle growth in key economic sectors and new areas of technology (for example, renewable energy). The response by government, the Scottish Funding Council and Skills Development Scotland has been to initiate a new planning and funding regime that seeks to elicit reliable forecasts of future skill needs from employers (at sectoral and regional levels), and to challenge colleges and HEIs to reflect upon how their provision addresses these needs via a system of outcome agreements (Keep, 2014). These are outlined below.

The Role of Employers

A key challenge for Scotland, as for all the other UK nations, is to try to engage employers more actively in the skills system, so that they become active participants, rather than act as what one trade union respondent termed *"passive recipients"* of what the E&T system produces for them (Keep, 2012). Their role in generating reliable labour market information about future job openings and skill needs, providing apprenticeship places, and supporting the development and training of their own adult workers, are all central to delivering the government's policy objectives. Moreover, against a backdrop of constrained public funding, employers are liable to have to contribute more towards training costs. As a stakeholder from a non-departmental government body observed:*"employers have to come to the party"*.

These issues are being addressed in a range of ways. For example, the new planning mechanisms (Skills Investment Plans and Regional SIPs) provide a structured means of eliciting what employers want, but also of challenging them to consider how they can best help to contribute towards meeting these needs. At the same time, as noted above, the second phase of the Wood Commission's work is set to address the issue of what employers should be contributing to the skills system, at least as it relates to young people. This focus was endorsed by several respondents because it addresses a major unresolved issue within the E&T system.

Levers

In pursuing the policy agenda outlined above, the government and its agencies (SFC and SDS) have followed two lines of development. The first has been to work through established consultative structures, such as the joint SFC/SDS skills committee, and through commissions of inquiry (for example, the Wood Commission, 2013 a & b) to try to secure agreement to changes in the scale, shape and ambition of skills policy. The second route has been via government and agency-initiated structural reform.

Structural change has taken a number of forms. To begin with, the government and SFC have embarked on a major attempt to regionalise the college sector, through a series of mergers, with the aim of arriving at 13 regional colleges to cover the whole country. This development is diametrically opposed to current English policy, which is anxious to encourage new entrants to the college sector in order to bolster competition and strengthen the market for skills provision (see DBIS/SFA, 2014: 14, para 29).

A second strand has been a sector-based approach to skills and economic development policy, which provides a mechanism to help tie E&T to Scotland's wider economic and industrial strategies (Keep, 2014). Since the publication of the Scottish Government's economic and skills strategies in 2007 (Scottish Government, 2007 a and b), a sectoral model has been a central feature of policy in these areas. The key economic strategy sectors are: energy, life sciences, food and drink, financial and business services, tourism, creative industries, engineering, ICT, and construction.

A related development is the introduction of sectoral Skills Investment Plans (SIPs). The SIPs are linked to the sectors' growth strategies, and cover the government's economic strategy priority sectors. A small number of other sectors have also created SIPs (for example, Health and Social Care). SIPs encourage employers, acting collectively, to:

- Gather and analyse data on current and future employment levels and skill needs across their entire workforce;

- Reflect on the impact that new business developments, demographic change and new technologies may make to their future skill requirements;

- Communicate these needs to the publicly-funded E&T system, and

- Reflect on what they, acting individually and collectively, may need to do to help meet these needs, not least in terms of the training that they will need to fund and apprenticeship and work experience places they may need to provide.

As such, the SIPs provide a single planning process that covers the entire range of further and higher education (from Levels 1 and 2 training for operatives to PhD level), as well as apprenticeship and other forms of training, and the creation of SIPs has been heavily supported by staff from SDS working with sectoral bodies. The SFC/SDS joint skills committee considers the SIPs, and both agencies use them to inform their funding decisions and resource allocations to E&T providers (see Keep, 2014).

The importance of the sectoral approach and its implications for skills policy was mentioned by many respondents during the project. Most saw it as a positive development, though some argued that, while the sectoral element of the government's skill strategy plainly worked for major public investment in some types of infrastructure, there were risks attached to its use as a mechanism across all areas of skills policy. Youth unemployment, for example, was unlikely to be solved by a 'key growth sector' approach – since life sciences, for example, do not recruit many young people. It was vital, respondents commented, not to neglect the larger employing sectors such as retail and health that were outside the core of the government's economic strategy. At present, key sectors tended, as one agency stakeholder pout it, to be an amalgam of "*sexy sectors or Scottish sectors*".

More broadly, respondents noted that, "*Over time, the SIPs should act as a tool for self-reflection for sectors and the employers therein. SIPs are a journey only just embarked upon*". A trade union stakeholder suggested that: "*The SIPs need to become an opportunity for employers to reflect on what more they can do for themselves, rather than a shopping list for support from the SDS and SFC*".

Alongside the SIPs, the SFC has introduced a system of outcome agreements. This system is linked to the SFC's funding of colleges and HEIs. In the college sector this development has taken place alongside moves, mentioned above, to regionalise provision through a series of college mergers to create 13 college regions, and there will be a Regional Outcome Agreement (ROA) for each region. As the system develops, regional SIPs (RSIPs) will be created to support the process of negotiating the outcome agreements. The first RSIP, for the Highlands, is now nearing completion.

Outcome agreements mean that institutions are now expected to reflect upon patterns of employer and community demand for learning within the economy and to take these into account when planning student numbers, expanding or contracting provision across subjects and at various levels, and in thinking about new areas of provision. The first set of outcome agreements was concluded for the year 2013-14. Their impact on institutional priorities will emerge over time, but they are a radical departure and represent a mechanism for recasting provision across the full spectrum of post-compulsory E&T. An intended feature of these new arrangements is that they seek to encourage greater self-evaluation, reflexivity and co-operation among providers in thinking through how they are using public funding to meet national, local and sectoral needs.

It can be argued that these new levers mean that there are now mechanisms that join up supply and demand, and challenge both E&T providers and employers to reflect on demand for skills and what might need to be done to meet it. How the different sectoral, national and regional dimensions mesh together and play out has yet to be seen, but this interlinked set of new processes represents a concerted attempt to direct public investment in ways that maximise outcomes, and which force providers to think through what they are offering to employers, students and the wider community.

This model differs widely from that being followed in England, where competition between different providers within a post-compulsory E&T marketplace is seen as the way forward. Moreover, with the shift in English HE funding from a block grant to a student loan financed tuition fee regime, individual student choice, rather than any kind of planning mechanism, is now the key determinant of patterns of provision (Keep, 2014).

The Future

A number of fresh challenges have started to emerge within the field of E&T policy in Scotland, some of which were commented on by respondents during this research. One key area, which was also a recurrent theme across the wider aspects of employee relations and labour market policy within our project, was the ability of employer organisations to make a constructive input into E&T policy debates and to deliver their members' support for whatever had been agreed.

According to respondents, there were major questions about who represents SMEs, as opposed to the larger employers, and what mechanisms can help engage them in policy issues. Moreover, sectoral capacity in the area of skills was flagged up as an issue, not least against the backdrop of a decline in the capability of nominally UK-wide Sector Skills Councils to address and service Scottish needs, either in terms of sectoral responses to policy initiatives or the gathering and analysis of labour market information (LMI). In terms of the sectoral organisations in Scotland, some appeared to be better able to come together and work collectively (oil and gas, financial services) than others (tourism, retailing and digital technologies). Addressing this issue will plainly be a major consideration within future policy.

In terms of the broader issues for the future, there are two points that can be made. The first is that within E&T policy in Scotland, as previously noted, the referendum is not a particularly significant point of departure for debate. Regardless of the outcome, it seems clear that E&T policy in Scotland will continue to evolve and to become yet more divergent from that which is being pursued in England. The future pace of that change is hard to predict, as is its direction, as these will to some extent at least be dependent upon how current policies develop. For example, the changes that will occur as a result of the regionalisation of Scotland's colleges and the move to ROAs are unpredictable, not least in terms of how patterns of provision evolve.

The second point is that, irrespective of the outcome of the referendum, Scottish policy on E&T now offers a major challenge to the dominant policy narrative that pertains in England. Scottish policy demonstrates that there are alternative avenues of policy and models of delivery available (Payne, 2008; Keep, Payne and Rees, 2010; Lowe and Gayle, 2011; Keep, 2014).

5. Welfare to Work and Employability

Introduction

Policies targeting people of working age claiming benefits are currently a shared responsibility of the Scottish and UK Governments. The latter controls the main income maintenance benefits paid to those out of work: Jobseeker's Allowance (JSA) for unemployed people and Employment and Support Allowance (ESA) for people experiencing health or disability-related barriers to work. The Department of Work and Pensions (DWP) also funds the main active labour market programme targeting the employability of JSA and ESA claimants: The Work Programme. The Work Programme is led in Scotland by two Prime Contractors: Working Links and Ingeus. These organisations also hold Work Programme and other DWP contracts elsewhere in the UK. Representatives of the Scottish Government and DWP, local government stakeholders, third sector representatives and Work Programme prime contractors all contributed their views to this research.

It is important to note that substantial supplementary work on employability is led by local authorities and their partners, broadly in line with the principles of the Scottish Government's (2012) refreshed employability framework: 'Working for Growth'. Local Employability Partnerships – which in most areas include local authorities, Jobcentre Plus, Skills Development Scotland, colleges, the Third Sector, and the NHS – plan and deliver employability provision targeting disadvantaged communities and groups. Local partnership-working on employability sits within, and links to, the broader Community Planning Partnership framework. Community Planning Partnerships have Single Outcome Agreements (SOAs) with the Scottish Government that, where appropriate, connect with employability and welfare-to-work agendas. For example, a local authority-level stakeholder noted how local service content was partly shaped by SOA targets on: levels of working age benefit-claiming; young people's inclusion in the labour market; and employment rates. SOA targets are based on locally-specific baseline data, reflecting differences in the labour market context at the local level.

The Scottish Government's approach to employability – and local employability and training service provision supported through the Employability Fund administered by Skills Development Scotland – also conform to a 'strategic skills pipeline' model that envisages a journey towards sustainable employment across five stages:

- engagement;

- barrier removal;

- vocational activity;

- employer engagement and job matching;

- and in-work support and aftercare.

As noted above, responsibility for the main welfare benefits for people of working age – JSA and ESA, as well as Housing Benefit, are reserved to the UK Government. The Scottish Welfare Fund (which since 2012 has integrated resources previously administered under the DWP under programmes such as Social Fund and Crisis Loans) provides emergency safety net grant funding, with funds administered locally in line with Scottish Government guidance.

Challenges and Responses

Interviews with key stakeholders identified a diverse range of challenges for employability and welfare-to-work policies.

The UK Government Welfare Reform Agenda

There was broad consensus that welfare reforms currently being introduced by the UK Government – such as the means-testing of ESA after twelve months; reducing on-flow to ESA as a sought outcome of the tougher Work Capability Assessment; restrictions to benefits upratings; and the so-called 'bedroom tax' changes to Housing Benefit – will reduce the income available to client groups currently reliant on the welfare system (see also Beatty and Fothergill 2013). There were concerns that changes to the working age benefits system would result in additional pressures on local government and NHS services. For local stakeholders involved in managing employability services, there was also a concern that the increased risk of poverty associated with limiting access to benefits could create additional barriers to work for those excluded from the labour market.

Although the Scottish Government has offered some criticism of the Universal Credit reform, its concerns mainly focus on barriers to implementation, and especially weaknesses in IT infrastructures. Most interviewees broadly supported the general principles of the UK Government's Universal Credit reform – which seeks to simplify the benefits system and use a more generous taper to reduce marginal effective tax rates for those leaving benefits to enter work.

Addressing Gaps in Provision

There was consensus among interviewees that, despite a range of well-established services promoting the employability of excluded groups, there remained gaps in existing provision. Both Scottish Government and local government stakeholders noted the need for continued investment in services that addressed complex combinations of health and employability-related barriers to work. Given the scale and long-standing nature of problems around employability and health limitations in large local government areas such as Glasgow and North Lanarkshire (where disability benefit claim rates have been consistently much higher than national averages for more than twenty years), there was consensus on the need for continued joint-working between local employability organisations, DWP-funded providers and the NHS. Representatives of Work Programme Prime Contractors highlighted the considerable difficulties involved in assisting ESA claimants with a 'twelve month prognosis' (i.e. Work Programme providers are required to assist those who have been assessed as having health problems that will take up to a year to manage sufficiently to allow a return to work; the same clients often report substantial additional barriers to progression). Accordingly, there was consensus that individuals reporting a combination of employability and health/disability-related barriers were a key target group for policy, but also that further research was needed to understand the resources and interventions required to assist these people to make sustained transitions. Representatives of Work Programme Prime Contractors and others managing employability services identified a number of other areas justifying further investment, ranging from basic skills provision to workplace-based training and supported employment options for disabled people.

A number of interviewees also identified the need for a strengthening of employer engagement within the employability policy agenda. Most stakeholders broadly supported the Scottish Government's prioritisation of Modern Apprenticeships as a workplace-based route for young people (although it was noted that it was important for policy makers to continue to ensure the quality of apprenticeship provision given the recent expansion of the programme), but there was also agreement that connections between broader mainstream employability services and employer needs could be strengthened. Some interviewees argued for a strengthened role for Skills Development Scotland in linking employability programme clients to appropriate workplace opportunities, and in improving employers' knowledge of what is available. Others pointed to a potential future role for the college sector in the delivery of employer-facing and/or sector specific training for employability client groups. There was general consensus regarding the strategic benefits of the college regionalisation agenda as a starting point for building more effective vocational provision that might address the needs of both employers and job seekers (although there was also acknowledgment that college reforms had in some cases proved difficult, and remained incomplete).

Finally, improving evaluation data-sharing and understanding of employability trajectories was seen as a priority by a number of interviewees. For some policy stakeholders, there was a need for further research on the combination of barriers limiting the opportunities of the most disadvantaged; as one stakeholder noted, "*I don't think enough is understood about people who are long-term unemployed or on long-term incapacity benefit*".

For others, there was a need for more robust and joined-up evaluation data capturing the long-term outcomes and value for money delivered by UK, Scottish Government and local employability services; as well as better data on the characteristics of those requiring most support. A key challenge was therefore seen as "*…the lack of a coherent or credible evidence base to make decisions about what works, and then follow that through by investing in it. We spend a lot of money on employability and skills and we are not much better informed than we were twenty years ago… There are many organisations who want to work with the most disadvantaged, but we have a weak evidence base as to who the most disadvantaged are…*".

It should be noted that similar concerns were expressed by local government stakeholders, who were keen to see the development of more joined-up information and evaluation tools, so as to better measure the effectiveness of locally-diverse models of provision. As one argued, "*…there is generically similar intention but specifically different drivers… there is no single place in the system either geographically or administratively where there's a single connecting point that says 'this is the best way to do it'*".

Joining Up Local, National and UK-level Strategies

A further key challenge for all stakeholders relates to the need to join up local, national (Scottish) and UK-level employability and welfare-to-work provision. Improving the connectedness of employability services was perhaps the policy priority most often identified by all stakeholders interviewed for this part of the research.

Representatives of Work Programme Prime Contractors identified a fundamental disconnect between UK Government-funded services and provision supported through the Scottish Employability Fund or other local government funding. Scottish Government stakeholders emphasised the need for funding to "*complement rather than duplicate*" the services of the Work Programme, but Prime Contractor representatives argued that this approach had limited access to non-UK Government provision for Work Programme customers. This is because some Scottish Government-funded local providers cannot accept referrals from the UK Government's Work Programme, on the grounds that their services exist to deal with people not covered by the Work Programme, rather than duplicate its activities. For some stakeholders this militated against the client-centred approach that was a priority for all of Scotland's employability service providers. Scottish Government stakeholders shared concerns around the need to improve "*the connection between products*", noting that the duration thresholds governing

some DWP-funded provision could be unhelpful. However, there was acknowledgment of the willingness of UK and Scottish Government policy makers to work together to improve connectedness: "*DWP and Skills Development Scotland and local authorities are making real efforts to work together and make the best use of what's there in the system*", although some reservations existed as to whether this was enough to genuinely improved connectedness: "*There's a lot of effort that goes on at the 'top end' in Scotland to try to get the systems of SDS and DWP working better together, and that's good, but we shouldn't have to spend time trying to connect to each other, we should be connected as a planning process and by design.*"

Scottish Government stakeholders, and many other interviewees, argued for a closer integration of employability and skills provision, suggesting that potential benefits in further devolution of employability services might result in "*more spatially appropriate and stakeholder-informed*" policy, and contrasting this with DWP approaches that sometimes exhibit "*highly centralised decision-making*". Put more simply, some interviewees argued for the full integration of employability and skills policy at the same spatial and administrative level: "*Having the employment services for unemployed people managed by one government, and the skills side managed by another is completely ineffective and inefficient.*" Another noted that "*The major challenge for us in the employability sector in Scotland is stitching together all the different offers and making sure the right one gets to the right person. A more integrated planning and delivery system [is needed]…*"

A number of interviewees identified value in supporting joint-working between Jobcentre Plus and Skills Development Scotland, and there was widespread acknowledgment that the closer integration of these services might be a potential outcome of a range of different post-2014 scenarios (although a number of interviewees also noted the logistical and capacity challenges of transferring public employment services to Scotland-level or local government agencies).

For both Scottish Government and local government stakeholders, there was a continuing emphasis on supporting locally-sensitive policy solutions that are able to respond to local labour market changes and map onto existing partnership structures. Maintaining a strong local-level focus for any future integrated services was seen as to key to "*…being able to personalise services to match the local labour market and local community structurally*". Conversely, some interviewees questioned the added value of 'reinventing' a national-level public employment service, should some of DWP's responsibilities be devolved to Scotland level. However, while it was acknowledged that there was evidence of good practice at the local level, there was also consensus on the need for more consistent approaches to funding, measuring outcomes and managing performance under any future expansion of locally-delivered employability and skills provision.

By contrast, DWP and Work Programme stakeholders raised additional concerns regarding any radical shift towards localism under different post-2014 scenarios. It was suggested that the current Work Programme model offers important benefits in terms of economies of scale, programme management capacity and consistency of services, and that these advantages should not be overlooked in discussions of the future shape of employability services in Scotland.

Finally, third sector stakeholders pointed to the importance of the voluntary sector as a deliverer of employability provision, and especially in engaging with disadvantaged and hard-to-reach groups. Given Scottish Government policy makers' support for localism in the delivery of services, it was argued that the third sector provided an important "*counterweight to municipalism*" in the employability policy agenda. The Christie Commission (2011) noted the benefits of third sector involvement in adding value to public services, and it was suggested that defining a clear role for third sector providers should remain a priority for policy makers.

Joining Up Supply-side and Demand-side Strategies

A final key priority identified by interviewees related to the need for further work to integrate the supply-side and demand-side elements of employability policy. There was broad consensus on the need for close alignment of employability, skills and economic development strategies (although none of our interviewees suggested that all of these agendas should necessarily be combined under the remit of a single agency). The consistency of higher-than-average levels of worklessness in 'post-industrial' labour markets was seen as evidence of the continuing need to join up employability services with local economic development interventions designed to stimulate employer demand. For local government and Scottish Government stakeholders, this was again seen as best achieved through local partnership-working within the context of Scottish Government-led strategies.

The importance of demand-side factors was also clear for those organisations seeking to assist JSA and ESA claimants into work. There was consensus that there is value in the DWP Work Programme's prioritisation of 'sustainment' (i.e. that funding for providers is now weighted towards those clients who report longer periods in employment). Work Programme Prime Contractors welcomed this shift, reflecting both organisations' commitment to securing long-term, sustainable benefits for those participating in the programme. However, there was also an acknowledgement of the difficulties in sustaining people in work given an increasingly flexible labour market context. For young people and others moving into entry-level positions, the work of Work Programme providers often focused on supporting multiple transitions between temporary positions: "*We are required to stitch together multiple jobs for customers – it's difficult for customers, undoubtedly due to labour market flexibility*."

The same concerns were acknowledged by a Scottish Government representative, who suggested that while young people in particular have come to accept an increasingly flexible and casualised labour market, employability providers must redouble their efforts to ensure that individuals have the opportunity to gradually build up skills and experience: "*Fractured transitions… that's what they [i.e. young people] expect. They key thing for the system is that these experiences build on each other*."

However, these discussions also reflected an awareness of an even more serious challenge around the increasing prevalence of low-skilled, relatively insecure jobs with fewer opportunities for training and development (Schmuecher, 2014). There was broad consensus around the need to promote sufficient and good quality work as an outcome for employability programmes. The Scottish Parliament's Economy, Energy and Tourism Committee Report on underemployment acknowledges the substantial problem of under-employment at the 'bottom end' of the labour market (with 10% of all Scottish employees not able to secure sufficient number of hours of work). Various drivers were identified in relation to these trends, including employers' responses to the economic crisis (whereby many organisations have sought to retain staff by reducing working hours). Interviewees also raised evidence of substantial skills under-utilisation among Scottish employees.

A consistent theme was the need for a new engagement strategy with employers – a number of interviewees called on Skills Development Scotland, the Scottish Government and other relevant stakeholders to constructively challenge employers to articulate their contribution to the employability and skills agenda. There were various views as to how best to achieve this – ranging from financial incentives to encourage employers to promote better skills utilisation and training, to further regulatory intervention (not possible under current constitutional arrangements) to prevent increasing casualisation in the jobs market. However, it was also suggested that Scottish ministers (and local government) could more effectively use existing powers and influence (for example, when providing support for inward investors) to emphasise employers' responsibility to provide opportunities for skills utilisation and routes to better jobs wherever possible.

The Future

Clearly, the manner in which substantial elements of welfare and employment powers are reserved to Westminster restricts the scope for changes to the employability policy agenda under current constitutional arrangements. However, given the existing investment in the employability policy agenda in Scotland, there remain a number of options for reform; and interviews with key stakeholders raised various priorities flowing from different post-2014 policy scenarios.

First, some of the challenges for employability policy triggered by the UK Government's welfare reforms cannot be addressed without substantial further devolution of powers (up to and including independence). Devolving working age benefits regulation would be complex even under enhanced devolution, yet it is important to note that the impact of cuts to welfare budgets affects the outcomes achievable for employability interventions (by limiting the resources available to disadvantaged communities and potentially increasing poverty risks for those without work). Those organisations delivering employability services in Scotland are currently required to manage the impacts of these UK-level policies on communities and client groups.

The need to improve the connectedness of employability services was perhaps the most consistent theme to emerge from this part of our interview research. A number of post-2014 scenarios will shape future solutions here. The existing constitutional settlement allows sufficient scope for the Scottish Government to work with other stakeholders (DWP; Skills Development Scotland; and local government) to promote improved complementarity in the funding and alignment of services. Further devolution could see the public employment service functions of Jobcentre Plus and the management of employability programmes such as the Work Programme transferred to the Scottish Government, which some interviewees saw as offering opportunities for closer integration of employability and skills provision. There would be initial difficulties relating to management capacity associated with the transfer of these responsibilities to Skills Development Scotland, local government and/or other partners. Further devolution might also facilitate an expanded role for local stakeholders in planning and managing employability services, possibly within the existing structures of Community Planning Partnerships and Local Employability Partnerships. This may offer benefits in the form of more spatially-sensitive, joined-up local services; but may also create challenges related to varying organisational capacity across local authority areas and reduced economies of scale.

A final key theme focused on the importance of linking supply-side employability strategies with demand-side policies to promote both labour demand and better job quality. There are again opportunities for the Scottish Government and its partners to take action under existing powers, by engaging with employers on issues of skills utilisation and job quality; and by linking support for economic development and inward investment to commitments by employers to invest in human capital. Control of a broader range of taxation and employment regulation powers (under potential future scenarios linked to enhanced devolution or independence) may offer Scottish policy makers a broader range of tools with which to engage with employers, including incentives to promote training or tackle under-employment. However, with these and other challenges facing Scottish policy stakeholders, we should remember that major structural changes in economies and labour markets transcend national and regional boundaries. Many of the demand-side challenges that we face are rooted in the continuing shockwaves associated with the aftermath of the Great Recession, the longer-standing pressures of globalisation, and trends towards labour market polarisation that are present in all advanced economies. There are no easy solutions to these challenges, irrespective of countries' size or constitutional arrangements.

6. Employment and Related Matters

Introduction

This and the following two sections explore different aspects of employment and the management of the employment relationship. This field covers a complex mix of devolved and reserved policy areas as well as issues of multi-level governance given EU jurisdiction over important elements of employment legislation (Marginson and Sisson, 2006).

In June 2013, Stephen Boyd (STUC Assistant Secretary) addressed a conference at the Royal Society of Edinburgh and observed that: "…*employment and trade union law, collective bargaining, national minimum wage, discrimination and disadvantage, job quality, tribunal system, active labour market interventions, conciliation services….none of these issues has been spoken about to any significant degree by either campaign, the Scottish or UK Governments. Pensions is the only labour market issue to breakthrough (sic) into mainstream discussion".* He went on to note that: "*given its sensitivity, the reticence of participants in the constitutional debate to engage with labour market policy is understandable. But if issues such as inequality and tax are to be properly addressed, a greater focus on labour market policy is inescapable".*

Since then the debate surrounding the referendum and the policy documents that the Scottish Government has produced to set out the case for, and implications of a vote for independence, have provided the opportunity for the government to create a broad vision and outline of what it would wish a Scottish employment relations system to look like (Scottish Government, 2013e). In essence, the desire is to move towards a North European model of social partnership (Keating and Harvey, 2014). While discussions of social partnership in Scotland predate discussions of independence (Scottish Executive, 2002) more recently the Scottish Government has also announced the establishment of an independent review to explore the opportunity to optimise the relationships that link trade unions, employers and government and to pursue progressive workplace policies within both the public and private sectors. This announcement came in February, and the review is expected to complete its work by July 2014[1]. Its pronouncements will doubtless offer a much greater level of detail about what policies might be pursued in this field.

In terms of the research interviews, there was considerable agreement across the different stakeholder groups as to the key challenges facing Scotland in relation to employment and employment relations. These overlapped substantially with the areas in which Scottish Government's key performance measures highlight concerns (see Scottish Government, 2013b). Youth unemployment, regional disparities in unemployment, public sector job loss, inequality in women's labour market participation and outcomes and low pay topped the list of concerns frequently identified by stakeholders. For business stakeholders in particular, talent acquisition and costs to business were also prominent concerns.

Challenges and Responses

Youth Unemployment

Almost without exception, stakeholders identified high levels of youth unemployment as a key challenge currently facing Scotland. The scale of youth unemployment since the financial crisis and the shrinking proportions of young workers across public and private sector workplaces was described in strident terms - as "*catastrophic*", "*a scandal*", "*unacceptable*" and "*risking a lost generation*". A smaller group, primarily policy, skills and labour movement stakeholders, argued that youth unemployment was a longstanding problem in Scotland, with high levels of youth unemployment persisting even during economic upswings due to long standing structural weaknesses in how young people in Scotland transition from school to work. Peak youth unemployment levels in Scotland of 25% and more 'normal' levels of around 14% compare very unfavourably with countries like Germany and Switzerland (with recent youth unemployment of around 3%) and this highlights the possibility of finding more effective approaches to integrating young people into the world of work (Lahusen et al, 2013). The challenge, for stakeholders, was to better analyse and understand the structural configurations that produce high levels of youth employment in order to devise effective solutions, given the costs of unemployment to young people and society and to employing organisations. Notwithstanding the current economic and financial context, stakeholders attributed high levels of youth unemployment to deficiencies in the education and skills system but also to employers' attitudes to young people and to employers' abdication of responsibility to help young people more in their transition from education to work (see UKCES, 2011 for further evidence on this point). A number of labour movement stakeholders also linked the problem of youth unemployment to wider concerns over skills shortages, talent and succession planning within organisations in Scotland and identified a gap in policy and practice that linked the challenges in each of these areas.

In terms of the policy response to high levels of youth unemployment, the appointment of a dedicated Youth Employment Minister was looked on favourably, as was the establishment and operation to date of the Commission for Developing Scotland's Young Workforce. Some stakeholders argued that the Commission should go further to consider the links between Curriculum for Excellence, youth employment and entrepreneurial behaviour in Scotland.

The Scottish Government has also made available additional funding to public agencies and local government to support young people into employment and, while this was welcomed by stakeholders, the deployment of additional funding was considered reactive rather than strategic by some. Local councils were felt to have different strategies and different levels of readiness to utilise additional funds to support youth employment: *"a block of money comes and people react – just to get the money spent – it's not a fully formed strategic view"*. A number of stakeholders suggested that that the level of interaction between national and local government on employability more generally was low. Concerns were also raised as to the involvement of a number of different actors, schemes and activities in the youth employment space, creating a risk of confused responsibility and tensions between Scottish Government and local government policies.

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[2] Working Together Review,
http://news.scotland.gov.uk/News/Workplace-policies-to-be-reviewed-937.aspx

Regional Disparities in Unemployment

There are substantial disparities in unemployment across Scotland. As one stakeholder noted, unemployment of 26% or so in the central belt exists alongside levels of 1.3% in the North East. Despite the existence of a cohesion target, a number of stakeholders argued that there was insufficient recognition that Scotland is not a single social and economic entity, with geographical and historical variations in labour markets and related infrastructural difficulties. Deindustrialisation has affected different areas of the country variably, skills shortages persist in better performing regional labour markets alongside high levels of unemployment in others, competition for labour between the private and public sector varies substantially and national data on skills shortages can present a very different picture to more disaggregated data. For many stakeholders, regional inequity remains a real and pressing issue that requires a more strategic and nuanced approach to regeneration to reduce regional variation. As one stakeholder commented, more thought needed to be given to how opportunities were linked up across sectors, and also how sector work played out across Scottish geography, citing that the fact that 40 years of investment in Oil and Gas had focused a great deal of taxpayers' support on the north-east of Scotland, without as much thought being given to how the benefits across the supply chain and the rest of the economy could be maximised.

As indicated earlier, the Scottish Government has established a cohesion target that measures regional disparities in unemployment, and public agencies such as SE are responsive to employment threats in areas where the impact of job losses is higher. However, as one stakeholder noted, "…*the Scottish government has a very comprehensive set of targets beyond just growth – but they haven't effectively set out how these targets are going to be achieved. If you think the gaps should be narrowing between the top and bottom LA (local authority) areas in terms of income and labour market participation, how are you going to do that or have you just created a target for something that you don't think you can actually affect - which is not the wisest move in the world".*

Public Sector Job Losses

As in other countries (e.g. Glassner, 2010), job losses and their impact were a key challenge particularly for public sector stakeholders in Scotland, who reported job losses of around 25,000 in local government and 50,000 overall in the wider public sector to date, impacting on service delivery, employees and employee relations. This is a significant issue for Scotland given the larger proportion of public sector employment than in England. For union stakeholders, "*salami slicing*" of jobs meant that most services continued to be delivered, but with significantly lower staffing levels. Moreover, job losses on this scale removed significant skills and experience from public sector organisations, leading not only to poorer service delivery but to fears of future skills shortages, particularly given the demographic profile of local government workers. For staff, the impact of austerity was to reduce opportunities for career progression and, notably, diminish the number of entry level positions that could be filled by young workers. This, combined with staffing practices such as the use of agency working for entry level grades was creating a worrying demographic profile and future risk.

Much public sector employment in Scotland is protected by a guarantee of no compulsory redundancy[2], hence most of these job losses have been achieved through voluntary severance, although the impact of job losses on surviving public sector workers is reported as considerable (see Section 7). Few stakeholders could identify any organisational or policy responses that married concerns with youth unemployment to those of an aging workforce, thus limiting the possibility of addressing work transitions holistically across career stages.

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[3] http://www.scotland.gov.uk/Publications/2012/09/7426/2

Women's Labour Market Participation

Alongside concerns over youth unemployment, government, policy and union stakeholders identified broader issues in women's labour market participation and outcomes as an ongoing challenge, with occupational segregation and its relationship to childcare provision as a key focus. A number of stakeholders argued that the Scottish Government had a genuine and high level commitment to improving the participation of women, as indicated by the Women's Employment Summit 2012 and the subsequent ministerial Strategic Group on Women and Work (SGWW). Stakeholders supported the government in their quest to improve the low proportion of women in science, technology, engineering and mathematics (STEM) and the low (and falling) proportion of women in ICT occupations, although many were cautious as to what meaningful activity this would deliver and how much this could be changed in the short term.

Targets to improve equality in labour market participation were considered useful; however, there was considerably less clarity among stakeholders as to how these targets were to be achieved, and stakeholders acknowledged that no country had resolved the problem of occupational segregation, even in the Nordic economies (Ellingsæter, 2013). Stakeholders supported the strategic intent in relation to labour market equality; however, the lack of an operational plan to deliver on these strategies was noted. "*It needs to be more than a talking shop. Can (the SGWW) in and of itself make a difference? Only I think in terms of feeding into government policy and perhaps feeding back to our own organisations…but can I take it away to employers?. So I'm saying to [employers] you're going to be recruiting graduates, you're going to be recruiting apprentices, there's a whole load of women out there, you don't need to stick to the male, pale and stale workforce than you've had in the past, so tangible things come out of it … but only if the conclusions or even the ideas go forward and become government policy*".

Talent

For business stakeholders, the availability of talent was a pressing concern. Employers' representatives argued that business needed the right talent, not necessarily cheap labour, and reiterated Scotland's reputation for a highly skilled and ethical workforce. In the context of the banking crisis, the point was raised that, while some jobs have disappeared, the banks still seem to be interested in locating their services in Scotland because of the qualified workforce available: "*The crisis has shrunk the sector, but Virgin, Tesco and Sainsbury's have set up their headquarters here, with personnel with existing high levels of skills*".

Notwithstanding the above, business concerns over the output of the Scottish educational system were raised, echoing comments made to the Wood Commission by some employers. A number of business stakeholders suggested that employers were exhibiting preferences for non-Scottish workers because of perceptions of the latter group's willingness to work. However, current UK government policy on immigration was not perceived as working well for employers.

On the other hand, a number of stakeholders voiced concern over criticism of young people's labour market readiness by employers' organisations. This was argued to have little foundation in fact and to represent "*…a lazy and inaccurate perspective by employers to blame young people and schools for alleged lack of work readiness*", while failing to acknowledge the role and responsibility of employers for the transition of young people into the world of work.

Some employer stakeholders argued for a more holistic understanding of the links between work and other social spheres such as healthcare, communities, social justice and the natural environment, outlining that employers had a direct interest in their workers living healthy lives in safe, strong, flourishing and environmentally sustainably communities. However, these issues – and environmental sustainability priorities in particular – were not frequently raised.

Low Pay and Falling Real Wages

Low pay, declining real wages and the dwindling share of wages relative to profits were identified as problems for Scotland by government, political, policy, union and civil society stakeholders and by public sector employers. To illustrate the scale of this problem, in some local authorities 20% of workers can be classified as low paid, and half of Unison's membership in Scotland (some of whom work in the private sector) earn less than £21,000 per annum. Low wages were seen to represent a problem for individuals and for society: "*It can't be right that somebody can work 40 hours a week, irrespective of what they are doing, and not have enough money to pay their rent. It's a completely false economy that the state has to pick up the tab for a low wage economy – because that's what happens with tax credits and all the rest of it*". Stakeholders argued that it was increasingly recognised that debates on low pay were inextricably linked not just to debates on welfare policy, but also to business productivity and growth concerns.

Many stakeholders applauded the government's adoption of the living wage but some outlined the difficulties in extending this, for example, to those who contracted to provide services funded by government. A regulatory response (soft or hard) was, however, seen as secondary to the pursuit of economic growth in ways that create good quality higher paid employment.

Containing Business Costs

Unsurprisingly, a commonly cited concern of business stakeholders, beyond access to available finance, was the need to contain costs and to avoid policy developments/initiatives that would increase the expense of doing business. This issue was raised most commonly in relation to employment and related regulation. Yet some employers and employers' representatives acknowledged that the stated opposition of employers to regulation was an unfortunately crude position. As one noted:

"*I'm not in any doubt that where you're a membership organisation, in order to attract as many members as possible you look at the lowest common denominator. Issues around regulation will apply to everybody and … very often when you pause and say to them well what do you mean, are you suggesting that there should not be a law one way or another that means that machines that are dangerous should be guarded, are you seriously suggesting that, they say 'well no I don't mean that'. What they tend to focus on of course are the extreme situations where some ludicrous suggestion is made that is said to be in compliance with health and safety regulation and that tends to be the usual populous nonsense that you get around these things. As a membership organisation … an easy win is to focus on red tape and the current [UK] government pander to that by saying that they undertook not to introduce any new regulation unless they could take a previous one off the statute books*".

Supporting Growth

For many stakeholders, sufficient economic growth holds the key to addressing many of the employment-related challenges outlined above. As indicated in Section 3, the Government Economic Strategy (GES) (Scottish Government, 2011) focuses on key growth sectors. While the GES discusses sustainable growth in order to acknowledge potential trade-offs between economic growth and other priorities such as reducing inequality and lowering carbon emissions, most stakeholders took the view that the primary focus for government was economic growth; variations of the view that "*if you want social democracy you need to be able to pay for it*" were offered by a number of respondents. Labour movement and some policy stakeholders were, however, more concerned about the trade-offs that might be made between other government priorities and economic growth and the implications of this for the type of society Scotland might aspire to be and which interest group voices were most likely to be listened to. As an illustration, one stakeholder indicated that the recent regulatory reform bill in the Scottish Parliament places a duty on environmental regulators to promote economic growth.

Concerns over Scotland's pursuit of growth focussed on two areas: economic development activity and business development activity. Policy stakeholders suggested that it was crucial to recognise the distinction between economic and business development. Economic development addresses areas of market failure – that is, those areas where business decisions are sub-optimal. Many stakeholders commented favourably on the strong emphasis by the Scottish Government on economic development, and the retention of a national economic development agency (in the shape of Scottish Enterprise). This retention of a strategic national economic development capacity was highlighted as an important difference between Scotland and England.

In terms of economic development, an internationalisation agenda was widely discussed. It comprised not only exports but also foreign direct investment. There was a widespread consensus that Scotland's businesses needed a more genuinely outward focus and that the business base in Scotland was too narrow. New digital technologies in particular were seen as supporting businesses who wished to become more international, although long-standing concerns over geography and connectivity were raised. As one respondent commented, "*Scotland faces particular issues with regard to connectivity and geography*".

Three key issues were debated in relation to economic development:

- the focus on key sectors,

- the organisation of economic development activity,

- and a perceived dominance of employers' interests in economic development to the exclusion of other interests.

The Scottish Government's sector approach to the economy was mentioned by almost all respondents. While the relatively new role of the Industry Leadership Groups and their broader approach around sectors was welcomed, some concern was raised that these were dominated by large employers despite the predominance of SMEs in Scotland. Additionally, some stakeholders argued that the sectoral approach was too narrow and too rigid, and covered too small a proportion of the Scottish workforce. As previously referred to in Section 4, this applies particularly to the young workforce with lower levels of qualifications, who do not necessarily have many choices of jobs in the labour market. One respondent argued, however, that there had been a greater emphasis on sectors with high employment recently: "*There has been a shift in the last two or three years with greater organisational sympathy for sectors with strong levels of employment, as opposed to the cutting edge sectors*".

General concerns were raised as to the choice of sectors for specific attention. As one respondent commented: "*Some sectors are more fragmented and it is more difficult to get them to collaborate. For example, food and drink had issues here, but it has now greatly improved. The other sector which still needs to improve collaboration is tourism, which is a very fragmented area. The new Scottish Tourism Alliance has a role to play here. The tourism industry has recruitment challenges, and there will be many non-Scottish employees in the tourism area in Scotland*'. Other respondents were concerned that manufacturing had received insufficient policy attention, despite some recognition of the need to rebuild Scotland's manufacturing capability. There was a need to generate more traditional employment, "*making things*" according to one respondent. The issue of where, given scarce resources, emphasis and in particularly agency efforts should focus engaged many stakeholders but there was no predominant view as to the most effective approach or focus.

While this was not commonly raised, some stakeholders believed that economic development was becoming increasingly centralised, with Scottish Enterprise providing effort at the national level and local authorities delivering some sub-national activities. This was perceived as both lacking in clarity over power and responsibilities and as potentially detrimental to cross-boundary working, and indicative of the government's failure to bring economic development together in a more coherent framework.

Labour movement stakeholders acknowledged their own voice in the governance of economic development, but raised concerns over the absence of a broader civic voice in economic development in Scotland. A National Economic Forum was established by the government in 2007 so that a wider group of stakeholders could discuss economic policy and development, and this had contributed to the development of important areas of activity, such as the policy emphasis on skills utilisation. However, in more recent years the perceived impact of this Forum had lessened.

Turning to business development, the large number of SMEs in Scotland's economy was viewed as both an opportunity and a challenge: an opportunity to follow the example of countries where SMEs provided the basis for a creative, flexible, responsive and productive economy, but a threat where SMEs were insufficiently dynamic. A wide range of stakeholders raised three related concerns about the issue of business development: ambition, orientation and models of business. The level of ambition amongst employers was widely questioned, with some suggestions that ambition was sometimes considered socially unacceptable. Stakeholders described Scots in general as "*a bit timid*", "*a bit risk averse*", and "*complacent*", while others talked less of a lack of ambition and more about "*cultural contentedness*" and an emphasis on lack of ostentation. One stakeholder indicated that "…*being ambitious shouldn't mean that you're doing someone else down. This is about being ambitious for yourself, your business, the country – thinking big, as opposed to thinking OK and a bit mid-sized*".

A number of different types of stakeholder pointed to business orientation as providing insight as to why a highly qualified workforce in Scotland was not delivering higher productivity. Stakeholders talked of lifestyle businesses that would never grow, businesses with limited exit strategies based around a wealthy retirement for the owner, a lack of serial entrepreneurialism, a failure to understand the complex motivations for being entrepreneurial and a lack of 'big thinking' by the business community and their representative organisations (although employers organisations indicated that better business support was required not just for start-ups but at different stages of business development). All concluded that there was a pressing need to raise aspirations for business growth in Scotland. For some stakeholders, the challenge was how to encourage employers to consider different models built around business to business collaboration and better understanding between the private and public sectors. For one stakeholder, this would be more likely if the public and the media were less negative about failure: "…*we should have a questioning media, but you shouldn't be criticised for trying your best and doing something different*".

Interestingly, no stakeholders raised industrial relations as a concern or challenge in Scotland.

Levers

Some stakeholders suggested that the current government was able to – and did - respond quickly in areas within its remit, and was willing to develop creative solutions. For example, such activity was considered useful in terms of providing additional support for apprenticeships. This was seen to distinguish Scotland from England, and illustrated a positive outcome of devolution.

In other areas, however, stakeholders perceived that existing and available levers had not been used to their full potential. While the Scottish Government was clearly limited by lack of control over macroeconomic policy, the criticism was raised that, despite a commitment to rebalancing the economy, no substantive measures had been delivered to achieve that at a Scottish level. Another area of concern focussed on the interconnectedness of employment and work issues, which is addressed further in Sections 7 and 8. Some stakeholders reported a lack of coherent connections across actors and activities, and argued that neither government nor the civil service had the capacity to develop and support effective partnerships, nor to incentivise genuine collaboration. Rather, some stakeholders suggested that the types of targets set by government for public agencies made collaboration less likely rather than more likely.

Stakeholders identified a number of policy levers that could be used to better effect. One was procurement. The Scottish Government was criticised for not being sufficiently creative in interpreting EU procurement legislation and failing to use public sector procurement as a means of promoting desired employment policy-related change, particularly around job quality and the take up of the living wage, but also potentially in relation to recruitment of young workers and better training and development. Another suggested policy instrument was to find more effective forms of conditionality in relation to public funding, which required government to be clear about the forms of behaviour/actions that should be delivered through conditional public funding. A related area was the use of tax incentives to secure the goals outlined above. While variations in corporation tax would require constitutional change, a creative solution in the current constitutional settlement would be for the government, acting in concert with LAs, to vary some forms of local taxation (for example, waste collection charges) to incentivise actions such as the adoption of a living wage.

A small number of stakeholders also perceived that more strategic use could be made of EU funding in terms of combining agency resources and being more creative around state aid rules. This, however, requires better cross-actor and cross-agency collaboration than currently exists.

While these levers have some potential, many stakeholders acknowledged that microeconomic intervention would remain constrained given the limited macroeconomic powers available to government under the current constitutional arrangements.

The Future

One stakeholder posed the question: *"If the [referendum] vote were yes, would it lead to a refocusing of the entire strategy of Scotland, leading to more profound questions about what type of Scotland we'd like?"* For the future, the two key questions were: the nature of powers available to the government, and the uses to which these powers might be put.

Many stakeholders raised the issue of labour market regulatory powers. Some suggested that the status quo would prevail for some time, but that differences were likely to develop in this sphere between Scotland and England, particularly given what the government was now proposing in terms of moving towards a more social democratic, North European model (Scottish Government, 2013d). Some stakeholders had a wish list of policies: for example, the scrapping of anti-trade union legislation, a higher minimum wage and the adoption of the full International Labour Office (ILO) convention on employment rights. While the possibility of a more highly regulated labour market concerned some stakeholders, two interesting arguments were raised: firstly, that regulation was an imperfect solution to problems that workplace stakeholders could best solve voluntarily (with an implicit endorsement of support for collective bargaining), and secondly, from an employers' and policy perspective, that labour legislation might not be a barrier to growth if regulation is well designed and effective. A similar view was taken by employers' representatives on the possibility of renewed emphasis on partnership models of employment relations – that this would not concern businesses in principle, but would do if it increased business costs, reflecting pragmatic rather than ideological concerns.

Some stakeholders outlined risks associated with constitutional change: that attempting to encourage foreign direct investment (FDI) through tax incentives would be less effective and sustainable than attracting companies to Scotland on the basis of appropriate skills and infrastructure; that in facing powerful international actors in key sectors a separation of government between Scotland and England may weaken each government's hand further, and that, in whatever constitutional future, the fundamental problem of the Scottish economy – generating sufficient numbers of decent jobs – would continue to exist, whatever additional powers were available.

Of note, however, is that while many stakeholders could envisage the kinds of processes that further devolution or independence would be likely to deliver many had no detailed view of what they would like a future Scotland to look like beyond broad general principles. This suggests that many of the strategic deliberations regarding employment and work issues are likely to take place, if at all, either after the referendum or within the workings of the recently announced review on progressive workplaces. At the very least, however, trade union stakeholders suggested that greater powers for Scotland should mean that workers and workplaces avoid *"the worst of the things that would happen in Westminster"*, reflecting an assumption that the fundamental orientation of much of the political class in Scotland is more social democratic than is the case in England.

7. The Workplace

Introduction

What goes on in Scotland's workplaces is of crucial importance to the country's productivity, innovation and competitiveness. Moreover, work and workplaces play a major role in influencing the health, wealth and happiness of individuals. However, as Keep (2013) has argued, beyond (reserved) matters concerning regulation and (devolved) matters concerning the supply of skills, public policy has until very recently been largely silent in relation to the workplace in Scotland and rUK. Clearly macroeconomic and microeconomic policy impact on workplaces (and vice versa) but, workplaces per se constitute neither devolved nor reserved matters. Rather, the workplace has been widely seen as a domain governed by managerial prerogative or, where unions are present, qualified managerial prerogative. As noted earlier, the referendum debate has provided a major catalyst for fresh thinking about what Scotland's workplaces should look like in future, and what the state of employee relations within them ought to be.

Challenges and Responses

Productivity and performance

In the recent past, Scotland's productivity trailed that of the rUK. While this lag has largely disappeared in recent times, productivity in both countries still fall behind that in many other OECD economies (Elliott, 2014). It was recently announced that the UK's per worker hour productivity gap with the rest of G7 is at its widest in two decades (Elliott, 2014), and thus productivity remains a central concern for government and for those public agencies charged with educational, skills and economic development priorities.

While employer stakeholders focussed more on growth than on productivity per se, labour movement stakeholders raised specific concerns over relative productivity, linking these concerns to problems in the way labour is managed and deployed – and particularly how workers' skills and capabilities are utilised – within workplaces. A number of respondents posed the question as to why, given superior performance on workforce qualifications and a highly flexible labour market across the whole UK, Scotland's relative productivity was not greater. As one noted: "…*look at qualifications in Scotland: there are fewer people with no qualifications than in the rUK, more people are qualified at Level 3 plus, yet productivity levels haven't really happened. So what is going on then?*" This is an issue that has concerned Scottish policy makers since the publication of the Economic and Skills Strategies in 2007 (Scottish Government, 2007a & b).

Resource Scarcity

Resource constraints affecting both private and public sector organisations have created corresponding workplace challenges as employers focus on containing costs. In many organisations employers have instituted – unilaterally or through joint decision making with unions and/or employees – pay restraint and changes to terms and conditions in response to contemporary economic and financial challenges. Examples were cited of how pay restraint was achieved in ways that shared detriment between employers and employees. As one employer noted, in less pressing circumstances such compromises would have been unlikely and unilateral changes would have breached contracts; "…*but the balance has to be right – so that employers are not taking advantage of recession to create a working environment that doesn't recognise the mutuality of a healthy business relationship"*. Undoubtedly, however, in both the public and private sector, pay restraint has had a significant impact on employee relations. Pay freezes have made employee relations more difficult. Even where pre-existing partnership models of employee relations were in operation, pay restraint has subjected partnerships to pressure and many union and employer stakeholders voiced concerns that the inevitable focus on disagreements over pay, terms and conditions had reduced the attention devoted to other important areas of joint interest such as youth unemployment, skills formation and organisational change.

Another aspect of resourcing problems related to the human resource management (HRM) capacity of employers. In local government, significant cuts meant that HR and organisational development posts had vanished, and there were no directors of HR/OD within local government in Scotland. By contrast, the NHS had retained workforce directors. The most senior HR staff are not always represented in the senior management team in councils, and this has reduced HR's strategic input into planning and had an impact on HR's influence. As one respondent noted, "…*there are very few businesses you would go into in the private sector that wouldn't have HR, finance and legal people sitting at the top table but you're seeing that in councils and that worries me"*. Some respondents from local government argued that HR was still an important function even if not at the top table, but that restructuring of the function raised issues of capability. Reliable data on developments in the private sector are limited, but some similar concerns were expressed regarding HR capacity and capability in private sector organisations.

Work Intensification and Stress

Union stakeholders in particular pointed to the challenge of work intensification as organisations have shed significant numbers of staff, consistent with other research particularly in the public sector (Bach and Stroleny, 2013). Work intensification was argued to be increasing workplace stress directly through workload pressure and indirectly through mounting concerns over levels of service delivery and workers' exposure to risk from poorer service delivery, and workers reported "*sleepless nights"* over worries that jobs were not being, and could not be, done to the appropriate level of quality given workload pressures.

While employer stakeholders reported no discernible rise in absence, which might be an indicator of workload and stress, they noted that employers were managing absence more tightly in the current context. In addition, they reported personal experience of working longer hours at increased effort levels. Some employers' representatives voiced concern over increasing expectations of work intensity and achievement, and suggested that it was the responsibility of employers to be clear on what constituted doing a good job and on what constituted an appropriate level of performance.

Union stakeholders also reported members' concerns over increasing workload-related bullying and harassment and disciplinary incidence and, in some parts of the public services, increasing violence towards staff as a result of client reactions to UK government welfare policies. Unions also reported widespread experience of in-work poverty (Findlay and Stewart, 2014). Alongside problems

arising from current economic and financial circumstances, employers noted difficulties arising from managing a smaller, aging workforce, with rises in the numbers of employees experiencing musculoskeletal disorders, cancers and mental health problems (Harper, 2012).

Impact on Internal Labour Markets

Employer and labour movement stakeholders highlighted the impact of resource scarcity and job cuts within organisations on opportunities for career development and progression. While stakeholders could identify organisations (for example, in the energy sector) where internal labour markets still functioned well, concerns were raised that in large parts of government and the public sector, career progression opportunities were increasingly more formal than real for many employees. This had an impact on workers at different career stages and made it less likely that young workers would be brought into entry level positions. This issue has an added importance in the light of the work of the UK government's Social Mobility and Child Poverty Commission, which has argued that, if in-work poverty and social mobility issues are to be tackled, then an 'explicit hourly pay progression strategy' (SMCPC, 2013: 29) is required.

In-work Training and Skills Utilisation

Mixed skills trends were reported, particularly in the public sector. Union stakeholders pointed to the deskilling of certain posts where aspects of professional work were increasingly undertaken by technical and support staff. Simultaneously, however, others expressed concerns that professional workers were transitioning into managerial positions with much more limited experience than in the past. Restructuring processes have resulted in considerable redeployment across organisations which has led to some re-skilling of workers.

Both employers and unions talked of cuts in learning and development budgets at all levels from entry level training to CPD for professionals, although examples were also given of organisations that had deliberately protected learning and development budgets to facilitate organisational restructuring. UK-wide research suggests (Felstead, Green and Jewson, 2013) that there is indeed a mixed picture of employers' training efforts, with a larger fall in activity in the private sector than the public sector, and some organisations boosting their training despite economic pressures.

The government's promotion of workforce development in the public sector was applauded by some stakeholders as a positive approach that explicitly recognised the benefits of mutual gains relationships and the potential to deliver greater pay coherence alongside enhanced organisational flexibility. By targeting training in ways that were economically and operationally beneficial to staff and employers, it helped ensure that investments in skills were used effectively in the workplace, and delivered cost savings that allowed the government to address concerns over pay.

In relation to the broader deployment and use of skills, other stakeholders pointed to the numbers of young graduates in posts that do not require graduate skills, with one referring to the talented, overqualified, underutilised and disempowered young workforce in processing jobs in UK civil service departments. Despite attempts by the STUC and others to promote an emphasis on workplace development, rather than the narrower concept of workforce development, there was considerable discussion of a widespread disconnect between debates on youth unemployment, aging workforces, skills shortages, succession planning and talent management, and pleas for more strategic thinking about job transitions at every career stage and in particularly around managing transitions to retirement in ways that retain and pass on skills within the organisation. As one stakeholder commented, "…*some companies are thinking about this because they have to, but not enough".*

Job Quality and Job Design

Taking together the factors listed above, a more general concern over job quality in Scotland emerged from both employer and union stakeholders. This mirrors increasing interest in the issue and implications of job quality elsewhere (Findlay, Kalleberg and Warhurst, 2013). Workers in Scotland face a mixed picture comprising good examples where engaged employees in quality jobs delivered high productivity, and what was commonly referred to as 'the call centre model' where tasks were deskilled and routinized, leading to disengaged and disaffected workers and service delivery that failed to meet the needs of customers and often vulnerable clients. Across the stakeholder group, respondents suggested that the issue of what constituted a good job and the need to improve job quality was increasingly recognised as a real policy concern, though it was perhaps only a priority in practice where talent or skills were difficult to come by. This offers a contrast with policy debates in England, where to date job quality has not played much part in public policy debates on work and employment at any level, although recent discussions led by CIPD on the link between job quality and productivity aim to stimulate such a debate (CIPD, 2014).

Organisational Change and Innovation

Various factors were identified by respondents as drivers of organisational change: delivering work with fewer staff; finding new ways of working to improve efficiencies; offering flexibility to address recruitment and retention difficulties where skills shortages exist; redeploying staff after job cuts or voluntary severance and demographic change in terms of the proportion of older workers and the challenges that arise from having increasing numbers of workers with caring responsibilities. In the public sector, health and social care integration was driving significant organisational change and the unpredictable consequences of welfare reform were identified as a future driver of change for benefits and welfare rights staff.

Perhaps more positively, some organisational changes were stimulated by strategies regarding talent management and an attempt to create the conditions in which people realised their full potential. Employers reported that facing challenging competitive conditions or resource constraints could be beneficial in focussing on critical activities and generating new and improved ways of working: "…*we have definitely seen efficiencies and improved ways of working and developing because of the budget pressures*" (a point echoed by Felstead, Green and Jewson, 2013 with regard to training within organisations). One challenge identified was to ensure that managers were receptive to the solutions to organisational problems proposed by engaged and informed employees. Moreover, some employers recognised that employees may be more reluctant to suggest innovation in a climate of uncertainty in case these suggestions resulted in job losses.

The issues outlined above are being responded to in Scotland in a variety of different ways. Stakeholders noted that an early act of the current government was to look at partnership arrangements in other countries as a model. While there was no doubt that pay restraint had made employee relations more difficult in many organisations, (a point noted also by Butler et al, 2011), some of the challenges referred to above have been addressed through the pre-existing partnership arrangements between employer and trade unions that extend across the public sector in Scotland, and through explicit employee engagement initiatives supported by both employers and the government. These partnerships have been tested during difficult times, and public employers described them as critical to managing public sector restructuring and reform. Central to many of these partnership arrangements was explicit recognition of the business and wider benefits of workforce development and more progressive employment practices. While maintaining effective partnerships was considered challenging – "*it doesn't mean to say we are in each other's pockets and it doesn't mean to say that they're doing everything that we'd want them to do or that we never fall out because we do*" – partnership arrangements were considered effective by stakeholders and, for government employees in particular, partnership relations with the Scottish Government were perceived as stronger and more robust than partnership arrangements in rUK.

The work of Improvement Boards and the Improvement Service for the Public Sector was also commended by public sector stakeholders for trying to upgrade employer collaboration and capacity. To illustrate, employers were starting to think about what the workforce of the future might look like and to look at variation in levels of trust across council areas, as well as promoting more effective partnership by earlier workforce and union engagement; as one stakeholder asked, "*How do the unions interact with us about these agendas going forward so that they're involved more at the shaping end of it rather than a reaction at the end*", signalling the challenges in turning a rhetoric of early stage involvement into a reality. Stakeholders also reported more joint work between local government and the NHS than had been the case hitherto. This was being driven by the beginnings of health and social care integration, and also by necessity.

Employers outside of the public sector were less focused on formalised models of partnership and more on the potential and benefits of employee engagement, on the complexity of worker motivations in different contexts, and on the implications of employee engagement for managers and management. One employer argued that there was an increasing recognition amongst the business community nationally and internationally of the community of interest between employers, employees, communities and the environment and the need for collaborative forms of organisation where every group benefits.

Public agencies have also developed work streams and activities that attempt to increase levels of employee engagement in private firms: "*We do talk about employee engagement and how you measure that; we measure issues around employee engagement and employee awareness. We do measure stuff that would take you into a more open conversation with your employees, and we think that this is what happens when you open your eyes up around leadership. So we ask questions around what you do with your staff – do they feel engaged, do they volunteer to do more things?*" Yet while there were many good examples offered by stakeholders of enlightened management within Scottish workplaces who recognised the importance of workforce and related organisational development, many stakeholders bemoaned the lack of similar recognition in other workplaces: "*Too often firms think about OD (organisational development) after they think about everything else, if they think about it at all*".

Attention to workforce and organisational development was viewed as most likely where it was directly and critically related to business performance; for example, where accessing talent, skills shortages and/or succession issues was most obvious. Interestingly, while new talent was discussed as a source of business innovation and productivity, investing in and listening to current employees appeared to have lower priority. Some stakeholders, including employer and employers' representative organisations, suggested that many employers were not brave enough, or trusting enough, to try different ways of managing and to show innovative leadership and that recognising the limitations imposed by poor – and what some termed 'traditional' – leadership was crucial to transforming workplaces. Stakeholders, including employers' representative organisations, compared this orientation unfavourably with employers' orientation and involvement in other countries, where the morality and social responsibility of being a good employer was more prominent and "*… employers don't want to be shamed by not taking part*". However, some stakeholders – including employers' organisations - perceived it as being difficult to talk about and challenge leadership in people's own businesses.

The current government was commended by union stakeholders in its role as an employer, particularly in comparison with the UK government. In particular, attention was drawn to the contrast between the UK and Scottish Governments' somewhat different approaches to public service delivery via centralisation, call centres and online models. It was argued that this has deskilled UK civil service staff to a greater extent than in those operations run by the Scottish Government, where the approach is different and perceived as better by unions.

In summary, some respondents supported a greater policy emphasis on workforce/workplace development and on greater employee involvement and engagement, and stakeholders could identify good examples of innovation that linked skills, training, technological change, productivity, performance and exporting. There was considerable interest in employees as a source of innovation and in international examples of how employees' innovative capacities might best be tapped in Scotland's workplaces (Hoyrup et al, 2012), and a recognition by some stakeholders that government had a role to play in supporting developments along these lines. However, there was less idea of how to make this happen, or at least happen more widely, and all stakeholders identified capacity constraints within their own organisations in undertaking any more activity in these areas.

Levers

The current policy levers in relation to the workplace are complex. The Scottish Government has some power to shape and influence how the public sector in Scotland approaches workplace employment relations and thinks about work organisation and job design. However, it generally lacks simple, direct policy levers that can influence private sector employers and traditionally it has also culturally not been amenable to looking at the issue of managerial prerogative.

Many respondents argued that government at all levels, but the Scottish Government in particular, has an interest in supporting good workplace practice, not least to ensures that the considerable public monies invested in skills and learning are put to good use in the workplace. There are four key levers of intervention in the workplace for the government:

1. Government's role as a direct employer and therefore as an example of best/leading edge practice

2. Initiatives aimed at the wider public sector workforce[3]

3. The role of public agencies in influencing the workplace through their relations with businesses, not least through public procurement and via economic development and business support

4. More diffuse ways in which governments exhort or encourage employers to adopt particular business practices

Points 1 and 2 were discussed in the preceding section. In trying to deliver on points 3 and 4, stakeholders pointed to recent Scottish Government organised workshops and presentations on workforce and workplace innovation that brought together a variety of organisations (loosely referred to as Team Scotland) to encourage learning about innovative practices. To take this forward, some stakeholders suggested that what was required was support for a more holistic and interconnected offer from government and/or public agencies – and agency measures that drive collaboration. It was also suggested that a sectoral and far more differentiated approach to choosing where and when to intervene was needed (based on size, sector, product market strategy). Blanket programmes (for example, in relation to skills) were easy to administer, but would not necessarily change businesses.

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[4] http://www.scottishleadersforum.org/workforce-development

The Future

Respondents' reactions to the potential prospect of greater regulation of workplace relations were split, perhaps unsurprisingly. The variation was not simply whether individuals thought the idea of greater regulation was good or bad, but also within these camps, whether or not it would actually have a great deal of impact. For instance, one respondent noted that Scotland could have statutory intervention, but that in their opinion it would be better to have properly engaged workers and effective collective bargaining rather than tokenistic works councils. Some stakeholders argued that, if people had greater security at work and greater confidence in management, they would do far more radical innovative things than they do in what were referred to as "*the current top-down turkeys don't vote for Christmas workplaces*". Constitutional changes, it was argued, might not in and of themselves change workplace cultures. Moreover, some doubted that any "*great new lever would come into play – maybe mandating things – might drive up numbers but have less impact – could say everyone who gets a grant to do X must do Y*". It was also noted that, to some extent at least, workplaces were being affected by a range of macro-level pressures and global trends, some of which might tend to over-ride whatever national policy – under whatever definition of national might apply - intended to achieve.

On the other hand, another group of respondents saw constitutional change as an important opportunity to support collective bargaining over a broader range of issues and to bolster employment rights. That said, there was some concern that the current government's stated position on workplaces outside the public sector was not as strong as it might be. The government was "… *putting a lot of effort in their own back yard, but how much will they compromise to get private (FDI) investments*". Respondents commented that the policy trajectories of employment relations north and south of the border would continue to diverge.

8. Governance of Employment and Work

Introduction

The main focus of the WEST project has been on policy trajectories, but the role of the bodies and institutions that support existing policy development and implementation, and which constitute the potential underpinnings of the projected move towards a stronger social partnership model, are also important. This section highlights a few of the more important issues that the research uncovered. As with many of the earlier findings, a significant proportion of these challenges are ones that other developed countries face, and represent the perennial trade-offs and difficulties that confront politicians, officials and stakeholders in designing and delivering complex services and lines of policy development. They are not issues that are necessarily unique to Scotland, nor by any means are all of them bound up with the independence debate.

In particular, what follows emphasises the critical issue of collective organisational capacity and capability. Many respondents harboured serious doubts that some elements of the current institutional landscape in Scotland are sufficiently well-resourced and representative of the stakeholders they purport to serve to be able to support current policy debates and activities, and were even more doubtful that these arrangements would be sufficient to service the additional needs likely to be generated by either independence or some form of enhanced devolution.

Issues of Scale

Before looking at the specific issues that emerged, it is worth highlighting a point that was repeatedly noted by many respondents from across all the groups – namely that of scale. A repeated theme among respondents was the fact that Scotland's smaller population size meant that there could be greater connectivity between people and institutions. This connectivity helped to engender trust, which in turn made a different approach to policy governance possible. Scotland seemed to have a clear advantage over England in this respect. It also made it easier to contemplate a more granular or bespoke approach to policy design and delivery.

As one respondent put it: "*Because of the size of the country we are better at collaboration. This makes things easier to do, which is an issue of practicality and scale. The sense of civic pride is very positive in Scotland, and within that there is something about the values of Scotland, which are different from the values of England*". Another commented that: "*What is particularly interesting in Scotland is the proximity and the intensity of the agencies, which gives them agility…..I have seen a genuine willingness for agencies to align their strategies and deploy their resources. This helps when they look to engage in Europe, for example*". This engagement between the agencies contrasts to some extent with England, partly because of the institutional churn of short lifespan bodies south of the border, and partly because of what another respondent termed a *"silo"* approach that engenders a lack of co-operation.

The effects of scale emerged at a number of different levels across the policy machinery and representative mechanisms in Scotland. For example, sectoral bodies had some chance of knowing and understanding the firms that were 'in scope' to them. It was also the case that scale made it more likely that within government and the agencies there was some facility for creating and prosecuting integrated policies and programmes. The relatively close working between SFC and SDS was cited one example of this; joint offers to businesses by SDS and SE was another. The sheer size of the English government system appeared to make such joining up much harder to engineer and sustain, not least across firm size, location and sector.

One respondent termed the Scottish advantage *"the village effect"* (a term he had heard used at a seminar in England), whereby networking and personal contacts helped to reduce bureaucratic drag. It was also likely to be the case that it was harder for individual or institutions to behave badly towards one another in a small country as the people they had upset would be in the same meeting room as them at some point in the future. Another respondent suggested that, for the same reason, *"It means that the public policy measures you have to pursue involve a good deal more collaboration because a lot of the UK or English approach to public service reform is to use league tables and comparisons and to name and to shame and that only really works in a large place where you can limit the amount of shame that you heap upon somebody through infrequent contact"*.

It was also argued that higher levels of connectivity meant that sometimes policy was able to be more fleet of foot than was possible in a larger country: *"The argument also is that Scotland is a village and everybody knows everybody else and ministers will pick up the telephone and say 'a civil servant has just told me X, is that right, what's your view on that?' Now you never get that in England, it's just too big and the structures are just there, so being a small country it does mean you can actually do things quicker in many ways, as well you know the line from the idea to getting it done is shorter on that basis"*.

Current Governance Issues

Access to the Scottish Government

All stakeholders reported significant access to government and they perceived that there was a relatively strong culture within the government of consulting and listening. Unions representing government employees reported regular and frequent formal meetings with ministers, informal forums to discuss sector wide issues and consultations with party leaders in their party policy fields. These direct relations were perceived as delivering a high level of influence and important outcomes, for example a no compulsory redundancy guarantee and the adoption of the Living Wage for Scottish government employees as well as constructive approaches to redeployment for displaced workers. Moreover, union stakeholders acknowledged that, while as an employer the government had been significantly constrained by pay restraint, they were perceived as more willing to work constructively on other areas where they had greater flexibility within general budget constraints.

STUC officials and General Council Members participate in bi-annual meetings with the First Minister and Cabinet Secretary alongside senior civil servants which were described as useful and leading to more specific joint activity. In addition, there was, *"an awful lot of work, more informal work goes on with SG officials and STUC and affiliate officials between times to kind of move things forward, see where we think there are going to be areas we can agree on. If there are going to be areas we disagree on then let's flush them out beforehand so that we know where there isn't a meeting of minds…."*.

It was noted that, contrary to what might have been expected to happen when the government switched from being Labour-led to a minority SNP administration, the relationship between STUC and the government had deepened. As a result, *"we've kind of reached this stage where if there's any new policy or strategy being developed within the government then we are regarded as a key stakeholder who this should be discussed with".*

In terms of concrete gains from this activity, respondents pointed to the procurement bill that the government had introduced into parliament, the setting up of the Strategic Group on Women and Work, moves to strengthen prosecution of health and safety breaches, and the preservation of public sector trade union representatives' 'facility time'. Indeed union stakeholders reported having greater engagement at Scottish Government level now than ever before. As one noted: *"Are we listened to? Are we heard? Absolutely yes. Do we get everything we want, absolutely no. But there is a constructive dialogue there that I think benefits our members, has benefited our members as well as shapes policy, has helped to shape policy with the government".*

It was observed that this situation was in marked contrast to what happened in England, in terms of both the level and intensity of contact between the TUC and government, and also the outcomes generated by this interaction. One respondent suggested that, *"I think there is also a view in Scotland that the STUC is seen much more as a strong civic partner and has always been regarded as such in a way that the TUC is not perceived at UK level".* For example, the STUC had been involved in regular meetings to discuss aspects of transport policy relating to the ferry services to the Scottish islands. It was argued that it would be unlikely that the TUC would be invited to participate in policy making at this level of detail within the UK Department for Transport.

National Versus Other Levels

Although it was not an explicit element of the WEST project's research design at the outset, the fieldwork indicated quite significant issues about the interplay between different levels or aggregations at which policy might be designed and delivered. These questions and concerns largely focused on arrangements as they currently existed, but they plainly raised issues for the Scottish Government's future plans.

In the space available here, we can only highlight a few key foci for these debates. The first was what might be termed a tension between centralising and centripetal tendencies. On the one hand, Scotland local authorities are, compared English counterparts, still directly responsible for the delivery of a wider range of services (for example, school education and tackling youth unemployment). On the other, a significant proportion of respondents volunteered the view that the current Scottish Government was, intentionally or not, pursuing policies that implicitly suggested a move to *"nationalise"* important areas of public services, for example moving to having one police force, fire service, and criminal justice authority. There the view was aired that there might be too many small LAs, and that some reform and rationalisation of the Scottish local government map would be required at some point in the future.

It is apparent that with regard to E&T, unemployment, and economic development, thinking about the future direction of policy is raising some major issues concerning policy integration within and between local, city region/regional, national, international, occupational, and sectoral contexts. Thus respondents pointed to the need for more reflection on 'double devolution' – from the UK to Scotland, and then from the Scottish national level to subordinate levels within Scotland. The level(s) at which policy was developed, delivered and accounted for mattered, and multi-level governance of this kind was subject to different tensions and demands, as well as co-ordination costs, not least in terms of the expertise required to make it work. These comments mirrored some of the issues raised in the Christie Commission's review of Scottish public services (Christie Commission, 2011), not least the need to decentralise, improve collaboration between different bodies to tackle common problems, enhance joint working, improve responsiveness to local communities and their needs, and encourage bottom-up organisational design.

The role of cities and city regions was flagged up by some respondents, who pointed to the importance of the Agenda for Cities, while another spoke of the need for an identification of the role of the cities, saying: "*If we are not careful there will be a schism between the cities agenda and the national agenda. The economic geography is an important issue here, and it is important not to always move to the national level. Cities are driving economic growth. The national context is necessary but there is also a need to reflect the local and regional agenda*". Greater clarity in the contribution of different institutions and actors to WEST policy domains, and more strategic collaboration between institutions and actors, was widely sought.

Making Policy Connections

Notwithstanding the points made above about the advantages of scale, there still remained significant questions and concerns among respondents about how well different agencies, bodies and stakeholders worked together and made connections in order to deliver policy. Instances of good working relationships were offered. These included the alignment between SE and SDS/SFC around the economic strategy. Here each agency had a clear part to play, and understood how this fitted in with what its partner agencies were delivering. For example, the SFC dealt with knowledge transfer, scientific innovation support, but in doing so it worked with SE and HIE, not least around the new Innovation Centres, which SE had been keen to see the SFC establish as another useful focus for employer connectivity and collective action.

Another area that was put forward as an example of silos being broken down and of much improved interconnectedness were the new patterns of working between across the public sector HR community, COSLA, the improvement service and TUs. There were also stronger links than ever with NHS, and with LAs working more closely with the government than had previously been the case. It was noted that *"sometimes opportunities are created in times of challenge"*.

In other areas, respondents were less clear that policy was being joined up as well as it could be. Local authorities, it was suggested by one respondent, sometimes had problems with internal collaboration. It was not always the case that the local economic development team talked to their colleagues charged with dealing with employability and youth unemployment. It was also argued that within the Scottish Government there was still a significant silo mentality, particularly bolstered by the way funding was attached to quite narrowly defined streams of activity and associated targets. Moreover, although the various agencies invested considerable effort into trying to be collaborative, "*…it is a difficult line to walk some time because you can be collaborative up to a point, but you still need to deliver your agencies objectives and the things that the government are going to measure you on*". This mattered because the government did not have organisational performance measures that were explicitly designed to support collaboration or collaborative working

More broadly, other areas where there were some signs of a lack of collaboration or fruitful working relationships included:

● Colleges and SDS in the past have not linked all that well with LAs, though that is probably changing through the process of regional outcome agreements (ROAs) and regional Skills Investment Plans (SIPs), the first of which is being concluded for the Highlands and Islands.

● LAs do not always link as well as they might to the voluntary sector.

● Public sector employers do not work as extensively with private sector employers as they might. There are some links on economic development, and some via professional institutes, but these points of contact are fairly limited overall.

Capacity Issues

The referendum debate has turned the spotlight on the ability of various groupings within the economy and civil society to analyse, react to and participate in public debate across the very broad range of issues that the modern state deals with. Thus both the process of debating independence, and also the potential need to deliver new areas of policy (whether under the continuance of current trends, enhanced devolution or independence), raise large capacity issues regarding people, money, expertise, time and political and ideological space.

In the areas within the purview of the WEST project the research has both uncovered pre-existing issues about the abilities of interest groups, stakeholders and representative organisations to participate in and support the work of existing policy fora, and also new issues concerning their capacity for research, expertise and representation to meet the expanded needs in the fields of education, training, skills, innovation, skills utilisation, employment relations and welfare.

These problems cover a range of actors. A number of 'pinch points' were identified in relation to employer representation. For example, in the area of skills policy, the UK-wide Sector Skills Councils (SSCs) are now struggling to service Scottish policy debates and respond to initiatives such as the Skills Investment Plans (SIPs), as some SSCs have little more than a vestigial presence in Scotland. The move by the UK government and the UK Commission for Employment and Skills (UKCES) from what was in effect a form of block grant funding for SSCs to cover a UK-wide service, to a much more conditional, project-based model of funding that tended to concentrate attention on English policy issues, raises significant issues for the ability of SSCs to operate across the devolved administrations.

Given these problems, the work of the industry leadership groups within the Scottish Government's priority sectors is becoming more important. The problem is that these do not cover large swathes of the workforce, and even here employers sometimes required substantial support from SDS to develop their sectoral Skills Investment Plans (SIPs). It was also the case that some sectors appeared more coherent and capable of collective thought and action (for example, oil and gas, and more latterly, food manufacturing), whereas others, such as tourism, retail and the digital industries seemed to struggle and gave the appearance of lacking cohesion.

It was also suggested that there were significant capacity issues among local government employers, with work on specific issues dependent upon short-term funding. The improvement service in the public sector and its knowledge hub had proved to be one way to bolster capacity. More generally, it was suggested that many employer organisations (EOs) possessed limited resources for policy work and lacked analytical capacity. Some respondents, from both sides of industry, indicated that there were also significant problems because employers lack an effective collective voice at national level.

At a deeper level, some respondents argued that the current weaknesses in employer organisations (sectoral, local and national) represented a major barrier to progress towards the kind of social partnership model of employment relations that the government had suggested was now its goal: "*The main problem with that is you know Scotland is not Scandinavia and their social partnership is rooted within very specific societal factors in their nation which don't currently exist in Scotland but that's not to say you couldn't use the kind of fracture created by independence to help try and address some of that you know. For instance I would argue that one of the reasons we don't have that kind of social partnership approach in Scotland is we don't have strong social partners and….the main barrier in terms of social partners would be the makeup of the employer sector in Scotland. It doesn't have strong representative employer organisations which are a pre-requisite for that kind of engagement*". One response, though not one the respondent thought the government would necessarily be enthusiastic to embrace, was mandated membership of local chambers of commerce along German lines.

There were also significant capacity concerns for trade unions and the STUC. As one respondent noted: "…*the work of the STUC has increased dramatically post devolution and that's partly because there are more areas to get involved in. But also frankly partly because the government, not just this government but previous one as well produced far more consultation papers. So there was a decision that had to be taken, if we're saying that we want to be consulted and we're being offered the chance then we need to respond to that, not all of them, but we need to find the capacity to be able to engage and we've done that, the STUC has done that*". However, further challenges lay ahead as demands for participation in policy work continued to rise.

For many individual unions, which were historically constituted on a UK-wide basis, the issues were often much larger. Firstly, there was already the need to find the resources and expertise to engage with government and other stakeholders within a policy environment where there was an increasing volume of activity. Even some of the larger unions lacked a dedicated Scottish research capacity.

Second, if independence happens, there would be major organisational issues for unions. As one respondent noted, "…*we are a UK wide union run centrally with regional offices one of which happens to be in Scotland so I call it a national office rather than a regional office. In future can that carry on under a different constitutional settlement, I guess it depends which one, I think it can carry on unchanged if there is greater devolution. Can it carry on unchanged if there is independence? I don't think it can. I think that needs a fundamental look at how the union is run democratically as well as how it is resourced, and how much responsibility is devolved or is it separated, and the income separated accordingly…….if independence is the outcome then certainly my union but probably most unions will have to look at (these issues). In fact probably every union except the EIS (Education Institute of Scotland) will have to look at this*". What the ultimate outcome in terms of representative structures across Scotland and rUK might prove to be was unclear. Some unions already worked across the borders in Britain, Northern Ireland and Ireland, but some unions might want a separate identity and national accountability.

9. Emerging Issues

In this final section of the report we draw together the two most significant over-arching issues that emerged from the data collected for the WEST research project. These were:

1. The question of whether the referendum and the surrounding debate represent a break or change point in policy formation in the policy fields covered by our research.

2. The challenge the referendum process represents for policy development in the rest of the UK.

These are explored in turn below.

The referendum as a point of change for policy development in Scotland

In those debates surrounding the referendum where the policy areas and government powers being discussed are not currently devolved, the Government and the 'Yes' campaign have been required to lay out how entirely new areas of government activity might develop under independence, and how and to what end new powers might be exercised. As previously noted, the areas of policy covered by this project represent a quite complex patchwork of areas that have never come under Westminster's control (e.g. education policy), topics devolved under the 1999 settlement, and areas that remain reserved, but which could come under Scottish control either through independence or under some form of enhanced devolution. As a result, the questions and issues that the WEST project has focused upon have a smaller potential to represent wholly novel thinking or entirely new departures in terms of avenues for policy development.

That said, we would argue that the referendum debate has catalysed the emergence of a number of important new visions for how policy might develop in ways that suggest that the process in some instances is marking a break point in policy thinking. In particular, the recent Scottish policy debates on employment relations and the workplace mark a fresh departure. This thinking has in part been framed in terms of a 'yes' vote for independence, for example, in terms of the proposed establishment of a National Convention on Employment and Labour Relations. Yet other elements of this thinking are less contingent on constitutional change – to illustrate, the terms of reference of the Working Together review make no explicit reference to constitutional change. An important question is, of course, what might happen if a 'no' vote occurs. In other words, has the independence debate crystallised new visions and areas of policy development that are liable to be able to sustain momentum beyond the referendum, whatever its outcome? The evidence from our project suggests that it would be difficult, possibly extremely difficult, to abandon or lower the aspirations raised by the new model of an employment relations settlement, since this reflects the underlying aims of a significant group of stakeholders. A new model is now on the table.

This is not to say that this model will not be contested, overtly and covertly, particularly by some large employers, with whose business models moves towards North European-style social partnership arrangements are liable to clash. While their collective voice of is sometimes poorly-organised and weak, employers' individual lobbying power is potentially formidable.

Notwithstanding this, whatever the outcome of the referendum, it does appear unlikely that there can be an easy or simple return to the policy status quo ante on employment relations in terms of either substance or ambitions. At the very least, there is likely to be significant further reflection and debate on where employment relations policy goes next.

This also reflects the finding that, in the field of enquiry covered by the WEST project, many Scottish opinion formers entertain significantly divergent aspirations and associated policy models from those generally being advanced by their counterparts south of the border. These have often not been created by the referendum, but their existence has been made more obvious by the policy debates it has spawned. It is not merely that some aspects of policy aspiration are divergent, the values (social and political) that respondents indicated underlay policy on employment relations and the workplace also often seem to occupy a different conceptual and ideological space from that generally found in England. One respondent (an employer) noted that Scotland, relative to England, was a "*'socialist' country – with a small 's'*". There may be some broad truth in this as it pertains to some of the areas of policy that the WEST project has been exploring. There is a large and long-standing debate about the degree to which Scotland's population embraces radically different social and political attitudes (see Kettle, 2013; Freedland, 2014; Curtice, 2013a & b), with arguments about the public's attitudes to issues such as welfare and income redistribution. For reasons of space we cannot engage in detail with these. However, it is clear from the research we have undertaken that, whatever the views of the English and Scottish populaces at large, those of Scottish opinion formers in the area of employment relations do appear to be substantially different, at least at the moment that the WEST project was examining them, from those of their English counterparts. The vision on offer in Scotland is not being advocated in England, at least as yet.

The challenge that emerging Scottish policy developments represents to UK-wide political parties, organisations and other governments – is this a two-way debate?

Some commentators in the UK media (Ascherson, 2013; Coman, 2013; Harris, 2013; Porter, 2014) have pointed to the unique opportunity provided by Scotland's referendum debate, both in allowing it to determine its future within the UK in ways that other regions of the UK cannot (not least parts of England that feel themselves disadvantaged in their relations with London and Westminster), but also by enabling new visions of national identity and the future development of civil society, national governance and economic development to be aired.

Politicians and others (such as the governor of the Bank of England, Mark Carney) have clarified their visions for the future in ways that are not normally offered. Recent UK general election campaigns have not tended to produce comprehensive visions of the future. Instead, pledges on specific items of policy, simple numerical targets (for example, more nurses or police on the streets), and generalised aspirations concerning particular aspects of society and the economy (for example, the importance of the family, and the need for more exports) have sufficed within the context of contests that have focused on relatively narrow ideological spaces between the parties and an increasingly presidential style of campaigning, where the personality of the party leaders takes precedence.

Thus, at the level of a general political project or model of national economic and social policy, the referendum has seen the people of Scotland be offered a comparatively detailed and comprehensive array of policies and aspirations by the government and the 'yes' campaign. Moreover, this vision embodies a form of social democracy currently not on offer from any of the UK-wide mainstream parties (Harris, 2013; Small, 2013; Coman, 2013; Freedland, 2014). As such, it offer, by UK standards, a radically different alternative and challenge to the 'Westminster consensus' (Harris, 2013).

Within this broad story of Scottish divergence, areas of policy covered by the WEST project reflect the creation of significantly different policy narratives in Scotland from those that pertain elsewhere in the UK. For example, as Section 4 indicated, the very different policy model and trajectory that Scottish approaches to education and training have been taking since 2007 pose a significant challenge to the dominant English policy narrative in this area (Keep, Payne and Rees, 2010).

The referendum debate has added the emerging Scottish Government policies on employment relations, which have opened out a new policy space within the UK. Hitherto, UK debates on employment relations have been muted, largely because the dominant ideological narrative on this issue within Westminster and Whitehall has been narrowly focused on a very limited menu of issues. These have been:

1. Debates around the desirability of the imposition of new regulations by the EU (for example, around agency working)

2. the need to maintain a 'flexible' (i.e. what is by OECD standards a highly de-regulated) labour market

3. the setting of a minimum platform of individual employment rights (including a national minimum wage) as a safeguard against exploitation

4. a belief that moves towards a knowledge driven economy will gradually deliver the widespread adoption of sophisticated forms of high performance work organisation (HPWO)

More recently, there has been some attention to further attempts to de-regulate aspects of the employment market, and to reduce the ability of workers to take their employers to employment tribunals.

Besides the fact that policy makers' conceptualisations of the employment relationship have not been particularly coherent (see Sisson and Purcell, 2010; Keep, 2013; Keep and Mayhew, 2014), a central concern of UK policy has been to try, insofar as is possible, to treat the workplace as a 'black box' (Keep, 2013) within which public policy intervenes as little as is possible, except by injecting publicly-funded goods (a more skilled set of workers and R&D). Thus, 'issues such as how management choose to deploy labour and the skills it possesses, organise work, design jobs or seek to motivate their employees are, it (policy) assumed, things best left to the wisdom of individual managements acting in response to the invisible hand of all-powerful market forces' (Keep, 2013, p. 5). As a consequence of this hands-off approach, as the Chartered Institute of Personnel and Development (CIPD) noted in 2006, 'how well people are managed has only had a walk-on part in public policy debate' (CIPD, 2006, p. 6).

The Scottish Government's paper on Economic Development (2013e) offers a well-developed and quite radical set of proposals in relation to models of how employment relations might best be configured and regulated, and how workers and employers might best be encouraged to interact and bargain. It posits the creation of a Social Democratic/Northern European model of labour market regulation and worker participation in corporate governance.

Plainly the Scottish Government's (2013e) decision to advocate the long-term goal of establishing a North European social partnership model as the centrepiece of their employment relations policies, and to start to link this to economic policy more broadly conceived, casts a large pebble into the hitherto rather placid pond of UK policy. What is being proposed represents a clear break with the prevailing conceptual and policy consensus in the UK.

Scotland possesses a labour market that is not inherently all that different from the one south of the border, and which contains many major UK-wide and multi-national employers that are shared with England and Wales. In essence, by suggesting that a social partnership approach is both possible and advantageous within such a context, the SNP government is opening up the opportunity for a major and fairly fundamental debate about what is possible in this field, and this is liable to have longer term implications for how policy debates in this field evolve in the coming years across the whole of the UK. Moreover, the Working Together review is likely to put flesh on the bones of the Scottish Government's outline policy proposals, and it will be interesting to see how English policy actors react to what emerges.

Interestingly, some Scottish respondents expressed a degree of disappointment with the government's statement of intent, as they felt it concentrated too much on process rather than offering a clearer vision of the outcomes that might arise as a result of a re-balancing of power relationships between employer and employees, and the adoption of a social partnership model. However, seen from outside, the mere fact that such a model is on the table for debate is, in and of itself, a fundamental divergence from the policy discourse in England, where such options are not being discussed by government or indeed by the Labour Party in opposition.

Insofar as Scottish debates might have offered an opportunity to spark fresh thinking in England, this does not, in the areas covered by the WEST project, seem to have yet happened. There are two possible reasons for this.

First, the structures for policy transfer across the devolved UK are incomplete and unsuited to generating UK-wide policy debates or the transfer of fresh thinking. For example, the UK Commission for Employment and skills (UKCES), as the only substantive UK-wide E&T policy body, now finds itself trying to straddle four increasingly different national E&T systems, where the policy dynamics are not moving in step or in the same underlying direction (Keep, Payne and Rees, 2010). When the UKCES was first established there was speculation that its UK-wide remit would allow it to act as a transmission mechanism that would support a two-way flow of ideas and policy challenges across the four UK nations (see Keep, Payne and Rees, 2010). Changes in senior personnel within UKCES, reductions in funding, and the issuing of a revised remit by the UK government following the 2010 general election have meant that hopes on this front have faded.

At the same time, the structure and focus of the UK's national news media means that coverage of non-English policy debates is, at best, partial (Harris, 2013; Freedland, 2014). For instance, the Scottish Government's paper on economic development received some coverage, but almost no attention was paid to the employment relations aspects of the proposals, in part because so many UK national newspapers do not have a specialist labour market correspondent able to pick up on this area and recognise its wider import.

The second and potentially more important reason concerns ideology and problem framing. Put simply, at least in the fields covered by the WEST project, the English policy community has exhibited a limited interest in anything that happens in the UK outside of the English context, and often refuses to acknowledge the possibility of any need for radical changes. A set of traditional conceptual elements remain in place – for example, a simple supply side model of human capital accumulation as a direct source of economic advantage; voluntarism as a fundamental tenet of policy towards employers' responsibilities around skill creation; and a belief that enlightened, high involvement employment relations models and work practices will simply 'emerge' (Keep, 2013; Keep and Mayhew, 2014).

For example, the English skills policy narrative discussed by Keep (2009 and 2011) remains intact and still exerts a tight grip. In Scotland, for reasons explained by Findlay and Warhurst, 2012; Keep, Payne and Rees, 2010; and Lowe and Gayle, 2011, thinking has moved on, and there is, for example, much greater scepticism about the ease with which policy can facilitate a simple skills supply-side miracle. There is thus a widening gulf between both the framing of the nature and cause of policy problems, and their potential solutions, between England and Scotland.

If Scotland does not vote for independence, in the medium term this situation raises issues for UK-wide organisations, such as the labour movement and employer organisations (e.g. the Institute of Directors and the Confederation of British Industry) about how they handle widening divergence in terms of the underlying visions that are driving policy in Scotland and rUK. In the longer term, there are major questions about how the UK-wide, Westminster-based political parties respond to the ideological and policy challenge of a more social democratically aligned set of labour market and employment relations policy aspirations in Scotland. As one respondent stated: *"Even with a no vote, things will carry on changing'…….there is a need for England to think about the issues more as well".*

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