



OFFICIAL REPORT
AITHISG OIFIGEIL

COVID-19 Recovery Committee

Thursday 17 November 2022

Session 6



The Scottish Parliament
Pàrlamaid na h-Alba

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website - www.parliament.scot or by contacting Public Information on 0131 348 5000

Thursday 17 November 2022

CONTENTS

ROAD TO RECOVERY INQUIRY	Col. 1
---------------------------------------	---------------

COVID-19 RECOVERY COMMITTEE
25th Meeting 2022, Session 6

CONVENER

*Siobhian Brown (Ayr) (SNP)

DEPUTY CONVENER

Murdo Fraser (Mid Scotland and Fife) (Con)

COMMITTEE MEMBERS

*Jim Fairlie (Perthshire South and Kinross-shire) (SNP)

*John Mason (Glasgow Shettleston) (SNP)

*Alex Rowley (Mid Scotland and Fife) (Lab)

*Brian Whittle (South Scotland) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Bee Boileau (Institute for Fiscal Studies)

Chris Brodie (Skills Development Scotland)

Dr Liz Cameron CBE (Scottish Chambers of Commerce)

Jonathan Cribb (Institute for Fiscal Studies)

David Fairs (The Pensions Regulator)

Jack Jones (Trades Union Congress)

Anjum Klair (Trades Union Congress)

Anna Ritchie Allan (Close the Gap)

Marek Zemanik (Chartered Institute of Personnel and Development)

CLERK TO THE COMMITTEE

Sigrid Robinson

LOCATION

Committee Room 6

Scottish Parliament

COVID-19 Recovery Committee

Thursday 17 November 2022

[The Convener opened the meeting at 09:10]

Road to Recovery Inquiry

The Convener (Siobhian Brown): Good morning, and welcome to the 25th meeting in 2022 of the COVID-19 Recovery Committee. We have received apologies from Murdo Fraser.

This morning we will continue our inquiry into the impact of the pandemic on the Scottish labour market. Joining us online are Marek Zemanik, senior policy advisor, Chartered Institute of Personnel and Development; and Bee Boileau, research economist, and Jonathan Cribb, associate director, Institute for Fiscal Studies. Joining us in person are David Fairs, executive director of regulatory policy, analysis and advice, the Pensions Regulator; and Dr Liz Cameron CBE, director and chief executive, Scottish Chambers of Commerce. Welcome.

Thank you for giving us your time this morning and for your recent written submissions. We estimate that this session will run up to 10.20. Each member will have around 11 minutes to speak to the witnesses and to ask their questions. Members, you should please catch my eye if you have a question before your slot.

If witnesses attending remotely would like to respond to an issue that is being discussed, they should please type R in the chat box and we will bring them in. I am keen to ensure that everyone gets an opportunity to speak. I apologise in advance that, if time runs on too much, I might have to interrupt members or witnesses in the interest of brevity.

I ask that the witnesses introduce themselves, starting with David Fairs.

David Fairs (The Pensions Regulator): I am the executive director of regulatory policy, analysis and advice at the Pensions Regulator.

Dr Liz Cameron CBE (Scottish Chambers of Commerce): I am the director and chief executive of the Scottish Chambers of Commerce.

Jonathan Cribb (Institute for Fiscal Studies): Hi. I am an associate director at the Institute for Fiscal Studies, and the head of our retirement, savings and ageing research.

The Convener: I call Bee Boileau. Can you hear me, Bee? Would you like to introduce yourself?

I think that there might be a technical issue, so I will move on to Marek Zemanik.

Marek Zemanik (Chartered Institute of Personnel and Development): Good morning. I am the senior policy advisor for the CIPD. We are the professional body for human resources and development.

The Convener: I ask Bee Boileau to raise her hand if she can hear me. We have a bit of a technical issue with one of the witnesses' feeds.

I will move on to questions. As Bee is unable to hear us at the moment, I will start with Jonathan Cribb. Will you provide an idea of what the early retirement trends were prior to the pandemic? Have there been changes to trends previously following global shocks, such as the 2008 recession?

Jonathan Cribb: The broad picture prior to the pandemic was decades of people working longer into their 50s and 60s and of fewer people retiring early. We know a little bit about why that was happening. There are generation-on-generation increases in women working in their 30s and 40s while they have dependent children, which have fed into higher rates of employment in people in their 50s and 60s, too. Women also face a much higher state pension age now than they did 12 years ago, which has pushed up employment. For men, there were huge declines in employment of people in their 50s and 60s in the 1980s and during deindustrialisation, but there has been a bit of recovery since the mid-1980s. There has been a long upwards trend in terms of employment.

The 2008 recession was the biggest recession since the 1920s. However, you really did not see that when looking at the employment rate of people in their 50s and 60s because that was quite robust. The set of issues that are around this time are very different.

That being said, the great recession was really all about unemployment, whereas this time round—as we will come to—it is about economic inactivity: people not even searching for work and essentially being out of the labour force entirely.

09:15

The Convener: That is really interesting, and it is one of the issues that we, as a committee, have been considering. That brings me to my next question. Do you think that the shift to early retirement will be sustained as another recession looms, or will the cost of living crisis, the likes of which we have not experienced in more than 40

years, reverse that trend because people will not be able to afford to retire?

Jonathan Cribb: Yes, there is a good case to be made for the latter. First, however, I point out that we do not know, because we have not experienced inflation like this in 40 years, and the structure of the labour market and the economy full stop is very different from what it was back then. For example, people's health is very different from what it was.

There is a good case to be made that the cost of living crisis will really affect the incomes of people in those age groups—in their 50s and 60s. That could well make some people regret their decision to retire, because they may have less money than they thought they would. That being said, whether that would actually lead people to go back into work is another matter, because rates of returning to work are very low, in particular for people in their early 60s, and it is not easy for them to do so.

The Convener: Thank you.

We had some technical issues, but I think that Bee Boileau is with us now. Can you hear us, Bee?

Bee Boileau (Institute for Fiscal Studies): Sorry—yes, I can hear you now.

The Convener: Fantastic. Did you hear the previous question that I asked Jonathan Cribb? I do not know whether you want to add anything to what he said.

Bee Boileau: Jonathan said everything that I would have said.

The Convener: Okay. It is great that you are with us at the moment.

I move on to Dr Liz Cameron, who is from the Scottish Chambers of Commerce. Do you think that the pandemic and the disruption to education has had an impact on the pipeline for the skills that employers need now or in the near future?

Dr Cameron: The quick answer would be, yes, it absolutely has. We see two different age groups and talent pools: very young people and, at the other end of the scale, those in the 60-plus age group, which we have just been discussing. As far as the younger end of the market is concerned, we are seeing students and younger people going into education because, in some cases, they do not see or identify any opportunities for them right now. There is also a level of disillusionment. From a business point of view, we have to tackle that ourselves by bringing in more young people, perhaps straight from school.

With regard to the element of training, reskilling and upskilling, the messages that are going out are, in some cases, driving young people away from the marketplace completely. We cannot

afford that, and we really are going to see a lost generation if we do not bring it back.

Although education, whether it is further or higher education, is important, it is not the only choice that younger people have. We would like to see more effort from us, as the business community, as well as from Government, with Government support and information to young people. We are now seeing universities and colleges overloaded with young people, and experiencing accommodation difficulties, when we want those young people going out into the industrial marketplace. We are doing everything that we can to change our model and how we go about recruiting, because young people are now demanding flexible working, opportunities for career progression and training. It is important that we focus on that group with some urgency.

The Convener: Absolutely. I know, just going by what has happened in South Ayrshire, that 98 per cent of school leavers are currently going into positive destinations: either university or college or employment. However, we need more joined-up thinking between colleges, schools and businesses. Could the Scottish Government be doing anything better to help with that?

Dr Cameron: Do you mean specifically for young people?

The Convener: Yes.

Dr Cameron: Scotland is very good in terms of our apprenticeship programmes and is probably ahead of other parts of the United Kingdom in that respect. However, I would like to see a stronger focus from the business community and more of a partnership approach with the Scottish Government to ensure that that positive destination that you referred to—in work, in employment and in training—is a real opportunity. That is not sufficiently highlighted by the Government, the economic development agencies and educationalists. Many individuals go in to do apprenticeships and internships through graduate recruitment. Those are great opportunities where young people can come into the workplace and learn real skills, while continuing their further and higher education.

How are we investing in that young person? Where is the funding going? Are we clear that we are getting good value for money and are not just putting our colleges and universities under such strain that our young people are missing that opportunity? I apologise that I do not have the answers to any of that. I am throwing this on the table. Businesses have had to change in the last two or three years—they have been forced to in some cases—and we are seeing a good healthy return to investing more in training and in our people, both in recruitment and retention. Is there

something more that we can do to encourage more businesses, particularly small and medium-sized businesses, to do that as we head into an absolute crisis that goes way beyond Covid? Can we do something from a taxation perspective? Can we look at where we are investing? The Governments' pots will be reduced. Are we investing in the right area?

This is the time to try different models. We are not alone in Scotland. Globally, there is a skills crisis and a labour market crisis. In Scotland, even before we had Covid, we had Brexit, and even before that, we had a labour market population issue.

The Convener: That is really interesting.

Marek Zemanik: Jonathan Cribb made a really good point when he was talking about early retirement and the cost of living crisis. There is a difference between trying to bring people who have retired early back into the labour market and ensuring that fewer people retire early in the first place; recruitment and retention are two sides of the same coin. It remains to be seen whether the cost of living crisis will push people back into the labour market. Traditionally, it has been very difficult to bring people who have retired early back into the labour market, as Jonathan said. However, it is likely that the crisis will act as a sort of brake that will discourage people from retiring earlier.

It all points to the importance of a focus on retention and what employers can do to ensure that, in particular, older workers' preferences are catered for and that they have the support systems in place to ensure that they can work for as long as they want. That is all about flexibility, skills development, and, of course, health and wellbeing. We can explore those things as the meeting progresses.

The Convener: Thank you. I will bring in Jim Fairlie.

Jim Fairlie (Perthshire South and Kinross-shire) (SNP): Good morning, Liz; it is nice to meet you. I have a question for you about young people and their attitude to work and getting into the workplace. I am looking at the CIPD figures and the answers to the statement:

"My job offers good opportunities for career progression".

People were asked to agree or disagree. I find it astonishing that, in the 16 to 17, 18 to 19 and 20 to 24 age groups, there are very few who see career opportunities developing, yet as we go up to the older ages, people in their 40s, 50s and 60s, and even those beyond 65, see much greater progression. Why do our young people feel as though there is no opportunity for them to progress?

Dr Cameron: I am not sure that there is a straight answer to that question—I am not avoiding it at all—because it depends on the business and on the young person. I previously did some work with career graduates who were going into the employment market. At that time, they were quite clear that their skills were not being utilised sufficiently by businesses, which was causing them to be disappointed and to want to move into other areas.

I think that there is a responsibility on business in relation to that career progression. We have got to offer that, where we can. Some smaller businesses do not have a defined career progression path, but others have one. I think that we are changing quite substantially the view that career progression is about the individual. I will take the Scottish Chambers of Commerce as a perfect example. I do not have a straight career progression path. Mine is a small business that employs eight people. Having said that, we bring young people in because, for them and for us, their career progression involves them getting that skill set with the SCC and then moving on to bigger and better things.

That attitudinal issue with many small businesses needs to be a lot higher up the agenda than it is at the moment, because young people who are coming in are not seeing that career progression. We are not informing them or communicating with them and—I am being critical of us, I guess, in this respect—we need to do more to ensure that career progression does not mean that someone sticks with the same company. They can utilise the opportunity in any business to gain that skill. That needs to be developed and we need to train and support young people.

The issue is not just about Covid. As I say, the labour market crisis in Scotland has forced—I mean to use the word "forced"—many businesses to change their working practices completely. That is good, in some cases. However, there are many other businesses, especially in the corporate world, that already have very effective, productive and high-class career progression roles. If someone goes in at 20 or 24 and does not see a career progression path, that is an issue that needs to be addressed, but members of the older age group that you described are going on that career progression trail as well, so it is also potentially about mentoring. Other employees could mentor our younger people in employment in terms of what could happen.

Jim Fairlie: Thank you. I will hand back to the convener, because I jumped the queue.

The Convener: I have a point to make before we move on to Alex Rowley. We get the data on the positive destinations of kids who leave school

at, say, the age of 17, but it would be really interesting to have the data on where they are at the age of 25.

Alex Rowley (Mid Scotland and Fife) (Lab): Good morning. We put quite a bit of emphasis on Covid, but to what extent have the issues with skills—the failure to deliver skills and lifelong learning—been brewing over a much longer time? The last time I looked, at the UK level, there were something like 7 million people who lacked basic numeracy and literacy skills. We have made progress in Scotland on childcare, but the big issue that does not seem to be talked about much is Brexit. Is it a combination of a perfect storm of all those things coming together and the fact that the issues have been brewing for some time, or can we legitimately say that the key factor has been the pandemic? I start by asking Jonathan Cribb for his thoughts on that.

Jonathan Cribb: I am sorry; I got a bit cut—[*Inaudible.*]—there. I had a technical issue and the sound broke up. Could you repeat the very last bit of the question?

Alex Rowley: To what extent have those issues been allowed to brew over many years? Specifically, we do not seem to talk much about Brexit, but what is its impact? Certainly, the Government in Scotland talks about the effect of Brexit in terms of there not being the people to take up the jobs. Other issues are poor skills, poor education, poor numeracy and literacy skills and so on.

09:30

Jonathan Cribb: Thank you. I am terribly sorry about the sound problem.

Clearly, Brexit is important for the economy as a whole when it comes to the extra trade barriers with our nearest neighbours, productivity and ease of immigration, which is important for the supply side of the economy. There is some evidence that the particularly high level of vacancies—which is a real labour market problem—has been exacerbated by that.

I think that Brexit is a lot less important in relation to the employment rate; the ability to find skilled jobs in companies that are investing could be more important. It has always been the case that the extent to which we have a harder Brexit will make those things more difficult. In a sense, the way that lower investment and less trade feed through to real people lies in the world of less good jobs, less progression and less pay. However, I do not think that we have much evidence that Brexit is important for the employment side.

I do not disagree with you that skills have been underappreciated for many years, although it is harder to know exactly what to do. There is a lot of good talk about skills, but it is much harder to pull levers in Government, at Westminster or elsewhere, to resolve issues there.

Alex Rowley: What about the education system? We still have children going through the whole education system and coming out the other end ill prepared for a career in anything, with numeracy and literacy rates still being a major issue. Is the education system delivering for the world of work? Is it geared up to delivering for the world of work?

Jonathan Cribb: The key issue that we have in the UK as a whole, compared with some other European countries, is that we have less obvious routes to good jobs and good careers for people who do not attend university. That is slowly starting to change. There have been expansions in high-quality apprenticeships, but that is from an incredibly low base, and rapid growth from an incredibly low base still does not cover many people. In comparison, countries such as Germany and Switzerland have obvious routes for technical training and on-the-job learning at young ages, which leads people into highly skilled, productive industries. People can and do succeed every day without going to university, but the routes are less clear for people who make their own way through the transition from school to the labour market.

Alex Rowley: Marek, would you like to comment on that?

Jonathan Cribb: Is that directed at me?

Alex Rowley: It is for Marek.

The Convener: We should remember that we are focusing on the inactive retired.

Marek Zemanik: I will quickly comment on the education system and skills. There is of course an employer dimension and a public policy dimension. We know that employer investment in skills and training has declined. That said, we are now in an extremely tight labour market, and one of the key responsibilities of employers over the past few months has been to try and upskill their employees. We might be seeing a forced shift in that direction.

On the public policy front, much of the issue is about the balance between vocational and academic education. Just last week, the CIPD published a report on overqualification in Scotland, which shows that the number of graduates who are employed in lower-skilled and medium-skilled roles has more than doubled over the past 30 years. That points to the importance of work-

based learning and apprenticeships, and that is all underpinned by careers guidance and advice.

The review that has just been published is very good, and its recommendations need to be implemented very fast to ensure that young people understand the wide range of routes that are available to them in Scotland. As someone mentioned, the apprenticeship system in Scotland is very good; we just need more of that.

Alex Rowley: The convener said that we should concentrate on work inactivity, but I believe that skills and education are key to tackling that, so that was where I was going with my questions.

The Convener: Sure.

Alex Rowley: I will come to David Fairs on pensions. The state pension age is going up and up. In one of the committee's papers, I read that an increasing number of people who are less skilled and less educated are becoming economically inactive. The pension age keeps going up but, for someone in manual work, there will come a point when they physically struggle to do the work. Recently, I met a group of refuse collectors who were all in their 50s and they told me how difficult it is to go out and do a shift.

In local government, people on higher grades and higher salaries have massive pension pots and generally leave work when they are quite young with a massive hand-out. However, that option through the pension scheme is not available to low-paid and manual workers. In relation to manual work and various other professions, is there an issue with older people not being able to access big hand-outs but not being physically able to work?

David Fairs: Yes. The most recent experience, according to a study by the Office for National Statistics, is that the people who are leaving the workforce and choosing not to come back are, as you say, wealthy. Something like 66 per cent of them do not have a mortgage, and 61 per cent do not have debt. People who are choosing to exit the workforce are wealthier and, typically, male.

There are indications that some people over 50 who have exited the workforce want to come back to work, but they might have mental wellbeing issues, and the figure for the number of those people on national health service waiting lists is about 18 per cent. Therefore, some people over 50 might want to come back to work but might not be able to do so because of health reasons. You are right in what you say.

The Government's agenda on freedom and choice is, to some degree, about allowing people to access their retirement savings more flexibly. When the freedom and choice reforms were introduced, the average pension pot was just

under £30,000. If you convert £30,000 into annuity, you will not have enough to live on and do the weekly shop. However, if you access the £30,000 two years before the state pension age kicks in, you could take the money in equal amounts and might be able to leave work two years early.

Jonathan Cribb and others might be able to speak to this better than I can, but the reality was that, before the freedom and choice reforms, people in the run-up to state retirement age left the workforce due to disability, illness, bad backs and so on. People who had heavy manual jobs might have left employment and claimed disability benefit. The freedom and choice reforms allow people to access their savings more flexibly and to make such decisions.

Jonathan Cribb: I will make two points. First, the state pension age for women rose by six years in a decade, and that left women of that age with considerably less support than they had previously. The working-age benefits system has come back, and the state pension system has been made more generous for those who get a state pension, so there is a big divide. In relation to workers who, in the run-up to state pension age, struggle financially or with work, there is a good case to be made for looking again at the support that is provided to them, even if there is a good case for the state pension age being elevated, given the extra longevity among the population compared with 20 or 30 years ago.

There is a good case to be made that pension freedoms allow people to do things more flexibly—they can take a bit out of their pension and spend it flexibly, for example. Those freedoms almost allow people to have a portfolio of income, particularly when they have a spouse—one person might be working a bit and one might be drawing a bit of pension, or they might have some benefits for disability, such as the personal independence payment. All those things can combine together. I do not think that we have great evidence that pension freedoms per se are causing a change in employment at those ages, but they might be facilitating people's decisions.

Alex Rowley: Finally, I have a question for Liz Cameron. A number of years ago, I noticed that, in Germany, Volvo or Ford had an academy for cleaners. Everybody in the workforce was valued, no matter what they did, and that academy ran into the whole supply chain, so small and medium-sized enterprises and others could all feed in and skill up.

Do we need to think a bit more radically here? Do we need to look at best practice from across Europe and engage with employers more so that, no matter where someone is in the workforce, they will get continual lifelong learning, skills and so

on? Is any of that going on? Is that where we need to be moving to?

Dr Cameron: I will answer that question but, first, I will go back to your question about Brexit. Way before Covid—indeed, way before Brexit—Scotland had a massive problem in that there were just not enough people here and we were not attracting talent. The Government came us with lots of good ideas, such as new talent programmes to bring in people, and that worked in some cases, particularly in some sectors.

Even before Brexit, we were experiencing skills shortages in some areas, and we did not have enough people in certain sectors. You will know the ones that I am talking about: tourism, agriculture, hospitality and food and drink—the sectors that are, in a lot of cases, very focused on manual skills. Some people did not want to work in those sectors, and we were having massive problems.

The influx of labour from all parts of Europe helped Scotland—it helped us dramatically—and then Brexit came along and, all of a sudden, we were back to square 1. Lessons have been learned from that, and Covid has had an impact on attitudes to health, but we cannot say that the crisis is a result of Covid, because it is not.

When you asked that question, I wrote down “forward planning”. Some private sector groups have already grouped together to form their own academies, which have been very successful. The approach is to employ, retrain and upskill people. It is about the skills match of individuals who are doing manual tasks and are perhaps being forced out of the marketplace because those jobs are disappearing or because of health issues. However, that has changed because the business model has changed and the technology has changed. We have to be smart when looking at how we retrain those individuals, because they are valuable.

I might be sitting here, aged 66, thinking, “Do I really want to retrain, or will I just take my pension?” However, there are a lot of people who would want to retrain, so we need to watch our language here. At both ends of the labour marketplace, the idea of the private sector pulling together and sharing reminds me of when sectors used to do that way back—decades ago. Businesses used to pay for people’s training, and they got support from the Government. The academies need to focus on the jobs of today and, more important, the jobs of tomorrow. Had we done that 10 years ago, the skills shortages that exist right now in some areas would probably not be so big.

We need that model and, as someone said earlier, a focus on investment in more vocational

training. We also need to provide intelligent information, not just for young people but for their parents and carers. It is fine for us to come out and say, “Oh yeah, there’s going to be 10,000 green jobs”, but they will be sitting thinking, “What does a green job look like?” That interpretation is therefore important.

09:45

Let us get the private sector to do more leading in that regard, working with our public partners and educationalists in colleges and universities. We should be absolutely focused on that. Any individual, regardless of how well they did at school, has talents. In some cases, we might need to create the environment for them to flourish.

We talk about being innovative through changing models—let us just go and do it. We are working in an environment and with infrastructure that might need to change faster than they are sometimes able to. Can we try new things? If they fail, so what? We will know that very quickly and we can then try something else.

That is how Scotland will be innovative. Let us, all together, change the how and innovate a bit better. I know that that is hard. We have thousands of people in our public institutions, and we cannot just change the direction of the ship overnight. However, an element of it is about building on some of the new stuff that is going on.

Brian Whittle (South Scotland) (Con): Good morning. I will continue on that theme, which I thank Liz Cameron for bringing up.

We have a huge opportunity with the green economy, but we are not—as we should be doing—weaving the green economy into our education system nearly fast enough. Just last week, I was at the Kilmarnock campus of Ayrshire College, which has apprenticeship places available. I was also at some engineering works that are short of apprentices. There are higher levels of unemployment in my region.

In my view, we have all the bits and bobs there, but we are not connecting up all the elements. We have a huge opportunity with the green economy. However, to respond to Liz Cameron’s point, I do not think that we are doing that well enough. Would you agree?

Dr Cameron: I would. Please do not misunderstand me, because there are a lot of great people doing great things in our schools. The Government’s programme, developing Scotland’s young workforce, and the recent career service review are beginning to open up the can so that we can look at what we have invested in.

We have the developing Scotland’s young workforce programme all across Scotland. It is led,

in some cases, by the private sector only and, in other cases, by the public sector and by partnerships. The whole purpose of partnership is to do exactly what Brian Whittle talked about: getting right into the system, where young people are, to help them and their peers to make informed choices. However, we are not getting deep enough into the system. I do not know whether that is because the curriculum is overloaded so people cannot get in, but that needs to be revisited. I know that people will say that that will require further investment, cuts in other budgets and so on, so let us just look at what we can do.

There is no doubt in my mind that, if that intelligence is going in, it is patchy and is not going in in a way that enables our teachers and lecturers to bring people into the system so that our young people can be worked with and advised as much as possible at a really early age. We have sectoral groups, sector programmes and skills audits, so the information is there, but it is perhaps not getting through our systems or is not communicated in a way that, quite frankly, we can understand. Even I am sitting here thinking, “What does a green job look like?”—and I should know.

It is important that we look ahead. Internationally, we in Scotland are seen as experts in renewable energy, and, in many cases, we are. We know that that is a growth area and where the growth is coming from, so let us get in there. In the immediate term, the academies will help by putting groups of people through training and getting them to come out with qualifications and skills. That will give them a better quality of life at the end of the day. They will be able to afford to buy things and to feed their families.

We talk about needing to upskill Scotland's population, but we need to be clear about what we are upskilling them to do. You are right: we should not be sitting here with apprenticeship vacancies in a sector such as engineering. Other countries are looking at us and saying that they would like to buy our talent, but we are not saying that we do not have all the talent that we need. However, we have some good talent here, so let us grow our own and do that quickly. That is another thing about universities. Can we grow the talent quickly enough? Can we provide six-month, nine-month or year-long vocational training and then have continual qualification? We need people in the marketplace as quickly as possible.

Brian Whittle: I know that Bee Boileau wants to comment on that, but I will add another layer. Are we marketing potential careers to our young people properly and giving them the vision of where they should be or could go? You cannot do it if you cannot see it, for want of a better phrase. What are your thoughts on that?

Bee Boileau: If it is okay, I will pick up on what has been said about skills and education.

Although there is a lot to say about the importance of skills and education, it is worth highlighting that, when we look at what is driving the rise in inactivity, we do not find that the majority of it is driven by people without degrees. We do not find huge differences in the rise in inactivity between people with and without degrees or between people who were in professional and non-professional jobs before they became inactive.

Although it is important for Scotland to focus on skills in general, it is not entirely clear to me, based on the work that we have done on inactivity, that a focus on skills alone would fix the issues in the labour market. I also highlight the point that much of the inactivity seems to be driven by moves among older people in particular.

Brian Whittle: I am glad that you have mentioned the older market. Covid has accelerated the gap between life expectancy and the age at which people leave the workforce. That gap seems to be growing.

Marek Zemanik, are we giving people who are, or are potentially, leaving the workplace early the encouragement, experience and opportunity to develop and remain in the workforce in a manner that suits them?

Marek Zemanik: That is the crux of the issue. The work that I did on older workers was aimed at doing exactly that; it involved explaining to employers that there are certain things that they can do that might encourage older workers to stay in work a bit longer.

At the heart of that is flexibility. We know that older workers are much more likely to work part-time. Self-employment is part of that, as are higher rates of home working. There is a clear preference for flexibility. The statistics show that 14 per cent of people over 50 say that they would like to work reduced hours even if it meant taking a pay cut. Employers could try to accommodate that clear unmet demand by, for example, splitting job roles between two people.

Another point, which we mention time and again, is about skills and career progression opportunities. It is important that employers do not make assumptions that, just because somebody is over 50 or over 60, they would not be interested in developing their skills or in a particular course, for instance. A tight labour market has now forced employers to rethink some of those things, consider their recruitment and retention strategies and expand their traditional labour pools.

My final point is about health and wellbeing. It goes without saying that, the older someone is,

the more likely they are to have certain health conditions, such as long-term conditions or disabilities. Employers have a key role to play in accommodating those conditions.

Brian Whittle: Have I got time for a very short question, convener?

The Convener: Yes.

Brian Whittle: It is for Liz Cameron. The issue is not just a lack of people or bodies on the ground; if people are retiring earlier, that is draining our resources and experience. Would you agree that Covid has exacerbated that issue and that we need to tackle it immediately?

Dr Cameron: I think that it has. Marek Zemanik talked about forcing employers to consider making changes. We have changed not only our working models—I do not know any business that has come through Covid without having changed the way that it works—but, more important, how we look after our people.

Certain businesses are restricted and cannot bring in the type of flexible working that many of us would have a strong desire to introduce, but a great majority of businesses have had to change because of their experience of Covid. We have been forced to introduce technology that we did not know existed before the pandemic, and to trial home working, which we previously thought would not work. Do you know what? It did work. In a lot of cases, it not only worked from a productivity point of view, but our employees were more satisfied, because it took away some stress, whether they were carers or looking after children. Employers had to do childcare modelling.

That kind of flexible modelling is not going to reverse. I know that some statistics suggest that things will reverse and that we will go back to the workplace. Some people might do that; we have to remember that some people enjoy going into the workplace for interaction, and they are still productive. There is now a balanced model, and I think that it will remain that way. As I keep saying, we cannot afford to go back the way any longer on the model of flexible working.

When I was in Japan, I saw that, for a large number of businesses there, flexible working is a natural model. I believe that, in this country, we will be forced to become even more flexible in order to retain people and get the talent that we need.

John Mason (Glasgow Shettleston) (SNP): I will pursue that point with Dr Cameron. Is there a big difference between large and small employers? It strikes me, from some of the things that we have heard from other witnesses, that although job sharing or training and reskilling people while they are in employment, for example,

may work for big employers, they might be a problem for small employers.

Dr Cameron: You are right that there is a distinction to be made there. We have talked about career progression. Corporate Scotland is bigger and has more resources to invest in introducing such policies. It is absolutely easier for large businesses in Scotland to do what you describe.

Having said that, not all large businesses can do so; it depends on the sector, and on their use of technology. The financial sector—it is the obvious example, along with a number of other services—is doing it well but, for many small businesses, it is not possible. The big challenge for small businesses is how they compete in the marketplace, because the talent is now liquid—to be frank, it goes wherever it likes, because of the opportunities that are there. For small businesses, that kind of thing is more of a problem. They may have four, five or 10 people, and they cannot afford that flexibility. For example, if someone wants to work a three-day week, that would not fit.

Having said that, we can do more to help smaller businesses, through business support, to look at how they can change some of their business modelling. In some small businesses, that will not work—the flexibility that we all have a desire to give our employees is simply not possible, and a reality check is needed. However, a number of smaller businesses perhaps do not fully understand how to introduce flexible working and what they would need to have in place to be able to do that.

10:00

A business operator might ask, “We have X working from home. How will I evaluate whether they are actually working? How will I monitor that?” In today’s society, we like to think that we have trust, integrity and values, but there will be individuals for whom we have to look at those aspects closely. An element of our work involves asking what support, help and advice we can offer small businesses—perhaps in a group scenario, such as the academy training that you mentioned—to put in place the different processes that will enable them to do that. Not all of them will do so.

John Mason: I will come to the other witnesses, but you have raised in my mind various ideas that I would like to pursue. Another element could be support for people whose health is not so good, which might include those suffering from long Covid or other illnesses. Is that also an issue? I would think that employers should be providing more support in order to keep people in the workplace, but I can see that, if someone has only

four or five employees it would be difficult to offer them health support. Is there an issue there?

Dr Cameron: There is. We recently carried out a survey on what would-be employees are looking for. Private healthcare, which many businesses now offer, is up there in the top three items in the list. That leads to the question whether health services—whether they are provided privately or under the national health service—have the capacity to deal with high demand. Right now the answer is no, as we are seeing in areas such as dentistry and the care service. There is an issue in that, even when businesses introduce private healthcare and say that they will provide it up to a certain value so that employees can go to see, for example, a consultant or a dentist, those services are not there. That might not be an issue for this committee, but it is an issue.

In another of our surveys, 78 per cent of participants stated that providing support for mental health and other conditions should be a joint responsibility between businesses and Governments. I found it interesting to consider what such joint responsibility might look like. We need to dig into that a wee bit more deeply. However, that finding is recognition that every business, irrespective of its size, has a responsibility to support its employees. We must consider the ways in which we can do that best and most affordably.

John Mason: I want to hear from some of the other witnesses. Perhaps Mr Cribb could answer first, and then I will come to Mr Zemanik.

Jonathan Cribb: I want to pick up on the point about how flexibility can encourage people to stay in work. Thinking about the 50-plus population, there is a finding that people who work full time in their 50s and 60s are particularly likely to be dissatisfied with that situation and might not want to work as many hours as they are. For some people, the choice is between working full time or nothing, so such a lack of flexibility can encourage them to leave work—which is not good—when they could have a more flexible part-time role.

Having said that, flexibility on encouraging people to stay in work or to stay with an employer is not totally costless. If a business has a lot of flexibility on work location, it might find that some employees really want to be in a busy office or workplace that provides a great deal of socialisation and, frankly, friendship for them. We have evidence that at older ages there is, at least among part of the population, a discouragement about the quality of their work life, because working at home does not provide the socialisation that is offered by having everyone in the workplace most of the time.

The younger generation has similar issues with the amount of formal or informal training that they receive when working flexibly, where that means working at home as opposed to being in the workplace.

John Mason: While we are talking about flexibility, do you see a difference on that between large and small employers?

Jonathan Cribb: I will be honest: I do not know about that.

John Mason: That is a good point for me to come to Mr Zemanik. In your area, do you see differences between large and small employers in that respect?

Marek Zemanik: There are big differences between what large employers and small employers can offer; that applies to flexibility and to the health and wellbeing support that you mentioned earlier. We know from research that large employers are much more likely to provide things such as occupational health and have wellbeing strategies in place.

On flexibility, Dr Cameron mentioned that small businesses often do not know how to navigate the system, which can be a challenge, and that is where Government and its agencies can play a role. It is important that we do not succumb to the temptation to equate flexible working with home working; there are many other forms of flexible working out there, and if you ask employees what form of flexible working they would prefer, flexitime, which is choosing when to start and finish your day, always comes out on top. Compressed hours, job sharing, reduced hours and so on are part of that as well, so it is not only about home working. Thirty-one per cent of jobs in Scotland cannot be done from home, so it is important that we focus on the other types of job.

John Mason: That is helpful. I will move on to pensions with Mr Fairs. You seem positive that even somebody with a small pension pot could take some money out of it, which would give them a bit of flexibility in their later working life. The Trades Union Congress has said, to counter that, that it would lead to people being in poverty once they retire. Are people who are in their 50s and 60s getting the advice that they need, and how does that compare with other countries? Do we have more flexibility in those areas than other countries have?

David Fairs: On how other countries have tackled the Covid pandemic, some have allowed early access to retirement savings. In Australia, you could take 10,000 Australian dollars out in the first year of Covid and 10,000 in the second year. Getting on for 2.5 million people did that, so something like 3.5 billion Australian dollars have been taken out of the retirement system. When

you drill down to the people who took out that money in full in both years, you find that it tends to be younger people, and they have wiped out their retirement savings. Australia has a different challenge in that it now has a cadre of people who have made a significant impact on their retirement wealth because they have taken out money.

The US did something very similar. It allowed people to take money out of the pension scheme, and it removed some of the tax charges that would have applied, but the US is now very worried, because people who dipped into their retirement savings do not have financial resilience, which will impoverish them in later life. The US is now thinking about how it can build financial resilience for people, and it may look to something such as automatic enrolment, in a savings sense, to do that.

In the UK, more people did not opt out of automatic enrolment during the pandemic. We expected to see that, but it did not happen. However, the figure has gone up very recently; the numbers from the Department for Work and Pensions at 1 October show that the percentage of people opting out has gone up from 7.6 per cent to 10.4 per cent. We did not see that in the pandemic, but we are now beginning to see it.

The number of people who cashed out their defined contribution pots went up in the first year of the pandemic, fell in the second year of the pandemic and has increased in the past year, so it seems that people are under greater financial pressure now than they were during the pandemic. In total, the amount of money that has been taken out of DC pots has gone up by only 5 per cent, so there does not seem to be a huge strain on pensions because of people dipping into their pots. However, it is clear that that varies at an individual level. Some people have real challenges right now and may have no other choice but to dip into their retirement savings because, if you have to feed your children or meet bills, you have to look to that access.

You are absolutely right; we are concerned on two fronts. One is that people can be subject to scams, and scammers are very alert to the pressures that people are under. Therefore, we recently issued a joint statement with the Financial Conduct Authority and the Money and Pensions Service to urge people to look for the signs of scams when they access retirement savings and to be aware that they are vulnerable.

That is one element, but you are right that people tend to underestimate the amount of retirement savings that they will need. People who dip into their retirement savings in their mid-50s, as soon as they have access, might not understand what that will mean in the long term. People who dip into their savings have, in a sense,

made up their mind that they want access to the money, and they see getting independent support from the Money and Pensions Service and MoneyHelper as a barrier to getting their money. Therefore, we do not see as many people access those free services as we would like.

John Mason: I will leave it at that, convener.

Jim Fairlie: We seem to have strayed a bit off topic in the course of the conversation, but it has been really interesting. However, I am going to bring the conversation back to economic inactivity in the older age group. I might be coming completely out of left field, but no one has touched on consideration of menopausal women. Has any consideration been given to whether menopausal women drop out of work because there is not enough support for them in the workplace? That is an open question to anybody who wants to stick their hand up. If there is no answer, that is fine and I will move on.

Dr Cameron: I guess that I will go for that one, for some reason, but never mind—

Jim Fairlie: It clearly was not directed at you.

Dr Cameron: It is an interesting question because, only recently have we started to have an open debate about the impacts of the menopause on women and specifically with regard to the workplace. Over the past 12 to 18 months, the issue has begun to move higher up the agenda, which is a good thing, because, although we talk about people being ill and so on, that is a serious situation. In a country where we need to retain women in the workplace and to bring in others from certain age groups, we must do more. Not enough is being done, because a lot of businesses, particularly small and medium-sized businesses, do not know what to do. Therefore, we need access to more experts and more engagement with that group of individuals, either as individual businesses or as a group of people.

We need to understand what we can and should put in place to support women who are going through the menopause and to support not just women but all of us to understand the impacts and make appropriate changes to the workplace, process, hours and whatever is necessary, because we are not doing enough.

Jim Fairlie: I would also argue that the medical profession needs to have a far better understanding, so that it can give the right advice to businesses about how to make that work. Jonathan, I think that you also rapidly put up your hand, although Liz Cameron got in first.

Jonathan Cribb: I have nothing to add to that.

Jim Fairlie: My next question is for David Fairs. In response to John Mason, you touched on the UK pension system, but I want to consider the

specific area of general practitioners' pensions. I do not quite understand what is going on, but I am told, and we are hearing, that younger GPs are retiring because of a pensions issue—that some of them could stay on for longer but that it is not worth their while to stay in the profession. Counter to that, we have heard that some younger doctors are just tired—they are done in—and that that is why they are retiring. Can you shed some light on that?

David Fairs: As I understand it, it is a tax issue. There are two ways in which the accrual of pension and access to pension is taxed. As you build up tax year by year, there is an annual allowance. If you go over that, you pay a tax on that excess amount. When you take your pension at retirement, if it is over the lifetime allowance, you suffer a penal rate of tax—an effective tax rate of 55 per cent. The first of those tests, the annual test, means that GPs, as they reach the later stage of their career and get pay rises, are subject to a tax. Doctors have a choice of whether they get a reduction in their pension, which, in effect, pays for that tax, or whether they write a cheque.

I think that some doctors think that writing a cheque is their only choice; those cheques can be substantial and can effectively wipe out the earnings that they have achieved that year. That leads them to think that they should retire, because it is not worth it economically for them to continue working. Some of them probably do not understand that they have that second option, so it may help if doctors were provided with education and support to ensure that they understand that, and understand the long-term implications. Empirically, I see that happening with people around me: doctors are exiting because of that tax situation.

10:15

Jim Fairlie: In general, are pension freedoms greater in the UK than in other European countries? Is that helping to drive greater labour inactivity in our country as opposed to the situation in those countries?

David Fairs: The pension system in each country is built on what the state pension is, along with private pensions and so on, so it is quite difficult to make a like-for-like comparison in that way. However, I go back to what I said earlier: we are seeing only something like a 5 per cent increase in the number of people who are accessing their pensions now in comparison with the situation pre-pandemic. Of course, people do not need to retire in order to access their pension, but nevertheless I would not necessarily say that that aspect is driving the inactivity that we see.

Jim Fairlie: If we have a greater proportion of older workers leaving the labour market, will that put much more pressure on the younger age group to be able to manage the pension fund?

David Fairs: No. Most people are now saving through master trusts. There are 36 authorised master trusts, which we monitor individually and collectively. Throughout the pandemic, we have monitored the financial strains on those trusts, and we are quite comfortable that they are resilient and sustainable. There is quite naturally some consolidation happening in that market, and I am sure that that will continue, but we are quite comfortable with the sustainability of the retirement system.

The Convener: We have a couple more minutes left. Does anyone have any further questions? Does Brian Whittle want to come in?

Brian Whittle: You know me, convener. Let me have a wee look at my papers.

Jim Fairlie: I have one other point, as Brian has said that he is going to look at his papers.

At one point, David Fairs talked about scams with regard to people getting their pensions. I see information about that all the time on social media, and I retweet it. Does the Pensions Regulator put out stuff on social media to warn people about scams, so that we can pick that up and retweet it? I retweeted information twice last week about scams that we know are going on just now. Do you put that kind of information out, David?

David Fairs: Yes.

Jim Fairlie: Okay—I will need to start following you on Twitter.

Brian Whittle: One question has occurred to me—it is almost a regional question. There is a consistent draining of the workforce from rural to urban areas. What impact has Covid had on that, and what do we need to do to try to stem the flow? That question is for Liz Cameron.

Dr Cameron: Even before Covid, there was an understanding of the issue of labour fluidity and the movement from rural to urban areas, especially with young people moving out of those areas and the declining population; that affects not just rural areas but our islands as well. We understand that that is the environment that we are in. However, Covid has exacerbated that. We have seen major geographical and regional differences in the increasing, or decreasing, numbers of economically inactive people in particular regions. That is not all down to Covid, but it has played a big part. Some of that might be down to the age of the population or unemployment in those areas, so the picture is not black and white, but Covid has certainly had an impact.

To be frank, I do not have an answer right now on what can be done about it and how we stop the flow. In order to do that, we would need to look at the creation of the economies in rural and urban areas, and perhaps consider more investment in certain areas to try to bring in more jobs so that we can retain the people who are already there and, more important, if possible, attract other people from other parts of Scotland to the areas that are really struggling economically. The creation of South of Scotland Enterprise as an economic agency to cover Dumfries and Galloway and the Borders was a good move, because it focuses completely on that area as opposed to taking a Scotland-wide approach.

It is a tough issue, and I do not know what the answer is, I am afraid.

The Convener: I thank the witnesses for their evidence and for giving us their time; I think that we can all agree that the session has been fascinating. If witnesses would like to provide the committee with any further evidence, they can do so in writing—the clerks will be happy to liaise with you on how to do that. I suspend the meeting briefly to allow for a change of witnesses.

10:20

Meeting suspended.

10:24

On resuming—

The Convener: We continue our evidence taking on the inquiry, and I welcome our second panel of witnesses to the meeting. Anna Ritchie Allan is the executive director of Close the Gap; Chris Brodie is the director of regional skills planning and sector development at Skills Development Scotland; and Anjum Klair and Jack Jones are policy officers at the Trades Union Congress. Anna Ritchie joins us in person and all the other witnesses are appearing remotely.

I thank our witnesses for giving us their time this morning and for their written submissions. We estimate that the meeting will run until about 11:30, so each member should have approximately eight to nine minutes to speak to the witnesses and ask questions. I am keen to ensure that everybody gets the opportunity to speak; therefore, I apologise in advance because, if time runs on too much, I might have to interrupt members or witnesses in the interest of brevity.

Will the witnesses briefly introduce themselves?

Anna Ritchie Allan (Close the Gap): I am the executive director of Close the Gap. We are Scotland's expert policy advocacy organisation working on women's labour market participation

Chris Brodie (Skills Development Scotland): I am the director of regional skills planning at Skills Development Scotland. Among other things, I lead our evidence and impact team, which provides analysis on different aspects of the Scottish economy and labour.

Anjum Klair (Trades Union Congress): I work at the TUC as a policy officer; I work on the labour market and social security.

Jack Jones (Trades Union Congress): I am also a policy officer at the TUC, and I work primarily on pensions.

The Convener: We move to questions; I will ask the first one.

My colleague Jim Fairlie brought up this issue during the earlier part of the meeting. I recently visited NHS Ayrshire and Arran to discuss menopausal support for its workforce, because 40 per cent of the board's workforce is made up of women of menopausal age. Have you seen anything recently that has impacted women's inactivity in the workforce due to menopause?

Anna Ritchie Allan: That is an interesting question. We do not have the intersectional information in the administrative data to tell us about women's experiences of menopause, but we know that its profile is rising as an issue that needs to be looked at.

As Liz Cameron said during the previous evidence session, employers are certainly a bit more interested in the issue than they were previously. The evidence that is available anecdotally and from grey literature suggests that menopause has a very significant impact on many older women's experience of the workplace, that employer responses to it are inadequate and that women are at a loss because it can go on for quite a long period of time. There is definitely evidence to show that some women have left their job or are not able to work because of menopause, and, as has probably been explored elsewhere, it is much more difficult for older people to get back into the labour market once they have left it—that applies to women, in particular.

The Convener: The profile of the topic has been raised during the past 18 to 24 months, and we have to do a bit more work on it.

One of the things that we have touched on this morning and during the course of the inquiry is the financial implications that the cost of living crisis will have for people who are not earning money and are retired. Has Skills Development Scotland seen an increase in requests for skills training for older demographics to reflect changing ways of working, such as flexibility and hybrid-model working, following the pandemic?

Chris Brodie: Before I start, it is probably useful to give some context about what our agency does and does not do. Primarily, we provide careers advice, information and guidance services to schools and for adults. We also deliver foundation, modern and graduate apprenticeships. A small part of our service offer is direct training support for individuals. Having said that, our careers information advice and guidance—CIAG—services have not seen a huge increase in customers aged over 50 since the start of the pandemic.

10:30

On modern apprenticeships, we cut the data at over-25s, which is not really the age group that you are looking at. There has been an increase in the number of modern apprenticeships for people over the age of 25, but I suspect that that is not older workers.

The one product that we have that might be used by older workers or older learners is individual training accounts. The percentage of those that has been taken up by the over-50s has stayed pretty much static across the periods before and after the pandemic.

We have not seen a significant change in the use of our services, but I suspect that that might more be down to the services that we offer instead of to there being changes in the older workforce.

The Convener: During the inquiry, we have learned that there has always been an element of inactivity in the workforce—people who were just not going to work. Is there any opportunity to connect with people who might be a bit older and have never worked but who, now that there is some flexibility, might want to train through modern apprenticeships through Skills Development Scotland?

Chris Brodie: Again, I offer a couple of observations. We know that employers use apprenticeships as part of their induction and recruitment for new talent. We also know that they use them as a means of upskilling the existing workforce. Indeed, about three years ago, one of the winners of our graduate apprenticeship of the year award was an older worker who was using an apprenticeship to upskill.

There is a broader challenge with how people can acquire skills throughout their working lives. The vast majority of our investment in education, training and skills goes to younger age groups. It goes to 16 to 24-year-olds for university places, college places or apprenticeships. That is not to say that it is focused on those groups only, but it is primarily taken up by them.

It is recognised that we need a broader range of skills training programmes that are available for workers throughout their lives. We have already heard in the meeting about the importance of the ability to upskill and reskill. I have talked to various committees in the Parliament about that in relation to the labour market and Covid. It is an area of priority for the Scottish Government in the national strategy for economic transformation. The skilled workforce programme board is considering how a more systemic approach can be put in place for upskilling and reskilling.

Supporting people who have not been in work back into work is a different issue. Often, a significant proportion of people in older age groups who are economically inactive have been out of work for some time. The solutions and support for those individuals will be different from those for people who might be looking to upskill and stay in the labour market.

The Convener: Thanks, Chris. That is helpful.

Does Anjum Klair or Jack Jones think that it is likely that many workers who have taken early retirement over the pandemic will be forced back into the labour market, given the current economic outlook and the cost of living crisis? Have any of those concerns been reflected through the Trades Union Congress membership?

Anjum Klair: I will talk more about the statistics. Jack Jones has been speaking to some of the unions about that to get a better idea of what is happening.

We are in no doubt that some people will come back into the labour market because of the cost of living crisis. However, at the moment, the data does not show that; it is still showing that, although employment overall is less than pre-pandemic, particularly for the older age group, inactivity rates are still rising.

Jack, do you want to add anything to that from what we have been hearing?

Jack Jones: It is likely that larger numbers of people will look to unretire than we have seen previously. Generally, very few people come back into the workforce after they have retired, and one of the reasons for that is that it is difficult for people in their 50s or 60s to find work. One of the big things that we need to look at is how to remove some of the barriers that older people face to going back to work, particularly when they have been out of work for a period.

I want to slightly challenge something that was said in the previous evidence session. Alex Rowley asked about the kinds of jobs from which people are forced out early because of ill health. David Fairs's answer gave slightly too rosy an impression of the situation with regard to those

who have left the workforce early over the past couple of years. It is important to stress that, whenever surveys ask people how Covid has affected their retirement plans, the results show that a lot of people say that their plans have changed as a result of their experience over the past couple of years. However, it is always the case that more people say that they are likely to delay retirement rather than bring retirement forward as a result of Covid. Therefore, we would expect the net effect of people making reasoned decisions about their retirement as a result of Covid to be an increase in activity, instead of a decrease, because those people are working longer instead of retiring early.

The ONS survey to which David Fairs referred in his answer looked at over-50s who have left the workforce over the past couple of years, and it contains a lot of cause for alarm. I think that 38 per cent of younger people in that age group said that they were confident or very confident that they had the financial resources to meet their retirement needs, which is a low number; even for older people in the 60 to 65 age group, the figure was only 55 per cent. The idea that people are making a choice to retire early, although clearly true for some individuals, is generally overstated. There seems to be evidence that people are cashing in quite small defined contribution pension pots and using those to tide them over until they reach state pension age, but that is not a good outcome. That is an alarming situation when we consider how low our state pension is. It is not designed for people to live off without supplementing it with another pension.

If people cash in a small DC pot to tide them over for two years and intend to then rely solely on the state pension, that will cause issues when they reach state pension age and have an inadequate income, because they will be forced to rely on pension credit to top up that income. Therefore, there is a lot of concern about the issue of people leaving the labour market early.

Brian Whittle: We are well aware that Covid has caused significant impact on and change to working practices, including in the form of the hybrid system. I will pose a general question to everybody: are businesses managing to change at the pace that is being demanded by the workforce? Chris Brodie, do you want to start?

Chris Brodie: It is an interesting question, and I am not quite sure how to approach it. The first thing to say is that the pandemic has brought obvious disruption to the labour market and the economy. During the pandemic, we saw examples of businesses and workers responding quickly to significant changes. There are obvious examples of that, such as companies switching from plastics manufacture to production of personal protective

equipment and restaurant businesses moving online to provide takeaway food. During the pandemic, a lot of change happened due to necessity. The pandemic has had a significant effect on speeding up some already-underlying issues. We can look at the change that has taken place in towns and city centres in Scotland and see the impact of people switching to online retail and the fall-off in the number of people commuting into city centres, which is having a detrimental effect on businesses that, prior to the pandemic, would have thought that they were much more stable. Where that brings me to on the question of people in the labour market is that we are in a situation—arguably, we have been in it for quite a long time—in which there is a lot of economic and labour market turmoil.

I suspect that on a number of occasions during our discussion I will return to my theme of the importance of upskilling and reskilling workers and supporting them to transition, all of which will be key to our future skills strategy. It will be important to build resilience and to create in people the mindset that—if they were ever there—the days of having a career or a job for life are gone. I suspect that over the next five to 10 years we will continually ask ourselves whether we are responding to external challenges quickly enough and whether our skills and training systems are adequately geared up to respond to a time of unprecedented change.

Brian Whittle: I want to develop that point with Anjum Klair. Chris Brodie brought up the issues around city centres, including that, with the rise in virtual and hybrid working, there is less footfall. Of course, that has had an immediate impact on many city-centre businesses that perhaps have not managed to adapt as quickly as they needed to. Has Covid put our city centres under pressure? What needs to happen there? My view is that, after Covid, many businesses expected to fall back to where they were before, but their workforces are resisting that and almost demanding that the hybrid working system continues.

Anjum Klair: I might not be the best person to answer that. Hybrid working is happening and there has been a change in our city centres. However, there have also been changes in local areas, where people who are no longer commuting are now spending more time and money.

The flexible working option is perhaps not accessible to everyone. There still seems to be quite a set view that certain jobs can be done from home and others cannot. One of the ONS surveys made it quite clear that, for 58 per cent of the inactive group, the availability of flexible working

arrangements was the most important factor in their decision to return to work.

Brian Whittle: Perhaps Anna Ritchie Allan would like to come in on that.

Anna Ritchie Allan: Yes. Following on from the point about flexible working, I note that the demand for that has always outstripped the supply that we see in workplaces, and that has increased following the Covid pandemic. There is a narrative that Covid has created more flexible working, but that is probably not true; it is much more complicated than that.

Looking at it from a gender perspective, even at the peak of home working in the initial stages of the pandemic, only about 40 per cent of people were working from home, but most women were in jobs that could not be done from home.

The availability of flexible working is much more nuanced and complicated. There is home working but, as was mentioned in the earlier evidence session, there are different types of that. It is important for workers to have autonomy over when they start and finish. Even as recently as last year, the flexible jobs index that was published in Scotland showed that still just over a quarter—27 per cent—of jobs were advertised as being flexible, so the Covid pandemic has not quite resulted in the revolution that is sometimes presented.

However, I agree with Anjum Klair that the demand for flexibility is there—in particular for older people, and especially older women, who have many caring responsibilities such as those for older parents or as grandparents or who look after disabled people in their families. The new way of working has perhaps given us a little snapshot of the flexibility that might be available, but there has not been a true transformational change on flexible working.

I will give another example. The responses that we see from employers in Scotland are very varied. We have had extreme cases where large companies have decided that everyone will now work from home so they have given up the leases on their city-centre offices. Such blanket approaches do not suit everyone. Close the Gap advocates for a much more tailored approach to individuals' needs. Everyone has different needs according to the realities of their lives, and women often have specific needs in terms of their caring roles. However, we are quite far from meeting those, which is definitely having an impact on the way in which people view work and whether they want to stay in it.

10:45

Brian Whittle: Convener, do I have time to ask another question?

The Convener: Can I move first to questions from Alex Rowley, then I will come back to you?

Brian Whittle: Sure.

Alex Rowley: I will begin with a question for Anna Ritchie Allan. Are there specific sectors in which people are leaving the workforce for gender-related reasons?

I highlight the example of social care, where we in Scotland have a major problem. It seems that the majority of social carers are women, with the majority of such care being delivered in the private sector. The difference in pay and terms and conditions between the private and public sectors is absolutely appalling—I do not know how the private sector gets away with it. People are now voting with their feet: they are saying, “Bye-bye” and off they go.

Do we need to start looking at such issues from a gender point of view? A number of months ago, I put it to the Deputy First Minister that there is a clear gender issue in social care that would not be happening if the sector was male dominated.

Anna Ritchie Allan: Yes, I completely agree with you. Social care is an example that we use all the time to highlight the undervaluation of the workforce, predominantly because it is women who do that work. It clearly illustrates the undervaluation of women's work. However, the low pay and the poorer terms and conditions that are associated with social care work are the drivers of the skills shortages in that sector.

We also need to think about who is working in social care jobs and the links with people's socioeconomic backgrounds and their ages. We must try to get an intersectional picture of the types of workers who are in the sector.

In addition to being increasingly more skilled and technical, social care work is physically demanding, so there are also links with women from lower socioeconomic backgrounds having poorer health outcomes.

All those factors contribute to skills shortages in sectors where women work, but they will also affect women's economic inactivity rates. We know that in sectors that are female dominated or in jobs that are predominantly done by women, such as care, leisure and other services, sales and customer service, there are higher levels of economic inactivity. There is therefore something to be said for improving job quality, increasing people's pay, improving their terms and conditions and, in particular, taking better care of women who

work in those sectors in order to retain them in the labour market.

Alex Rowley: Jack Jones wants to come in on that.

Jack Jones: We had been monitoring that aspect for quite a while before the Covid pandemic. We found that the biggest factor in terms of who was being forced out of the labour market early—certainly because of ill health—was the type of job that people were doing. By some distance, people in low-paid and manually intensive work were much more likely to be forced out of work by ill health before they reached their pension age. They were primarily people who were classed in elementary occupations, which includes cleaning, security guarding and call centre work. They also included those who were doing more manually intensive work, such as tradespeople or those who worked with heavy machinery.

When we look at gender, it is interesting that one of the few factors that is evenly divided between men and women—there is no big difference—is leaving the labour market early because of ill health. However, there is a big difference in the number of older women who are leaving the labour market because of caring responsibilities. That is a much smaller number than those who are doing so because of ill health, but it is significant because the work is extremely gendered, with the majority being women. Again, that tends to be women who are in lower-paid work.

Alex Rowley: I will now move on to the skills agenda, starting with a question for Chris Brodie.

During the earlier session, I mentioned that, in some European countries, there are brilliant examples of companies—a lot of the big car manufacturers, including Ford and Volvo, do this—that have set up academies, which, crucially, are for everyone in their workforce. In Germany, I once looked at a car manufacturer that has an academy purely for cleaning—the cleaners are probably the best qualified in the world. The training extends to SMEs—and, indeed, to all parts of the supply chain, with everyone coming together—with the employer taking responsibility for that. Can we learn from that?

Also, given that the TUC is on the call, what is the role of trade unions in lifelong learning? The TUC has done a lot of work on lifelong learning over the years, through Unionlearn and so on. Is there more that employers and unions, in partnership with Government, should do to ensure that people have the opportunity to reskill throughout their lives as and when required? Seven million people in the UK lack the basic skills of numeracy and literacy, so should we be using a

partnership approach to do more, and do we need new policies?

Chris Brodie: There is quite a lot in those questions, Mr Rowley, so I will work through each part.

In answer to your question about learning from the German model, we have spent a lot of time looking at how that model works in relation to apprenticeships, and I will pick out a couple of things from that. Apprenticeships are not as valued as an equal route to developing high-level skills as university courses or college courses are, and we have been working very hard to get that parity of esteem in Scotland.

The apprenticeship system in Germany tends to go to much higher qualification levels than we would traditionally go to in Scotland; in Germany, there are master qualifications that are equivalent to a master's degree. We have looked at introducing elements of that best practice through our graduate apprenticeships. I agree that there is a lot to learn from Germany.

I am not familiar with the academy model that you referred to, but I would personally subscribe to the notion of employers or groups of employers taking responsibility for ensuring that their needs in terms of the training of the people in the supply chain is met, and we put a lot of effort into doing that in Scotland.

A part of my team works closely with different industry leadership groups, including with those in health and social care, engineering and life sciences; we are also doing some work with the retail sector at the moment. At the heart of that work is understanding what the future skills requirements of those different industry sectors are, as is understanding to what extent the working conditions that are on offer are contributing to some of the skills shortages.

The notion of partnership between employers, trade unions and Government is important; it is a central part of how we should approach the skills challenge that we have in Scotland currently.

Alex Rowley: Anjum Klair, would you like to respond?

Anjum Klair: I think that those questions are more for Jack Jones.

Jack Jones: An obvious high-level issue is that we are not investing enough in skills. We spend about half the EU average on workplace training, so the good news is that a lot can be done to improve things.

The social partnership model that is common to a lot of European countries is one in which employers and unions come together to set

strategic direction. We should absolutely be developing such investment here.

There is also the question of how we access skills, which is a separate issue. What are the mechanisms for identifying training needs and pointing people in the right direction? The Government has been looking with some enthusiasm at things such as mid-life MOTs. The feedback that we got from members is that they hate the name, because that is not a positive way to think about people. However, the concept has pretty widespread support. You need a mechanism to allow people to take stock of what their training needs might be if they are going to stay in employment into older age. They also need to be given access to training that they might need to stay in their current role, or training that would help them to change positions, if they are in a job that they might not be able to do as they get older.

One thing that is worth flagging up is the past role of the union learning fund, which has provided a good vehicle for people to get training. The most basic training is on literacy and maths in the workplace. We have audited that and found that, for every £1 spent on it, it delivers more than £12 in economic benefits. However, the fund was scrapped last year, so a key priority for us is getting something like that reinstated.

Anna Ritchie Allan: I will follow up the skills intervention points. In considering how to get women back into the workforce or enabling them to change careers, the offer that is available is inadequate in terms of the skills interventions that we see and in terms of employability. There are commonalities, but neither of those takes into account gendered barriers not only to the labour market but to reskilling and retraining.

Where those interventions are in place, they are designed by default to reinforce occupational segregation, so if women participate in them, they end up being funnelled into low-paid stereotypical work. There is inadequate support for women in the form of childcare payments and travel costs, which is particularly an issue if they already live in poverty. They do not take account of women's experiences of men's violence, including domestic abuse and economic abuse, and how that prevents women from participating in the labour market.

On the reskilling point, women are more likely to be in low-paid and part-time work. Those are the types of workers who are least likely to have access to training and reskilling.

It can be difficult to change career, particularly if you want to do something non-traditional. Chris Brodie has mentioned modern apprenticeships. The age barrier is a real obstacle to reducing occupational segregation, because people are

more likely to do non-traditional jobs when they are older.

There are systemic challenges to addressing occupational segregation. What we need in Scotland are skills interventions that recognise the way that women engage with training and skills acquisition, and that recognise gendered barriers to the labour market, particularly how women's caring roles influence how they participate.

That is the case with the green skills agenda in particular. There is a very high-level ambition to enable women and other underrepresented groups to be part of the green skills agenda, but there is nothing to make that happen; there is no targeted action to try to upskill those women in that way. Therefore, the approach is unlikely to help more women into green skills jobs.

Alex Rowley: Thank you. That is very helpful.

The Convener: We move to questions from Jim Fairlie.

Jim Fairlie: Okay; right. You took me a wee bit by surprise there, convener.

I will stay on that topic. Anna Ritchie Allan, in your submission, you mention that—this ties into something that Jack Jones said earlier—the number of men and women who are coming out of the labour market at an older age is relatively stable and similar but that men are more likely to be able to come out of the labour market because they can afford to. That indicates to me that women are coming out of the labour market because they are being forced to. What is forcing them out? You mentioned that that could be because of caring responsibilities. Are we putting women in a position in which they are relying on their male partner to enable them not to work? Is that your understanding of the issue?

Anna Ritchie Allan: That might be the case sometimes, but it is probably more complicated than that. Women's caring roles reinforce financial dependence on a male partner, particularly where there is an assumption that household income is distributed equally between men and women, which as we know, is not the case.

Women's caring roles definitely shape the way in which they engage with the labour market, contributing to higher levels of economic inactivity among women—in fact, that is the single biggest factor driving women's economic inactivity.

11:00

As women get older, they are more likely to work part time. That is not just because they have children to look after—that burden still falls mainly on women—but because, as we see now, they are part of a sandwich generation in which older

women are also likely to have caring responsibilities for older parents or an older family member. As the labour market is so inflexible, and it is quite difficult to find flexible, quality work that fits in with those caring roles, many women are forced into taking the only types of part-time work that they can find. Otherwise, if it is financially viable, or even if it is not, they have to leave the labour market. That means that many women are working in jobs below their skill level, which has an impact on the labour market, individual employers and the economy.

Jim Fairlie: Jack Jones and Anjum Klair both want to come in on that point, but I will come back to Anna Ritchie Allan later.

Either Jack or Anjum can answer—you can choose.

Jack Jones: I think—

Anjum Klair: On that point—

Jack Jones: After you, Anjum.

Anjum Klair: This might be the same thing that Jack was going to say. We looked at data on ethnicity as well as on gender, and we found that, although inactivity levels for black and minority ethnic workers were slightly lower than for white workers, the main difference was that BME workers were more likely to have left the labour market because of health reasons than because of early retirement. That suggests that they are being forced out of the labour market. We also found that the figure for caring responsibilities was higher, but the major issue for that group was health.

Jim Fairlie: Do you have anything to add, Jack, or were you going to make the same point?

Jack Jones: Yes, I have something to add. This might be a bit of a tangent, but one of the issues that the TUC has been highlighting a lot in the past few years is the gender pensions gap. It is huge—the income gap between men and women over time is currently just under 40 per cent, so it is a lot bigger than the gender pay gap. Closing that gap will be a very long-term project, but it is very relevant to questions around whether women can afford to retire before state pension age if they want to, and whether they have the resources to manage the transition from working to retirement in a way that gives them control over how they do that.

We have done quite a lot of work on that, and have quite a lot of policy around it. The primary issues concern the whole-career experience and how we either ensure that women do not have to take as much time off as they currently do and that caring responsibilities are not quite so gendered, or try to stop those aspects from having such an impact on people's workplace pension savings.

That might be slightly off topic, but if members are interested, I can go into more detail or send the committee a written submission on the subject.

Jim Fairlie: Okay—it might be worth coming back to that.

I come back to Anna Ritchie Allan. We were talking about skills, training for women and the opportunity to progress. The CIPD submission mentions something that I raised with the previous panel. It notes that it is people aged 50 and beyond who

“agree with the statement: ‘My job offers good opportunities for career progression’”.

That does not quite chime with what we are hearing just now: that there are not opportunities for women to progress in the workplace. Does the CIPD need to break down that survey data at a more gendered level? Can you expand on that at all?

Anna Ritchie Allan: If that is just one number, without disaggregating the data, I would say yes. Close the Gap always advocates for identifying the gender breakdown of data, and for intersectional data wherever possible. I am not sure what survey that is from—I am sorry—but there is other evidence. The Fair Work Convention recently published some research on pay and progression for women over the age of 50, which tells a different story from what you mentioned. It showed not only that opportunities for progression were limited but that there was less interest from women.

What we know in general from how older women talk about their experiences of the workplace is that they are often overlooked for promotion and progression opportunities. In addition, they are often working in a part-time role, and we see in many organisations that there is a general assumption that part-time workers are less committed.

To go back to the point about flexibility, it is difficult for women to progress to senior roles if they are looking for particular types of part-time work. The data probably needs to be unpicked a little bit to enable us to work out what those gender differences are.

Jim Fairlie: Does Jack Jones want to come in on that?

Jack Jones: Yes. The data also needs to be unpicked by sector. In the past, the TUC has done studies of sectors such as retail and—I think—accommodation, and we have found that the progression prospects in those sectors are almost zero; they are really appalling. Those sectors also tend to have a slightly younger workforce. To a significant degree, the sector that people are

working in will influence how they would respond to the type of question that Jim Fairlie cited.

Jim Fairlie: I will move on. I go back to the point of our session today, which is to work out why people are leaving the workforce. I want to bring in the issue of long Covid. Is it right that Anna Ritchie Allan has some specific views on what we need to do with long Covid?

Anna Ritchie Allan: We do not have enough data on long Covid, but what we do know about the way that it affects people is that women are more likely to have it. Women are concentrated in the sectors that were more exposed to Covid and, as workers, they were more likely to contract long Covid. We have not really seen adequate responses from employers to support women and other workers who have long Covid, and there is probably still a lot to find out about the longer-term impacts of that.

With regard to the way in which employers have responded to long Covid in treating it as a disability, we have not seen good enough responses in that area. We would like to see more reasonable adjustments in the workplace for women who have long Covid.

Jim Fairlie: Does anyone else want to come in on that? No? If not—[*Interruption.*]

Who did we miss?

The Convener: Is that Chris Brodie wanting to come in?

Chris Brodie: Yes, please—sorry. I dropped an R in the sidebar.

I agree with what Anna Ritchie Allan said about the importance of granular data and intersectionality. The data does not always give us that information, in particular on economic activity. However, I want to focus on some of the data that we do have in relation to what happened with economic inactivity in Scotland before the pandemic and afterwards.

In 2018, around 760,000 people were economically inactive. That figure went up to 830,000 in 2020. That has now fallen back, but the figure is still higher than it was prior to the pandemic. We currently have 790,000 people who are economically inactive.

If we look at what has been driving the change and the reasons that people are stating for why they are economically inactive, we see that the big change is in the level of long-term sickness. An extra 25,000 people say that they are economically inactive because they are long-term sick, and an additional 7,000 people say that they are economically inactive because they are short-term sick.

I understood that the committee's interest was in the over-50s, among whom the pattern is slightly different. We have seen a big increase in economic inactivity among the over-50s, of around 25,000 people, but that increase includes 5,000 additional people who say that they are looking after family or home or a family member, along with 7,000 short-term sick and 12,000 long-term sick. The numbers of those who have said that they are economically inactive because they have retired have remained flat.

If the question that the committee is interested in is what we can do to address early retirement, my challenge would be that I am not sure whether that is the bigger issue or problem. The bigger issue is what to do about addressing two dimensions.

First, a significant proportion of people who do not work due to long-term or short-term sickness would like to find a job, and they would find a job if the right support were available or the right sort of job were available.

The second, bigger issue is that 80 per cent of people who are economically inactive are not currently looking for a job. However, to break that down, we think that, of those just under 800,000 people, there are about 150,000 people who could be encouraged back into work if the right support were in place for them and their employers. For retirees, the number is very small. Only 2 per cent of those who took early retirement say that they would like to take another job. Therefore, I ask the committee to think about where it can get traction on that challenge.

John Mason: We have covered quite a lot of ground, so I might return to one or two issues that we have already touched on.

Ms Allan, you have made the point that “economically inactive” might not be the best phrase. I want to ask you more about that because some people—women especially—are very active, but they are not counted as economically active because they are not paid. Is there a fundamental problem with the way that we calculate those statistics?

Anna Ritchie Allan: There is a fundamental flaw in mainstream economics, which does not recognise women's unpaid work as productive to the economy. The international system of accounts shows that, when you care for someone, do housework or take out the rubbish—all those things—you are “at leisure”. Anyone who is doing those things probably does not feel that they are at leisure.

It is really important—this is an underpinning concept in feminist economics—to value women's work but also to ensure that it is counted. The term “economically inactive” does not capture your

situation if you are caring for someone or taking time out of the paid labour market to do other types of work, because it suggests that you are lying on your settee watching Netflix—which you probably are not doing.

There are some fundamental problems in the way that we frame economic activity, who is productive and who is not productive, and what it means to be doing the work of caring for other humans at the same time as doing work in the paid labour market.

John Mason: Thanks. That is helpful.

Long Covid has been mentioned. We had a brief answer that employers should do more to support workers—especially women—with long Covid. Can you expand on that and say what kind of help is needed? What should employers do?

Anna Ritchie Allan: It varies by sector, and it depends on people's jobs. Women are significantly more likely to have long Covid. That is also because they work in sectors in which there have been high rates of long Covid.

It is not as though the impact of long Covid on a person is the same every day. It is about employers' taking a more responsive approach to meeting those needs. If about one in 10 people with long Covid has stopped working and those people are mostly on sick pay, a bit of focus on that issue is needed to work out what individual women and other workers need in order to carry on working.

Employers should want to retain the skills of valuable people in the workforce. First, they need to recognise the significance of long Covid. The TUC and others have made calls, which we support, to recognise long Covid as a disability under the Equality Act 2010. That contributes to the wider picture, which is that a lot of employers do not have the capacity or the confidence to effectively implement reasonable adjustments for disabled women and disabled people generally. It is about being responsive to what individual workers want and need to do their jobs well and to keep them in the labour market.

John Mason: Ms Klair, from the perspective of the TUC, do you agree with what was just said? Are employers just not doing enough? Should there be some sort of enforcement on employers?

Anjum Klair: Unfortunately, long Covid is here to stay, so adaptations are needed. We need to know more about long Covid. More analysis and research are needed, because it is still early days. When we start to do the data breakdown, we can see that there is no proper response to someone who says, "I'm off and I'm inactive because I have Covid." It needs to be identified as a serious health

condition, at least. We certainly need to know more about it.

11:15

John Mason: Is it the case that larger employers are perhaps a bit more sympathetic and able to adapt, whereas smaller employers are less tolerant, or is it not as simple as that?

Anjum Klair: The issue is pretty complex. My colleague has been looking at that, so I do not know the ins and outs of it, unfortunately. However, I can check with them, as they have done work on that recently, and get back to the committee on that.

John Mason: That would be helpful. I read your evidence, and it suggested that some employers are perhaps not adhering to the law, let alone anything else, when it comes to health and safety, which would presumably cover that as well.

Anjum Klair: I also note that, at the time of Covid, the number of people leaving the labour market because of other health issues was rising. If a person already had an existing health condition, they were, obviously, more wary of Covid at that time. However, as I said, we have a report on that, which I will get to the committee.

John Mason: Okay. Thanks.

From a slightly different angle, but on a related point, would you say that some employers are biased against older workers and older recruits? I do not know whether that is too blunt to say.

Anjum Klair: I personally think so, but I do not have any evidence to hand to give to the committee. I do not know whether Jack Jones has anything to add.

Jack Jones: I will add a yes. It is clear that there is a lot of ageism in the labour market. Anecdotally, a lot of the stories that I hear about people who are looking for work once they are over 60 are heartbreaking. There are stories of people sending off hundreds of applications and not getting a single interview. To a degree, it is about asking whether that is because those people are being failed by skills policies, but the attitudes of employers are also definitely a factor.

Anna Ritchie Allan: To follow up on what Jack Jones said, there is definitely evidence of ageism in the workforce. Of particular interest is the intersection with gender and what that means for older women in the workplace, who definitely speak about their experiences of being overlooked for opportunities, undervalued in the workplace, and having less access to training and development and so on. There is quite a bit of evidence around that and definitely on ageism more generally.

Chris Brodie: I want to go back to a comment that Anna Ritchie Allan made that I absolutely agree with. Traditional economics does not take into account the value and contribution of unpaid work, particularly from women. The way that economic inactivity is currently framed means that it has quite a binding meaning. The qualification that Anna Ritchie Allan provided is really helpful. There is a distinction between whether someone is or is not undertaking paid work in the economy.

There needs to be a bit of nuance around understanding that technical definition or characterisation of economic inactivity. From looking at the data, it gets quite interesting and challenging to give policy responses because the reasons why people are not engaged in paid work are quite complex and sometimes overlapping. There are therefore no simple policy solutions.

It is important that, at a time when Scotland is, and has been, facing significant challenges around its workforce pressure, our economic inactivity rate is too high. We need to do something to address that. If we are looking to do that in the short term, some people who are economically inactive would be happy to find paid work if they had the support to do so and if the type, quality and nature of the employment fitted with their skills and circumstances.

In the same way that Anna Ritchie Allan has rightly been laserising in on the challenges that women face in the workplace and in getting back into work, we need to look at the economically inactive as quite a diverse group with a diverse set of challenges, the support for whom should be based around their needs.

John Mason: Who should lead on that support? Should it be the employer, Skills Development Scotland or somebody else?

Chris Brodie: At the moment, Skills Development Scotland is not being asked by Government to operate in that area. That is a policy decision for Government. I know that that is an area of interest in relation to the national strategy for economic transformation, which recognises that, for Scotland's economy to thrive and be a wellbeing economy, we will need to engage more people in the workplace. That is an area in which Government can and will show leadership.

Jack Jones: I absolutely agree with everything that Chris Brodie just said. Within the economically inactive group, it is quite fluid as to whether people say that they are retired or not working because of ill health. You have to recognise that it is not necessarily a stable situation in which people say that they are retired and that is a fixed status.

As a potential concern, I flag up the impact on individuals of becoming economically inactive as

opposed to unemployed. At that point, in terms of building up pension for later in life, you stop accruing your workplace pension so you start saving for retirement. However, if you are economically inactive rather than unemployed, it is also likely that you will miss out on your national insurance credits so you will also potentially stop building up your state pension. There is a degree of concern that, aside from issues that might be caused for individuals by being economically inactive in their 50s or 60s, it might create further issues down the line for when people reach state pension age not only in their personal resources through their workplace pension but the degree to which they can access the full state pension.

John Mason: It is helpful to make those points because there are many repercussions. We could probably explore that further, but I will leave it at that.

The Convener: As no other member wishes to make any comments or to ask any more questions, I thank the witnesses for all their evidence and giving us their time. If they would like to raise any further points with the committee, they can do so in writing. The clerks would be happy to liaise with them about how to do that.

The committee will undertake some informal engagement sessions before we conclude the evidence taking in the inquiry on 8 December, when we will hear from the Minister for Just Transition, Employment and Fair Work.

That concludes the public part of our meeting. I suspend the meeting to allow the witnesses to leave and for the meeting to move into private.

11:22

Meeting continued in private until 11:30.

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

All documents are available on
the Scottish Parliament website at:

www.parliament.scot

Information on non-endorsed print suppliers
is available here:

www.parliament.scot/documents

For information on the Scottish Parliament contact
Public Information on:

Telephone: 0131 348 5000

Textphone: 0800 092 7100

Email: sp.info@parliament.scot



The Scottish Parliament
Pàrlamaid na h-Alba