

## What businesses think about Fair Work and Net Zero

The way that we support businesses is changing. As part of these changes, we're putting a bigger emphasis on ensuring that the companies that we support meet, or are working towards, Fair Work and Net Zero principles.

### What are Fair Work and Net Zero?

#### Fair Work

Fair work is work that offers all individuals an effective voice, opportunity, security, fulfilment and respect:

- **Effective voice:** employers create a safe environment where dialogue and challenges are dealt with constructively, and where employee views are sought out, listened to and can make a difference
- **Opportunity:** fair opportunity allows people to access and progress in work and employment
- **Security:** people have reasonable security and stability of employment, income and work
- **Fulfilment:** people have access to fulfilling work
- **Respect:** people are treated respectfully, whatever their role and status

Businesses that commit to Fair Work must sign up to these principles:

- Appropriate channels for effective voice and employee engagement, such as trade union recognition
- Investment in workforce development
- Actions to tackle the gender pay gap and create a more diverse and inclusive workplace
- No inappropriate use of zero-hours contracts
- Paying the Real Living Wage (currently £9.50 in Scotland)

#### Net Zero

Net Zero means achieving a balance between the carbon emitted into the atmosphere and the carbon removed from it. The Scottish Government has committed to Scotland becoming a net-zero society by 2045.

For businesses, this might mean doing things like:

- Reducing greenhouse gas emissions from their buildings
- Employing workers whose duties include making production processes more environmentally friendly or using fewer natural resources
- Adopting circular business models
- Building extended life, reuse and remanufacture into the design of products and services

## Do our customers understand these terms?

Over the past few months, our user research team has spent a lot of time speaking to business owners to find out what they think these terms mean and how they relate to their business. We were planning to launch a new Green Jobs funding call, which ties in with our Net Zero ambitions and would require applicants to answer questions about Fair Work, so it was important for us to find out if users understood these issues.

### Fair Work

Most of the people who we spoke to didn't fully understand what Fair Work is, and many hadn't heard the term before. While all of them saw the moral benefits of Fair Work, and they understood why we're asking the businesses that we work with to treat their workers fairly, some struggled to see how some of the Fair Work principles applied to their business.

They were also concerned that not meeting some of these principles would exclude them from getting funding and support from us, so we learned that we need to make it clear that we just want to understand where they are in their Fair Work journey so we can support them if necessary.

#### *Employee engagement*

Most of the small businesses that we spoke to have an informal feedback process, with limited processes in place to act on feedback. Mentioning trade unions threw people off a bit because some industries aren't unionised.

#### Customer quotes:

- "No one is unionised in our business but we have regular employee engagement surveys."
- "We could improve and develop our employee engagement channels."

#### *Workforce development*

Most companies provided some form of staff training and felt positively about workforce development, though many had done less training this year due to Covid. Some businesses felt that there were limited training opportunities in their sector, and that once staff reached a certain skill level, it was hard for them to upskill anymore.

#### Customer quotes:

- "We don't have any formal training plans – it's all bespoke or one-off for individual candidates."
- "Workforce development is a given in our industry."

#### *Gender pay gap*

Most companies that we spoke to didn't think they had an issue with their gender pay gap – but some companies also said that they don't employ any women. They responded positively to tackling the gender pay gap and were willing to be transparent, but most didn't see it as an issue for their business.

#### Customer quotes:

- "We don't have a gender pay gap because we don't have any women."

- “We haven’t done anything on the gender pay gap because we have such a diverse workforce.”

#### *Zero-hours contracts*

The key issue here was the term ‘appropriate’ - we don’t make it clear when zero-hours contracts are appropriate and when they’re not, and businesses found this confusing.

Customer quotes:

- “It might be worth exploring what ‘inappropriate’ use of zero-hours contracts means.”
- “We have staff on zero-hours contracts by mutual agreement.”

#### *Real Living Wage*

The Real Living Wage was a sticking point for some of the companies that we spoke to. While they all saw it as something to aspire to, and many companies were already paying it, some felt that it wasn’t realistic for smaller companies. They were also concerned that it could make wage hierarchies tricky in lower paying industries.

Customer quotes:

- “The Real Living Wage is a concern to me as a business owner.”
- “We try and pay a bit more than other companies to get a better quality employee.”

#### *Net Zero*

Most of the people who we spoke to weren’t familiar with the term Net Zero. Also, when we talk about things like ‘Net Zero’ and ‘reducing carbon’, they don’t really see the benefit to their business. But if we talk to customers about how reducing carbon can help them save money – for example, how using greener energy could reduce their heating bills - they’re very interested.

We learned that we need to focus on the benefits of Net Zero for the business rather than the benefit to Scotland as a whole. Yes, it’s nice to save the planet, but they really need to know:

- What’s in it for me?
- What is this going to cost me?
- Is this more important than my other business activities?
- Will this support or derail my long-term plans?

#### *Next steps*

We’re looking at how we can adapt the language that we use around Fair Work and Net Zero to make it clearer:

- What we mean by these terms
- Why we’re asking businesses to meet these principles
- How meeting these principles will benefit their business

We’ll also share our insights with the SE Strategy team.

