Agents of Change: Scottish Business Leading the Way (BiPC in the 20th Year of the Parliament)

Workshop Note – Productivity and Wellbeing

Hosts:  
Ben Macpherson MSP, Minister for Europe, Migration and International Development  
Jackie Baillie MSP, Economy, Energy and Fair Work Committee member

Speakers:  
Linda Johnston, Managing Director, Auchrannie Leisure Ltd  
Shirley Campbell, Director for People, Scottish Water

Summary

How can many more Scottish businesses improve their performance and the quality of work? Scotland’s productivity remains around 20% below target, partly due to a long tail of lower productivity firms; meanwhile employment levels are high, but many people are concerned that the economy is not offering enough jobs that offer the security, pay and fairness in workplaces which will support healthy working lives. Actions to increase productivity can potentially be detrimental to wellbeing and vice versa – but successful businesses will be those which excel in both. This workshop will focus on what businesses can do to achieve improvements in workforce productivity and wellbeing, the important contribution which Scotland’s Fair Work agenda can make and where more support is needed to help more businesses on this journey.

Linda Johnston presented on the Auchrannie story. She said that the aim of the founders was to create a sustainable business which supported the wider community and local tourism industry. As the business had grown there was an increasing need to think about company values, which were expected by both staff and customers. Following the financial crash, their first instinct was, as with many businesses at the time, to cut, however bookings started to fall. Therefore, they decided to do things differently and invest in their product, infrastructure and people. Pay is a motivating factor for staff, but it is not the only one and the company has introduced range of measures to support and encourage health and wellbeing in the workplace.

Wages in the hospitality sector are perceived as poor and it is generally not regarded as a career. The company wanted to introduce the Real Living Wage but was concerned about rising staff costs. It challenged staff to make the productivity improvements which would allow it to pay the Real Living Wage, which they achieved. Only nine hotels are accredited as Living Wage employers in Scotland, all of them independently-owned and five of them located on islands. Auchrannie has also become an employee-owned business which has helped employees to understand that they benefit from their own efforts. Staff are given the opportunity to develop and innovate. The company now loses little time through sickness, disputes
and stress. From a position of making a net loss, it is currently making a sustainable profit.

Barriers for the company and sector include its poor image as a career among some people and declining labour markets in rural areas. Taxes are a high compared to competitors in other countries and the proposed Transient Visitor Levy is a concern, especially in more marginal locations. But it is capable of growth and needs support.

Shirley Campbell presented on Scottish Water’s approach to improving wellbeing. Scottish Water believes that Good Work makes for Good Health and visa versa. Wellbeing has a parity with its regulatory responsibilities for health and safety.

Scottish Water has introduced a Wellbeing Programme which involves partnerships with healthcare providers. This includes annual check-ups for all which provide better information about the needs of employees. Scottish Water has an ageing workforce demographic and offers test for high blood pressure in its offices. Employees who are ill do not report absences to their line managers but to health professionals who can offer them advice about getting better and their return to work. There are now fewer staff absences, productivity is higher and Scottish Water has more data about the main reasons for absences. Proactive treatments can be offered for the skeletal issues which are more prevalent in parts of the workforce. There is a mental health advice service for staff and their families. There are workshops on money-related worries, with follow-up appointments offered with financial advisors. Scottish Water has put in place a network of wellbeing champions who are the local points of contact.

Wellbeing, diversity and inclusion are linked. Scottish Water has networks for diversity and inclusion, and the leaders of these have opportunities for progression outwith their day jobs. Employees are encouraged to give back through volunteering days.

Scottish Water has a high level of agile working. Business mileage and its carbon footprint have been reduced, productivity is higher, staff absences are lower, and it has been able to attract a different demographic to roles within the organisation.

Scottish Water undertakes regular staff surveys which offer opportunities for feedback. It has developed an Index which measures whether its people are being enabled.

**Key points discussed**

**Employee Ownership**

Concern that selling out to a competitor which would prevent the use of its facilities by the people of Arran motivated Auchrannie to transition to employee ownership. Employees have also been engaged, but engagement and trust have accelerated.

Employee ownership is increasingly attractive to companies in the care sector. Most are SMEs and many have owners who are approaching the end of their working lives
and need to decide what to do with their business. Employee ownership is attractive because it helps to keep the profits in the community rather than losing them.

Employee ownership seems to be more successful in rural communities than it is in urban areas. What is missing from urban areas? It is easier with independent businesses which have a strong sense of being rooted in a rural community.

Wages

In sectors such as retail, employees have a range of benefits which, when monetised and added to pay, are greater than the Real Living Wage. Paying the Real Living Wage is a challenge. For Auchrannie, it had to do everything to retain and attract employees. While other benefits are valued, they are not of use to everyone and fundamentally people need wages which enable them to afford accommodation and other essentials.

Could the payment of the Real Living Wage be fiscally incentivised/rewarded?

Tax

Revenues from taxes contribute to addressing the challenges faced by businesses, such as the provision of housing and services on the islands. However, there is concern from some businesses and sectors about equity between sectors and competitiveness with other countries. For example, hotels such as Auchrannie pay a higher percentage of their turnover on business rates than their profits, and more than online businesses, and the total level of business rates and VAT in Scotland and the UK is higher than the taxes on the tourism industry in other locations in Europe.

Agile Working

It can be a challenge to help remote workers to remain engaged. Increasing agile working was not an overnight change for Scottish Water. It reviewed all jobs and the technologies people needed, and it demonstrated what was possible. Most managers and staff believed that employees could not work remotely. However, this perception has been flipped. There is still a need to bring new project teams together and to allow for personal catch-ups. But the emphasis is on being accessible not present.

There are gender dimensions to these issues. Most employers are not offering flexible and part-time work. Women tend to occupy more of these jobs where they are available. They have fewer opportunities for training and promotion, and their work is often undervalued. On the other hand, there are people working long hours, most of whom are men. There is a need to think about job design and these gender aspects.

Workplaces

The built environment is critical to our sense of wellbeing. Research has shown that people have a strong connection with daylight and that it is their highest priority for
the workplace. However, this is still being ignored in the design of many new buildings. In Scottish Water, the Director for People is responsible for both workplaces and HR. Surveys show that people often comment on their workplaces. Scottish Water encourages some competition between offices to make improvements e.g. to their carbon footprints. People no longer want just their own desk. There is a need for access to a range of different areas in the workplace designed for different purposes. Businesses need to think beyond the immediate costs to long-term productivity.

SMEs

How can SMEs be supported to increase productivity and wellbeing? Their leaders need to develop their skills and they need the time to acquire them. People in small businesses in remote areas find it especially difficult to get away so there’s a need to use tech to communicate. Productivity Club Scotland, which is currently being piloted, has largely a SME participation and is developing ways to facilitate peer learning.

Technological and the Labour Market

Anxiety about change, especially about how technology might impact on their jobs and whether they can transition to more sustainable roles, is common among workers.

Measurements

There are challenges in employers empirically measuring the link between improvements in wellbeing and in productivity. Inferences are drawn between them.

[Actions agreed/suggested]

- Develop measures for businesses which link wellbeing and productivity
- Offer targeted learning for SMEs to build their knowledge and skills
- Continue to encourage payment of the Real Living Wage
- Maintain a competitive business rates policy and undertake a wider review of the total current costs for businesses in different parts of Scotland
- Consider how to share learnings between sectors and rural/urban areas on employee ownership, and support companies which want to transition
- Ensure a positive, evidence-based discussion about technology and the labour market, and put in place information and support for people

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