



*Championing better
work and working lives*

Written call for evidence – Scotland’s relationship with the EU

CIPD Scotland submission to the European and External Relations Committee

Chartered Institute of Personnel and Development (CIPD)

September 2016



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Background

The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has 140,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

Our membership base is wide, with 60% of our members working in private sector services and manufacturing, 33% working in the public sector and 7% in the not-for-profit sector. In addition, 76% of the FTSE 100 companies have CIPD members at director level.

Public policy at the CIPD draws on our extensive research and thought leadership, practical advice and guidance, along with the experience and expertise of our diverse membership, to inform and shape debate, government policy and legislation for the benefit of employees and employers, to improve best practice in the workplace, to promote high standards of work and to represent the interests of our members at the highest level.

CIPD Scotland

CIPD Scotland represents 10,000 plus HR professionals across all of Scotland's sectors and in private, public and not for profit enterprises. We are committed to building better workplaces through the very day interactions and interventions of People and Development professionals and creating dialogue about the need for better work and working lives through our research and policy. We address the specific question of the committee's inquiry (as set out below) and outline our own view based on on research and that of others.

Our response

Introduction and context

As the UK's professional body for HR and people development, with a mission to champion better work and working lives, we believe that Scotland faces significant challenges in adapting to this markedly different future. However, we are also certain that the HR and learning & development community in Scotland has the insight and resilience to help our nation rise to these challenges. From the CIPD's perspective there are six main issues that the vote to leave poses challenges for, which focus on the workplace, the workforce and the wider economy

Workplace

The impact of EU withdrawal on a raft of legislation and regulation which impacts the workplace in Scotland the rest of UK.

The impact of European laws and regulations in the workplace is significant and CIPD welcomes the clarity which these regulations provide. Complex issues like Working Time have been standardised and regulated on a European basis by the European Working Time Directive (WTD) and the Transfer of Undertaking and Protection of Employment (TUPE) regulations are at the heart of employment law. EU rulings on issues such as maternity leave, holiday pay entitlement, collective redundancy consultation and rights on insolvency are also at risk. These laws and rights all help to create fairer and more engaged workplaces, and provide clarity and continuity for employers. With Brexit all of these regulations, directives and applications of case law will need to be reviewed.

It is our view as a professional body that the body of EU legislation should be retained in Scotland and the rest of the UK. Any attempts to use the decision to leave the EU as an excuse to water down or waive these fundamental workplace rights would, in our view, be counterproductive. As we have repeatedly argued the impact of regulation on productivity and business performance is overstated and exaggerated. There is no evidence that a 'Brexit bonfire' of EU-based employment regulation would be good for Scotland and its workforce.

The specific impact on EU Citizens residing in Scotland and contributing to our economy and skilled future.

The most immediate issue for CIPD as the professional body for HR and people management is the unwelcome rise in reports of xenophobia and harassment of migrant workers who have built their careers and contributed to Scotland the rest of the UK, and this issue must be addressed. We do not have any evidence of such impacts in Scotland and they are difficult to find evidence for. A recent UK survey conducted by the CIPD and People Management magazine also highlights evidence of increased workplace tension and division as a result of the vote to leave the EU, with almost one in ten (8%) of respondents saying incidents had been reported and a further 25% saying incidents had been hinted at but not reported.¹

CIPD is proud of our multinational workforce which contributes its talent and skills to our organisations in the UK. A more widespread effect is that of uncertainty over work and citizenship status that is currently being felt by staff and employees managed by our members in workplaces throughout Scotland. With the future relationship between the UK and the EU, as well as the new immigration system, still to be determined, we would advise against the UK Government placing citizenship and immigration status as a bargaining chip in forthcoming Brexit negotiations. We believe there is no credible threat of expulsion for UK workers overseas and would call upon the UK Government to act now to secure the future of Scotland's migrant workforce, preferably by retaining free movement for workers already settled here.

Workforce

The impact of reduced EU migration on Scotland's skilled future and how we can meet these challenges.

Evidence from a major CIPD survey, published in September 2014, highlighted the role EU migrant's play in enabling organisations to access the skills they need to grow.² It found that organisations which employ EU migrant workers are more likely to report that their business had been growing over the previous two years (51%) than organisations that didn't employ migrant workers (39%). Employers in low-skilled sectors were particularly

¹ CIPD/People Management survey (July 2016). Press release available at: <http://www.cipd.co.uk/pressoffice/press-releases/brexit-pulse-survey-200716.aspx> [Accessed 5 September 2016].

² CIPD (2016). The growth of EU labour: assessing the impact on the UK labour market. London: Chartered Institute of Personnel and Development. Available at: <http://www.cipd.co.uk/publicpolicy/policy-reports/growth-eu-labour.aspx> [Accessed 5 September 2016].

positive about the contribution EU migrants made to their organisations' performance. It also showed that employers who employ migrant workers are also more likely to invest in training for the wider workforce and provide apprenticeships than employers that don't recruit migrant workers. This strongly suggests that most employers who employ migrant workers are not doing this to cut costs on training and development, but as part of a broad approach to addressing recruitment difficulties and skills shortages.

Scotland, with its ageing workforce, has just reversed a decline in population growth. The benefits of migration to the Scottish economy, therefore, cannot be overstated. Data from the 2015 Labour Force Survey suggest that, in contrast to the rest of the UK, where there has been a trend of migrants from the EU and non-EU countries filling a large number of new job opportunities, in Scotland only 8% of new jobs were filled by non UK-born citizens. This split is roughly even between EU and non-EU migrants. Scotland is less favoured as a destination for EU migrants with the majority focusing on London and the South East, given the greater number of job openings there. Given Scotland's demographic challenges, our nation has to be able to negotiate a deal which allows us to be able to retain and attract skilled migrant workers. Experts on UK migration predict that the Brexit decision and its aftershocks are already having an impact on the intentions of these workers. For example, the economic fallout has, according to recent analysis, shifted the exchange rate for the pound to the zloty down by 15%.

The impact of specific sectors and areas of the economy of our impending withdrawal from the EU.

Scotland's financial services industry, which forms the lynchpin of our non-oil economy, could see a significant impact arising from the decision to leave the EU. Despite the financial crisis and the subsequent nationalisation of some of these institutions, they provide high-productivity, high-wage jobs which contribute massively to employment and the UK Government's vision of inclusive growth. The uncertainties over passporting rights and freedom of movement could mean relocation of parts of the industry, with major impacts on the economies of both Glasgow and Edinburgh.

CIPD works closely with the financial sector on major challenges, such as the senior manager regime, and supports these organisations in building people and development capability. The Scottish Government must advance the interests of our financial services sector in the Brexit negotiations. Scotland also has a large number of Eastern European migrant workers in our farming, food processing and hospitality industries, all critical to our economy, with the majority being from Poland. Any significant shifts in the availability of these key workers can have a detrimental impact on our economy. Again, we understand

this is a UK Government issue, but Scotland's distinct labour market requirements need to be strongly advanced, particularly it comes to the impact of withdrawn or reallocated EU funding on the Scottish public services, economic development within the Scottish innovation base and its likely impact on creating high-value, high-growth jobs and opportunities.

Wider economy

The immediate impact of Brexit on jobs growth in Scotland's economy given our pre-existing economic challenges.

Brexit is already having a major impact on Scotland's economy, with revisions in Scotland's rate of economic growth already being factored in, and a rise in our level of unemployment from around 6.5 to 7% being predicted. Scotland has recovered well from the global financial crisis and our government, business and citizens have shown a great deal of resilience but, clearly as a political and economic shock, Brexit is unwelcome. The macroeconomic impacts are already feeding through into employment prospects.

Already Brexit has led to the steepest fall in permanent job placement since the height of the global financial crisis in 2009, with 37% of respondents to a survey by the Recruitment and Employment Confederation reporting a drop. This reflects a new and unwelcome caution from Scottish business about permanent recruitment and is a matter of serious concern. If we are to build the sort of economy Scotland needs we will need to see a rise in permanent placements and stable jobs.

It should also be borne in mind that just under two fifths of Scots voted to leave – approximately 1.6 million citizens. This suggests that disaffection with certain aspects of the 'system', as well as a general alienation from politics and distant decision making. While it is not CIPD's role or expertise to investigate these issues deeper, we believe much of this can be related to the labour market and inequality. We think the Scottish government should commission detailed research into the issue of this hasn't already been developed.

Finally, as we argued during the Scottish referendum, where we remained neutral but provided informed advice on the issues which arose, we did not seek to direct our diverse membership to vote in a particular direction. We took the view in Scotland that whatever decision was made, the imagination, ingenuity and sense of cohesion and community Scotland possesses can continue to thrive if we invest in the capability and talent of our people. The HR and people management profession will be critical to supporting this and



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we stand ready to support Scotland its workforces and workplaces through this testing transition.

Conclusion and recommendations

The CIPD calls on the Scottish Government to:

- Ensure protection and certainty of status for existing EU citizens working in Scotland
- Take steps to secure a deal which protects Scotland's access to migrant workers where required for our critical industries.
- Emphasise the disproportionate and potentially damaging impact on Scotland of leaving the EU on areas such as financial services and the skilled sciences
- Lobby for the retention of EU legislation that provides greater certainty, continuity and clarity to Scotland's businesses, as well as protections and fairness for Scotland's workforce
- Ensure that any decision to pursue further constitutional change address the very real uncertainty and division which can result, as well as the distractions and difficulties it can present our economy with
- Be mindful and respectful that a significant number of Scots voted to leave, with many from rural and deprived areas who had labour market concerns at the heart of their decision
- Ramp up investment in people and development working with professionals in HR and people management to ensure that Scotland can thrive in whatever future economic and political settlement which arises from the decision to leave the EU
- Commission research to investigate the feelings and attitudes of those who voted to leave

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