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POSITIVE DESTINATION CLASSIFICATION OF ZERO HOUR CONTRACTS

Further to my appearance before, at the Education and Skills Committee on the 14 March, I am writing to you regarding the subject of zero hours contracts, and in particular their classification as a positive destination within the school leaver destination statistics, an issue which was raised then. In the first instance I wish to apologise for the delay in providing you with this information.

I would like to restate that the Scottish Government firmly oppose exploitative zero hours contracts and other non-standard types of employment that offer workers little or no job security.

I would also like to clarify for the Committee the current limitations we have in identifying those individuals who are employed on zero hour contracts through the process of collating the school leaver destination statistics.

The data on school leavers' initial and follow-up destinations are provided by Skills Development Scotland (SDS) to the Scottish Government for the purpose of the school leaver destination statistics and for updating Insight (the senior phase benchmarking tool). This data set is extracted from customer data used by SDS and partners to deliver services and by SDS to produce the Participation Measure.

It offers a comprehensive set of data as it is based on a response from everyone at that age group.

SDS gather information on school leaver destinations through data sharing arrangements between local authorities, colleges, Student Awards Agency for Scotland, the Scottish Funding Council and the Department for Work and Pensions.

Any leavers we know not to be identified within these data sources are contacted by an SDS advisor. As we do not have access to HMRC data, it is through this route that those who are in employment are identified. Individuals self-report their employment status to SDS advisors and any question about their contract status would rely on the individual's understanding of zero hour contracts and whether or not they feel their contract is exploitative.

In addition, the purpose of the exchange is to gather information SDS require to deliver services to young people and not to conduct detailed surveys on individual circumstances.

Even if we were able to identify the number of hours an individual works, this is not in of itself indicative of being contracted on a zero hours basis. Initial discussions with HMRC have highlighted they also face challenges in identifying those on zero hour contracts in their records.

These technical limitations mean we are unable to robustly identify those on zero hour contracts and therefore do not have a separate status for them in the school leaver statistics or the Participation Measure.

The Scottish Government does of course monitor estimates of the number and percentage of employees on zero hours contracts on a wider basis from the Labour Force Survey. This is a statistical source from the UK-wide Office of National Statistics.

Headline estimates on number and percentage of zero hours contracts for Scotland are published by ONS twice each year (for April-June and Oct-December quarters). The latest Labour Force Survey statistics covering the period Oct-Dec 2017 suggests that 2.7% of people in employment are on a zero-hours contracts compared to the UK rate at 2.8%.

By comparison to our school leaver information and the measurement of positive destinations, there is some limitation to the coverage of this data, which is based on responses to a sample survey of household.

As laid out above, the participation measure and the school leaver statistics are based on a response from every person in that age group. This provides a comprehensive set of information about post-school destination, a strength in our measurement of such. Utilising a more limited measurement such as that provided by the Labour Force Survey, from which we draw estimates of the overall prevalence of zero-hours contracts in the labour market would diminish the data we have.

I am of course committed to monitoring and establishing the best measure for this issue in the official sources we have available to us and to helping all people in to work that is right for them. We seek to achieve this through our recently announced 'No-one left behind' plan for integration and alignment are seeking new and innovative approaches to achieving that.

My officials will be working with SDS and partners to explore how we can capture this information as part of service delivery, develop a better understanding of the prevalence of zero hour contracts within separate cohorts of the Scottish workforce and how to appropriately incorporate within the school leaver statistics and Participation Measure.

I trust this information is of interest to your committee.



JAMIE HEPBURN