

SCVO Briefing to Scottish Members of UK Parliament

Employment Rights Bill

January 2024

Summary

Across the UK, the voluntary sector is a significant employer, employing over 1 million people, including 136,000 people in Scotland - 5% of Scotland's workforce.

This workforce makes a huge contribution to people and communities across Scotland, providing a diverse range of essential services and support.

SCVO welcomes the Employment Rights Bill which will introduce many positive changes to strengthen the rights of employees across the voluntary sector. These changes reflect our sector's values and the ambitions of organisations to make progress on becoming Fair Work employers. The legislation must, however, carefully consider the potential challenges, particularly, for small voluntary sector employers, with little or no access to HR support.

To ensure the legislation is successfully implemented the government should support voluntary organisations by:

- Recognising the voluntary sector as a significant employer.
- Working with the voluntary sector to understand any challenges.
- Supporting and resourcing the sector to understand and implement the new people processes the Bill will introduce.
- Providing detailed statutory guidance, informed by engagement with the voluntary sector, on the implementation of the Bill.
- Ensuring grants and contracts the UK Government, their agencies, and other public bodies award, support Fair Work and cover the full costs of employing staff, including at least the Real Living Wage, increased NICs costs, inflation-based salary and other uplifts and any new costs associated with the revised legislation, at least on a par with those offered to public sector staff.
- Working with the Scottish Government to ensure the UK level Employment Right Bill and Scottish Government Fair Work First initiative is complementary and collectively progress Fair Work.

The voluntary sector workforce

Across the UK, the voluntary sector is a significant employer, employing over 1 million people, including 136,000 people in Scotland - 5% of Scotland's workforce. [In comparison](#), the Creative Industries and Gaming sectors are estimated to employ 90,000 people, while food and drink manufacturing employ 125,000 people in Scotland.

The voluntary sector [workforce](#) includes more women (64.5%), more part-time workers (37%), and more people with a disability (23%) than the public and private sectors. Women and people with a disability are at [greater risk of living in poverty](#).

This voluntary sector workforce makes a huge contribution, providing a diverse range of essential services and support including; childcare, social care, emergency support, support into employment, housing, towards digital inclusion, and a huge range of advice services. The sector also undertakes vital medical and environmental research, runs most of Scotland's theatres, museums, galleries, and sports clubs, and campaigns for change on a huge variety of issues.

Fair Work for the voluntary sector workforce, including payment of at least the real Living Wage and inflation-based uplifts on a par with those offered to public sector staff, should be considered as part of the Employment Rights Bill.

Similarly, the Bill should recognise the voluntary sector as a significant employer both in Scotland, and across the UK.

Fair Work

Fair Work for voluntary sector employees is a priority for SCVO, many voluntary sector employers, and, increasingly, voluntary sector funders. SCVO welcomes the new rights for employees and workers that the Bill introduces, including the right to claim unfair dismissal from day one of employment, the right to guaranteed hours, the introduction of a statutory probation period, sick pay from day one and earlier access to parental rights, all measures that support Fair Work.

With these new rights, however, comes new responsibilities which voluntary sector employers must be supported and resourced to understand and implement. Plans to progress towards Fair Work should also recognise that poor funding practice creates precarity that undermines both job security in the voluntary sector and the ability of voluntary sector employers to support their staff. Specifically, short-term grants or contracts, delays in decision-making and poor communication actively undermines job security, creating uncertainty for both employers and their staff.

In the voluntary sector, 6,700 organisations in Scotland employ staff. Of these, the vast majority, over 4,900, employ nine staff or less.

How these small, and indeed, larger voluntary sector employers will be supported to understand the new responsibilities and requirements and implement the changes brought by the Employment Rights Bill is unclear, with no recognition of the additional

challenge for small voluntary sector employers, with little or no access to HR support. Similarly, it is unclear how the Bill will complement the existing programme of Fair Work initiatives led by the Scottish Government, which voluntary sector employers in Scotland have been incorporating into their HR practices since 2021.

While SCVO welcomes the increase to both the National Living Wage and National Minimum Wage - Fair Work for the voluntary sector workforce, including at least the Real Living Wage, is an SCVO priority- the Employment Rights Bill does not recognise the need to support and resource voluntary organisations with these increases or support their wider Fair Work ambitions.

Job security- including guaranteed hours or [Living Hours](#) - is an essential element of Fair Work. In the voluntary sector, like in other sectors, zero hours or sessional contracts are often used for legitimate reasons, for example, to provide cover for permanent staff or to cover busy periods. The right to guaranteed hours, which the Bill introduces, is most likely to present a challenge to voluntary organisations without access to HR and employment law resources. These organisations are less likely to be aware of the new requirement or to have the administrative resources to carry out the 12-weekly review of hours.

The right to claim unfair dismissal from day one is a positive change and strengthens the rights of voluntary sector employees and workers. However, ensuring the resources are available to comply with new legislative requirements will, of course, have resource implications, which may present challenges for some voluntary sector employers. This includes resources associated with performance management dismissals, job descriptions, contract terms, and training for managers on how to support good performance. It will be crucial, therefore, for the UK government to work with the sector to understand these challenges.

Testimonials

“We want to look after our staff and provide cost of living increases to their wages to ensure they can continue to work for us and aren’t too stressed.”

Medium voluntary sector organisation

“Funding issues ensure that no one has security of employment. Sustainability for voluntary sector organisations is fundamental to progressing positive change in our communities and in employment security”.

Social enterprise

“The lack of inflationary increase to our funding is the most unfair aspect of our current arrangements, we effectively suffer a cut in funding year on year.”

Registered Charity

Unprecedented challenges facing voluntary sector employers

It is widely understood that Scotland's voluntary sector is facing [unprecedented challenges](#). Years of underfunding and poor funding practices, and crises such as the pandemic and the cost-of-living crisis have put the voluntary sector under increasing pressure, exacerbating financial and operational challenges.

Voluntary sector costs are climbing, funding falling, and demand for services continuing to increase; as a result, [eight out of ten organisations report that financial difficulties rank among their most significant challenges](#).

The most recent [Third Sector Tracker](#) found that in Autumn 2024, 60% of voluntary organisations in Scotland believed that rising costs had affected the ability to deliver core services or activities since Spring 2024. Only one in ten organisations reported no impact at all.

These pressures will be exacerbated by changes to employers' National Insurance Contributions (NICs) announced in the Chancellor's Autumn Budget, which will impact medium and large voluntary sector employers across Scotland and the rest of the UK, [as SCVO shared with the Chancellor ahead of the Budget](#).

These changes will cost voluntary organisations in Scotland at least £75 million per year. For some larger voluntary sector employers, these increases will cost hundreds of thousands of pounds.

As the scale of the costs involved for medium and large voluntary sector employers begins to be understood, it is imperative that the Chancellor offers the sector parity with the public sector, by committing to reimburse or exempt the voluntary sector from these cost increases.

Fair Funding can and should cover the full costs of employing staff. Grants and contracts the UK Government, their agencies, and other public bodies award should support Fair Work and cover the full costs of employing staff, including at least the Real Living Wage, increased NICs costs, inflation-based salary and other uplifts, and any new costs associated with the revised legislation, at least on a par with those offered to public sector staff.

Case Study

[Four Square \(Scotland\)](#) is a local Edinburgh charity supporting people who face homelessness. They employ around 120 people, and their turnover is less than £4m. They deliver public services on behalf of the local authority. Four Square estimates that the increase in employers' NI will mean £67k additional costs to them. They have very limited options for finding the money for those unexpected costs and are

considering whether they can afford a cost-of-living salary increase for staff in April 2025; or whether they need to cut posts.

SCVO looks forward to seeing these issues, and the voluntary sectors role as an employer, recognised in the Employment Rights Bill.

Conclusion

Scotland's voluntary sector is a significant employer and a partner in the delivery of public services.

Our sector and the essential services and support we provide make a significant contribution to the wider economy, and support people and communities across Scotland.

The Employment Right Bill should recognise the voluntary sectors significant contribution and role as an employer by working with the voluntary sector to understand challenges and develop guidance, and ensure the Bill is understood across the sector and complements existing Fair Work initiatives in Scotland.

To ensure the successful implementation of the Bill it is also essential the voluntary sector are supported and resourced to be Fair Work employers by ensuring grants and contracts the UK Government, their agencies, and other public bodies award support Fair Work and cover the full costs of employing staff, including at least the Real Living Wage, increased NICs costs, inflation-based salary and other uplifts, and any new costs associated with the revised legislation, on a par with those offered to public sector staff.

Additional information

[Letter to Scottish MPs: National Insurance Contributions Bill](#)

[SCVO Briefing to UK Parliament: National Insurance Contributions \(Secondary Class 1 Contributions\) Bill](#)

[Letter to John Swinney, First Minister: Autumn Budget 2024 – employers' National Insurance contributions](#)

[Letter to Rachel Reeves, Chancellor of the Exchequer: Autumn Budget 2024 – employers' National Insurance contributions](#)

[Letter to Scottish MPs - UK Budget: Impact of NI changes on charities in your constituency](#)

[SCVO, NCVO, NICVA, and WcVA letter to Rachel Reeves, Chancellor of the Exchequer: Autumn Budget 2024 – employers' National Insurance contributions](#)

About the voluntary sector in Scotland

The voluntary sector in all its diversity is a powerful force for positive change and a significant part of our economy. From grassroots volunteer-run community groups like village halls and playgroups to major providers of public services in social care and housing, the voluntary sector is present in every aspect of our society and is the glue that holds communities together, with over 46,500 voluntary organisations and over 1 million volunteers.

Together these organisations employ over 136,000 paid staff. A quarter of charities employ staff, and the average income of these charities is around £900k. However, three-quarters of charities are run entirely by volunteers and have an annual turnover of less than £80k. Many deliver vital services and work with some of Scotland's most marginalised communities. SCVO's State of the Sector statistics for 2023 are available [online](#). To find out more about the voluntary organisations in your constituency visit the Geographical information section (pages 7-11) of SCVO's [State of the sector statistics](#).

About SCVO

The Scottish Council for Voluntary Organisations (SCVO) is the national body representing the voluntary sector (sometimes referred to as the third sector). We champion our sector's social and economic contribution, provide essential services, and debate big issues.

SCVO and our community of 4,000+ members understand that charities, social enterprises, and voluntary groups work with people and communities across Scotland to make Scotland a better place. Find further details about SCVO at scvo.scot.

Our policy team work closely with the voluntary sector, the Scottish Government, COSLA, and the Scottish Parliament on a wide range of issues relating to the voluntary sector's operating environment, including funding, partnership, and regulations.

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