



Scotland's economic performance: The contribution of place based economic development zones December 2020

Introduction

UNISON is Scotland's largest trade union with more than 150,000 members across the public, private and voluntary sectors. Our members work in health and local government and we are the largest trade union in the gas and electricity sectors, to name just a few areas where UNISON members are delivering vital services. If the Scottish economy is to be reimagined to create a greener, fairer more inclusive society then UNISON members will be central to that process.

Enterprise areas and freeports

Enterprise areas have failed to live up to the claims made for them or at the very least the claims remain unproven, across the UK.^{1,2,3} There is good evidence to support the criticism that they displace investment from other areas rather than generate new investment. There is scarce evidence that they have provided value for money and indeed most participants in the recent review felt there was no reason for their continuation.⁴

Freeports are based on the same rationale but present an even greater risk of 'turbo-charging' inequality and uneven development within a region or nation. There are currently approximately 3,500 freeports worldwide, including 80 within the EU. While these vary in type (and the UK Government's proposition is not precise), what they are in essence is on-shore tax havens, which function as a state within a state, outside of the normal application of laws about customs duties, import/export, planning, construction, tax, business rates and labour.

In its consultation document the Scottish Government says it wants to take a 'values based' approach to assessing the freeport proposition, and work *to ensure that all of Scotland benefits*. Our main concern about freeports – and enterprise areas - is precisely how they measure up against the aims of:

- Fair work
- A wellbeing economy
- 'Inclusive growth' and the Fairer Scotland Duty
- The Public Sector Equality Duty

¹<https://www.centreforcities.org/publication/in-the-zone-have-enterprise-zones-delivered->
https://ec.europa.eu/taxation_customs/sites/taxation/files/resources/documents/customs/procedural_aspects/imports/free_zones/list_freezones.pdf

² <http://www.evaluationsonline.org.uk/evaluations/Search.do?ui=basic&action=show&id=701>

³ <https://senedd.wales/laid%20documents/cr-ld11555/cr-ld11555-e.pdf>

⁴ <http://www.evaluationsonline.org.uk/evaluations/Search.do?ui=basic&action=show&id=701>

- A just transition towards a net zero carbon economy

The key question is, who stands to benefit? The UK Government has made clear that freeports will be private sector driven initiatives. They are designed to achieve the free flow of wealth around the world, devoid of social obligations.

We see no place for these. We do not believe that the freeport proposal can be made to work either with the government's ambition of a wellbeing economy, a just transition to a net zero economy, or with the fair work agenda.

Public services across the UK are already suffering the effects of tax avoidance and evasion due to our lax and under enforced tax regime. Only recently the European Parliament raised concerns about money laundering, tax avoidance and evasion connected with freeports.⁵ UNISON has good reason to be concerned about the risk presented to local authority income in terms of non-domestic rates and the impact of this on public services and crucially on the redistributive effects of public service provision. We note that while council income will be hit, in theory freeports may increase demand for public services in certain areas due to the population relocation likely to take place as a result of their establishment.

The Joseph Rowntree Foundation announced on 11 December that over the past 3 years the number of destitute households has risen by over a third, and the number of children experiencing destitution has grown by over 50%. This represents a deepening of what was already an intolerable level of poverty. With destitution rapidly growing, the suggestion of more corporate tax cuts and less regulation of tax affairs for business is more than distasteful.⁶ Like many organisations, we believe a greater and more direct local economic stimulus would be achieved through boosting spending power by increasing child benefit and enforcing the living wage through procurement.

An alternative approach

UNISON has set out its views on place based economic development to a number of government consultations during 2020.⁷ We believe that planning and direction and delivery by the public sector is essential for inclusive economic development, and for ensuring that local communities enjoy the full benefits of economic activity. One of the barriers faced is the tenacity of belief in orthodox market-led solutions to delivering recovery despite the evidence to the contrary. This includes an antipathy towards planning, including workforce planning, which has resulted in our failure to plan to deliver apprenticeships on the scale needed, and so a skills shortage in some of the areas essential to a green recovery.

However, we are clear that it is not enough for government (at any level) to believe its labour market responsibilities end with the provision of trained workers to industry. We believe that it is the role of

⁵ https://www.europarl.europa.eu/cmsdata/155721/EPRS_STUD_627114_Money%20lauding-FINAL.pdf

⁶ <https://www.jrf.org.uk/report/destitution-uk-2020>

⁷ <https://www.unison-scotland.org/inquiry-into-a-green-recovery/>

⁸ <https://www.unison-scotland.org/response-to-the-advisory-group-on-economic-recovery-call-for-views/>

⁹ <https://www.unison-scotland.org/response-to-the-just-transition-commission-interim-report-june-2020/>

government to intervene in the economy strategically to ensure not merely that industry has a supply of workers, but that the direction of the economy is such that there is an adequate supply of decent jobs with opportunities for progression. This should include an adequate supply of training and employment opportunities for young people with disabilities in each council area leaving school each year.

Local authorities know and understand their communities and are best placed to direct the response. The public health crisis has had an unequal economic impact: at population level, but also at local area level.¹⁰ However, the severe underfunding of local government and public bodies has hollowed out their capacity, and restricted progress over the past ten years in many areas. UNISON wants to see local democracy strengthened through councils being properly resourced and empowered.

There is a need for regional industrial and economic planning but under strengthened democratic governance and with greater transparency and accountability to the public. UNISON believes that:

- the governance which has developed around the city regions and regional growth deals requires democratisation.
- the insight and experience of trade unions and their members are of benefit to Regional Economic Partnerships and should be utilised.

What kind of place-based initiatives?

The question then is what kind of place-based development do we want? What do we want to achieve, and for whom, and how do we make best use of resources?

We consider the five principles of community wealth building a good framework. We believe that the public sector workforce, their trade unions, and interest groups within local populations can and should be mobilised to play their part in these goals. We believe there should be a key role for unemployed workers in tackling the absence of decent jobs. No one will better align programmes and investment towards inclusion than active participants with a lived experience of labour market exclusion.

1. Plural ownership of the economy: seeking to develop a more diverse blend of ownership models including re-municipalisation and cooperatives.

As one example, achieving the green retrofitting of housing on the scale and rapidity required will challenge local supply chains in many areas. There is a role for local authorities in initiating and supporting new mutual and cooperative businesses to achieve this aim.

2. Making financial power work for local places: seeking to increase flows of investment within local economies.

UNISON believes this would be assisted by non-domestic rates being devolved to local authorities. Local authorities should be able to use their tax powers to support their objectives for

¹⁰ <https://www.ippr.org/blog/outlook-for-scotlands-workforce-furlough-job-losses>

their local economy. Failing that UNISON believes that it should be up to local authorities to decide where business accelerators and rates reliefs should apply.

3. Fair employment and just labour markets: positively impacting on the prospects and incomes of local people.

Regional and local anchor institutions must make the implementation of fair work a condition of receiving public contracts, and public money, through their procurement processes.

Early years provision is an example of an area where UNISON has supported relief on nondomestic rates, because quality nurseries are a way to tackle inequality.¹¹ However, we believe such support should come with conditions including the implementation of Fair Work principles, i.e. payment of at least the Scottish Living Wage, sick pay at usual pay rates, and trade union recognition

4. Progressive procurement of goods and services: developing dense local supply chains.

5. Socially productive use of land and property: deepening the function and ownership of assets to ensure that any financial gain is harnessed by citizens.

UNISON believes that a system of land value capture is needed, so that a significant proportion of the uplift in land value from major public infrastructure works is made available to local government to invest in the foundational economy. It is right and fair that the public should benefit from improvements that they have funded. We would like to see a strengthening and rebalancing of the systems of planning gain (Community Infrastructure Levy and Section 75) that ensures that local communities, through their local councils, genuinely share in the uplift in site value currently being enjoyed only by private developers and landowners.

Conclusion

We do not believe the freeports proposal can be shoe-horned into existing policy frameworks for Fair Work or a Just Transition. Its objectives are the antithesis of a wellbeing economy. Attention is best focused on aligning resources and powers with the principles of community wealth building so that local authorities and public sector partners are best equipped to transform and democratise their local economies and tackle inequality.

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¹¹ <https://unison-scotland.org/wp-content/uploads/Barclay-Implementation-Response-September-2018.pdf>