



Scottish Government Advisory Group on Economic Recovery: Call for views

UNISON Scotland Response. May 2020

Introduction

UNISON is Scotland's largest trade union with members across the public, private and voluntary sectors. Our members work in local government, the NHS, Care Homes 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.

UNISON Scotland welcomes the Advisory Group's call for views and the opportunity to respond.

While deaths in care homes are running into three figures a week and much social and economic activity remains forbidden we are still in the midst of the covid-19 pandemic. This means that any suggestions about recovery must necessarily be provisional as we have no clear idea as to when or how the current crisis will end. What can be stated with more clarity (although not at this point detail) are the failings the outbreak has revealed in our existing society and economy, and what can be done to remedy those failings.

What Covid -19 has shown us

Covid -19 has shown an urgent need to rebuild capacity to plan and deliver at all levels of government. Recent weeks have seen massive efforts from staff at every level of public service delivery. Despite these, sometimes heroic efforts it remains the sad truth that there have been over two thousand deaths in Scotland and the outbreak is far from over. With this level of fatality the fact that Health services were not overwhelmed cannot be described as a success – merely an indicator that worse failures have been avoided. Public services – across the board not merely in health – require investment in order that they have enough resilience to absorb shocks and plan ahead. Not least Local Authorities. Before this crisis they were feeling the effect of years of cuts (7.6% since 2013/14 – While Scottish Government funding decreased by only 0.4%, Audit Scotland report¹).

The numbers of covid-19 deaths amongst people in working class occupations such as care workers, bus drivers and health staff has shown the relationship between employment and working conditions and unequal health outcomes.

¹ <https://www.audit-scotland.gov.uk/report/local-government-in-scotland-financial-overview-201819>

However this should not come as a surprise. It was a main finding of The Marmot Review, published a decade ago.² Marmot said the operation of our economy and labour market is a root cause of health inequalities and called for more than just voluntary action by employers.

The unequal economic impact of the pandemic has been felt: at population level, but also at local area level.³ Some local economies, for example Argyll and Bute, have a particularly high presence of those industries most affected by the pandemic, such as tourism and hospitality and will experience relatively greater levels of job loss and collapse of incomes.⁴ The pandemic has shone a light on the workers in these sectors the poorly paid, precarious nature of their employment, and has provided examples of very poor employment practices.

This disaster must be our signal to act. National and local anchor institutions must make the implementation of fair work a condition of receiving public contracts, and public money, through their procurement processes. The govt must introduce sectoral pay bargaining arrangements, bringing employers and trade unions together. There must be increased investment in enforcing workplace health and safety.

We have also seen the difficulties that fragmented service delivery can cause. Care Homes have been a lethally stark example of this. There are literally hundreds of care providers across the country. The fragility of this system has been amply demonstrated during this crisis. Standards of protection and training have varied widely. The already existing staff crisis meant that the system had little resilience when the pandemic struck – hence the need for NHS staff to volunteer to staff Care Homes. That a less fragmented, directly delivered, care service would be better able to face a similar situation than private providers who are either financially vulnerable or siphoning cash to tax havens, or both, is obvious. Standards of training, equipment – and a living wage, which can go some way to easing recruitment issues and lowering staff turnover would be easier to enforce.

Part of the capacity building effort needs to go into examining supply and provision of public services. Increasing domestic capacity to manufacture and supply essentials at Scottish and UK levels should be an explicit goal. eg it is ridiculous to be importing essential PPE from China. We need shorter supply chains for crucial equipment and suppliers who have a relationship to (rather than just a contract with) the sector, whose output does not go to the highest bidder.

Avoiding Austerity

Whilst the scale of any Covid related downturn can't be known at the moment – it is important that measures are taken to ensure that a short term hit does not result in irreparable long term damage. It will be important that demand in the economy is sustained. One obvious, effective and fair way to do this is to put money in people's pockets by increasing wages across public services. We must harness the multiplier effect of government spending.

This would go some way to recognising the extraordinary efforts that have been being made by many workforces during this crisis. It would also go some way to acknowledging that their work has been systematically undervalued. Despite welcome efforts by the Scottish Government to promote the Living Wage some 43% of the care workforce are not yet reaching this level of pay.

UNISON members in the NHS and Local Government have already said that the greater intensity of effort and additional costs placed on them during the crisis deserve some recompense⁵. The STUC are

² <http://www.instituteofhealthequity.org/resources-reports/fair-society-healthy-lives-the-marmot-review>

³ <https://www.ippr.org/blog/outlook-for-scotlands-workforce-furlough-job-losses>

⁴ <file:///C:/Users/galloways/Downloads/Report-briefing-coronavirus-impact-on-employment-local-areas.pdf>

⁵ <https://www.unison-scotland.org/unison-launch-campaign-for-heroic-local-government-workers/>

recommending a £2 per hour pay rise for key workers and a £10 per hour minimum wage. Other, similar claims are likely in other areas.

These claims make economic and social sense. The last decade has seen the slowest return to growth from any financial crisis. This was a predicted consequence of a policy of pay freezes which eroded living standards and depressed demand. The international evidence⁶ is clear that lowering wage share depresses demand. Wage rises, particularly for the low paid, are more likely to be spent (and spent locally) than any other form of demand stimulus.

Public investment is crucial for kick starting demand in the economy. We learnt from experience in the 1930s and during the post-WW2 reconstruction. Spending by government has a multiplier effect generating increased tax revenue for government through rises in employment and consumer spending. Over the long term it is a strategy which pays for itself.

Recent years have seen historically low interest rates are due to the collapse in demand for borrowing. On the evidence of the past decade a revival in economic activity will not be instigated by the private sector. Only government, with its ability to borrow at low rates, and raise money by issuing bonds, can do the job.

We will need a different approach to taxes on income, expenditure and wealth. The ability of and necessity of government at all levels to raise revenue will need to be increased if the debts currently being accrued aren't going to be accompanied by demands for massive cuts. Permitted debt levels for public bodies will need to be sharply increased. The government should make use of its powers to borrow through issuing long term bonds. There is also considerable scope for savings in the use of PFI/PPP/NPD schemes⁷ through closer monitoring and in some cases refinancing schemes. The reform of local government finance to build a stronger more equitable system able to support public enterprise is more urgent than ever.

The Scottish National Investment Bank is a welcome development but it is clear that in current circumstances to be effective it will need to be scaled up (as will the UK Futures Fund). Annual capital spend of £200m was far too little before the pandemic, and needs to be substantially more to meet the challenge now.

Resilient services in a resilient economy.

One of the things shown up by the pandemic is that we have seen what is, and who are, essential. Any longer term social and economic strategy has to be built around these – not least because they will always need to be done, and always need to be done here. There is more sustainability – socially, environmentally and economically – in prioritising these areas than an endless beauty contest to attract increasingly footloose global capital.

By core activities we mean essential goods and services like housing, utility supply, health, transport education and care. This foundational economy of branches and networks provides the infrastructure of everyday life. These serve our essential daily household needs, keeping us safe and civilised. These can and should be at the centre of any future economic strategy. Investing in these sectors provides both longer term economic benefit and increased social resilience. Investing in these sectors can provide reliable incomes for workers, with returns that go into the community rather than offshore bank accounts. They are sectors less vulnerable to economic shocks and more reliable over the medium and long term than footloose global capital.

<https://www.unison-scotland.org/recognise-extra-financial-costs-of-coronavirus-for-nhs-staff-says-unison/>

⁶ http://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_192121.pdf

⁷ https://www.audit-scotland.gov.uk/uploads/docs/report/2020/nr_200128_npd_hubs_pr.pdf

The procurement activities of local authorities, health boards and other anchor institutions should seek to maximise spend amongst locally owned and controlled SMEs, complemented by measures to develop local businesses, under a range of types of ownership, to fill the gaps where none currently exist. Local councils can develop strategies for promoting a strengthened and growing mutual and cooperative sector in their areas. This could allow workers or people in local communities the opportunity to take ownership stakes in local firms, including football clubs, many of which are in peril. The Community Wealth Building initiative recently announced by North Ayrshire council is a welcome step in this direction.

Empowered and ambitious councils will be central to ensuring fairness in any economic recovery. Local councils could develop much needed income streams by establishing municipally owned bus companies, or through supporting the transition to green energy by establishing municipal energy companies such as Robin Hood Energy (Nottingham City Council) and Fairerpower Red Rose (Preston and East Lancashire Councils). Another example of remunicipalisation is the creation of not for profit community banks by local councils to lend to small businesses and individuals otherwise having difficulty accessing finance.

To return to the most glaring of current failures; social care services are part of the foundational economy. Systemic failures in the care sector have been exposed and addressing these must be part of the transition to a fairer society. Anchor organisations at local level must transform care either through remunicipalisation, or by supporting the development of local cooperatives or not for profit social enterprises, allowing people to be cared for by others within their local community, while guaranteeing government income through tax, and money to invest in improving the quality of service, freed from the imperative to return profits to company shareholders.

Housing is a similarly obvious example. With over 314 000 people on local authority waiting lists and councils spending vast sums of money on temporary accommodation – a massive programme of social housebuilding⁸ makes both social and economic sense. Prior to the pandemic, the Scottish Government had signalled its intention, from next year, to significantly *reduce* the level of funding for its affordable housing supply programme. The case for a U-turn on this is now overwhelming. The multiplier effect of house construction is considerable. (Temporary accommodation for all of Scotland's homeless was found at speed during the pandemic which says something about what is possible if the political will exists.)

The Scottish Govt should coordinate but also provide national funding for this activity. One clear example where this is required is finance to improve energy performance and tackle fuel poverty, through the retro-fitting of Scotland's housing stock, much of it built in the Victorian era. A huge labour intensive effort is required involving the training and organisation of thousands of workers Scotland-wide. Again this is an outlay which will bring a financial return through taxation.

Public sector pension funds remain underutilised in Scotland as sources of long term patient investment. In other parts of the UK these have been leveraged for investment in social housing developments and renewable energy projects.

Further and higher education are part of the foundational economy. Colleges and universities are anchor institutions which receive £billions of public money each year. In return their activities should first and foremost meet the needs of the populations and communities of which they are part. This means their procurement activity, employment conditions, and role as landlords, must be leveraged for the benefit of these. Colleges and universities will require government funding to survive. In return their cooperation and action on the above must be secured.

⁸ https://unison-scotland.org/wp-content/uploads/Housing-to-2040-Consultation-Response_28-Feb.pdf

Economic development agencies must focus efforts on building up locally owned and controlled SMEs to create the supply chains in each economic sector. Renewable energy is one such sector where Scotland enjoys natural advantages, but where the country has repeated the mistakes of the past and failed to reap the benefits in terms of contracts, employment and related financial returns to local economies.

Earlier this year the interim report of the Just Transition Commission cited decades of failure to create jobs in the renewable industry's supply chains. The Scottish Government must now take the lead and exert the public ownership, direction and control that is needed to make sure that our communities and our workforce gain the full benefits of the transition to green energy. We need strategically targeted support for research and development programmes including government, companies and universities, alongside investment in start-up companies in the solar panel industry, wind turbines and other forms of renewable energy. An upscaled SNIB must play a role in this.⁹

Conclusion

A massive public stake was taken in private banks after the 2008 financial crash. No effort was made to change institutional practices for the benefit of the productive economy and the economic wellbeing of business owners and workers alike.

We have another disastrous situation and cannot afford to repeat that mistake. The failings of current market led arrangements have been plainly exposed by the Coronavirus. Scotland can choose to refocus in order to build or rebuild domestic capacity, to get the maximum social and economic reward for investment by prioritising value ahead of price. The Scottish Government has said that "When things come apart, there is always the opportunity to put them back together differently."¹⁰ That opportunity needs to be taken.

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⁹ <https://unison-scotland.org/response-scottish-government-draft-offshore-wind-policy-statement-april-2020/>

¹⁰ <https://www.gov.scot/publications/coronavirus-covid-19-framework-decision-making/pages/3/>