Scotland's Economic Performance

Unite Scotland

Unite the Union Scotland represents around 152,000 working people and their families throughout Scotland. Unite is the UK’s largest trade union with 1.4 million members in a range of industries including transport, construction, financial services, manufacturing, print and media, the voluntary and non-profit sectors, education, local government and the NHS.

Scotland's Economic Performance: trends, challenges and future developments

The remit of the inquiry is:

“To examine Scotland’s economic performance since 2007 and understand the reasons for recent trends and divergences in performance between Scotland and the UK as a whole, other regions/nations in the UK, and other countries in the EU. The inquiry will also identify challenges and opportunities facing the Scottish economy over the next ten years and understand what action is required to make Scotland’s economy more inclusive, innovative and international”.

Overview

In October the latest quarterly growth figures of 0.1% for the second quarter of 2017 following growth of 0.6% in the first quarter of 2017. The growth rate for the UK as whole during the second quarter was 0.3%.

In comparison with the same period last the Scottish economy has grown by 0.5%. However, the equivalent UK growth is 1.5%. Specifically, in the second quarter, output in the Services sector grew by 0.7%, output in the Production sector fell by 0.7%, and output in the Construction sector fell by 3.5%.¹ In this context, the Fraser of Allander noted that the latest GDP statistics point towards a ‘fragile Scottish economy’.²

The EY Scottish Item Club has also predicted “below-par” GDP growth of 0.9% in 2017 - half of that expected for the UK.³ It suggested the retail sector would be worst hit by ‘mounting pressure’ on consumers. The report goes on to say that Scottish households were ‘likely to endure a fall in real incomes’ this year as a result in part of rising inflation and ‘weak’ labour market


conditions. This position is likely to be exacerbated by the Bank of England’s interest rate rise to 0.5% on 2 November 2017.

GERS stats

The GERS report shows a net fiscal balance (including a geographical share of North Sea oil) in Scotland of -£13.3bn or -8.3% of Scottish GDP for 2016-17. This compares with a UK balance of -£46.2bn or -2.4% of UK GDP. This is an improvement on the figures for 2015-16 where Scotland’s fiscal balance was -9.3%.

However, the figures show a substantial fiscal gap difference of 5.9% between Scotland and RoFUK, one that can only be attained through significantly outpacing UK growth and/or a significant rise in the price of oil, public sector cuts and/or tax rises. This will present the Scottish Government with significant challenges.

The relative gap of 6% points (-2.4% vs. -8.3%) is the ‘largest relative gap’ in the notional Scottish and UK deficit since the GERS figures were published on a consistent basis back to 1998-99 according to the Fraser of Allender.

The principal reason for this shift to a weaker relative performance is the fall in oil revenues. Scottish oil revenues were as high as nearly £8bn in 2011-12 but are now just £200m according to the latest GERS statistics. According to GERS, the Scottish tax payers raise slightly less per head than the UK average – in the latest year this was equivalent to around £300 per head. Spending per head for Scotland is higher than for the UK – a difference of around £1,400 per head in 2016-17.

Labour Market

In Scotland, the number of people on zero hours as of August 2017, according to the Office of National Statistics, stood at 71,000 people (April to June 2017) or 2.7% of all those in work. TUC research also shows that the typical UK employee earns 50% more an hour than the typical worker on a zero-hours contract.\(^4\) The median hourly rate for a zero-hours worker is £7.25, while for all employees it is £11.05. Furthermore, the growth in zero-hours working over the last decade is costing government almost £2 billion a year.

Research by the Resolution Foundation finds that agency worker numbers are significant (an estimated 865,000 agency workers in the UK today), and rising fast (estimated to be more than a million by the end of the decade).\(^5\) In Scotland, the aforementioned research highlights that in Scotland agency work stands at around 1.5% of the workforce.

The Resolution Foundation analysis also finds that agency workers are more likely to be from groups that suffer labour market disadvantage; working for an agency carries a ‘pay penalty’ of 22p an hour; and, whilst it suits some

---

\(^4\) Zero-hours contracts have become an easy way to employ staff on the cheap, says TUC, URL

workers’ needs, a significant number want more, and for many it offers a ‘raw deal’. Policy needs to ensure that agency working does not become “an enduring form of precarious work”.

TUC research reveals that an increasing proportion of those working on temporary contracts are doing so on an involuntary basis. 30% of all of those working in temporary work are doing so because they cannot find a permanent job. This is up from 25% a decade ago. When this is broken down further, it is revealed self-employed workers are most likely to be working in information, finance and professional services (21%) construction (20%), and ‘transport, arts and other services’ (16%).

Further analysis by the TUC reports that if current trends continue, 290,000 more people could be trapped in insecure work by 2022. The figures show that by the start of 2022, 3.5 million people could be in insecure work such as zero-hours contracts, temporary or agency work, and low-paid self-employment.

The Regional Employment Patterns in Scotland statistics for 2016 published in May 2017 also highlights that the overall self-employment level reached its highest level with 327,200 people self-employed (12.7% of all employees). The part-time employment level decreased from 701,900 in 2015 to 688,300 in 2016 (down 13,600 over the year). This was driven by a decrease in the number of women who were in part-time employment (down 10,000 over the year). The part-time employment level is still 63,200 higher than the level seen in 2008. Of the part-time workers who gave a reason for working part-time, 67.6 per cent stated they did not want a full-time job while 14.1 per cent stated they could not find a full-time job.

Therefore, while many of the headline employment figures, principally unemployment standing at 4.1% in Scotland compared with the 4.3% rate for the UK, there are a number of underlying concerns and weaknesses in the labour market in relation to self-employment, agency and temporary work and zero hours contracts. Unite believes that what we need is not only high employment levels but jobs that fairly reward people and offer security.

In addition to the Scottish Parliament’s far-reaching powers in the public sector, in relation to the private sector immediate measures can be taken to foster new cooperative institutional arrangements onshore and offshore oil and gas, renewables, transport, digital and creative industries, and, manufacturing for example. The Scottish Government and local government can and must leverage its powers over borrowing, procurement, licensing, planning, general investment and assistance grants, skills and regulatory functions to create long-term objectives to meet the challenges of economic transition.

Scotland must seek to create a new regulatory environment, which takes into cognisance the rising levels of individuals with more than one job (inclusive of

variegated forms such as part-time, temporary contract, self-employment) to ensure that these individuals are protected by the employment law and social security system. For example, the part-time employment level in Scotland stood at 688,300 in 2016 which is 63,200 higher than the level seen in 2008.

In a recent report by the Institute for Public Policy Research Scotland (May 2017) titled ‘Scotland’s Skills 2030’ it forecast that 46% of jobs - about 1.2 million - were at "high risk" of automation in the period up to 2030. The report said: "The world of work in 2030 will be very different to that in 2017. People are more likely to be working longer, and will often have multiple jobs, with multiple employers and in multiple careers". A Labour Force Survey published in March 2017 supports this assertion; there are 1.132 million of workers across the UK workers with second jobs.

Unite believes government, at the Scottish and UK levels, and employers to create new training and apprenticeship schemes which reflect changing job roles, to recognise changing skill needs and to commit to a programme of re-skilling and up-skilling existing workforces. We must ensure that automation for example does not merely exacerbate the existing ‘race to the bottom’ of wages, terms and conditions.

Proper regulation of the labour market, in partnership with trade unions, must be a cornerstone of a modern economy. A properly regulated labour market must end bogus self-employment, social dumping, the use of zero hours contracts and close the loopholes of fake subcontracting, all of which result in undercutting of terms and conditions.

In April 2017, the Fraser of Allander published a preliminary report on the estimated number of jobs in Scotland linked to the demand for exports from the rest of the UK, the rest of the EU and other international exports.

- It is estimated that around 530,000 jobs in Scotland are supported by demand for our goods and services from the rest of the UK.
- Around 125,000 jobs in Scotland are supported by export demand from the rest of the EU, and slightly over 175,000 jobs are supported by export demand from the rest of the world.
- In 2013, 24.0% of Scotland’s employment was supported (summing direct, indirect, and induced effects) by trade with the rest of the UK (RUK). The equivalent number for trade with the rest of the EU (REU) was 5.7% and for the rest of the world (ROW) was 8.1%.
- Overall, most of Scotland’s export demand supports employment in the Services sector (62.6%), with 30.1% of the employment supported by export demand in the manufacturing sector and 7.3% in the Agricultures sector.

**Export Statistics**

- Total international and rest of the UK exports in 2015 (excluding oil and gas) were estimated at £78.6 billion, up £3.1 billion (4.1%) in the year.
Exports to the rest of the UK accounted for 63% of this total, EU exports accounted for 16% and non-EU exports 21%.

- Exports by Scottish onshore businesses to the rest of the UK in 2015 (excluding oil and gas) were estimated at £49.8 billion, an increase of £2.1 billion (4.4%) over the year. This increase was driven by an increase in the export of utilities (electricity, gas, water).

- International exports to countries within the European Union (EU) were estimated at £12.3 billion, which is 43% of total international exports.

- Scotland has become increasingly dependent on exports to the UK and rest of the world. In contrast, Scottish exports to the EU, as a proportion of total exports, have declined from 23.3 per cent in 2002 to 15.6 per cent of exports. However, in the scenario that Scotland remains part of the UK, the Swiss and Norway scenarios (i.e. EEA) are no longer applicable based on the UK Government’s stated trade intentions and the remoteness of Scotland having a separate trade deal with the EU. Therefore, in future trade deals we must advance Scottish priority sectors and pursue trade deals with countries of great importance to Scotland.

While Unite remains fully supportive of exploring the potential for a bespoke deal with the EU, as part of this process we still have no idea whatsoever what are the Scottish Government’s industrial and trade priorities for Scotland as part their discussions with the UK Government. Furthermore, we have no details on what deal does Scotland need in the EU/Brexit negotiations to safeguard Scottish jobs and what measures can we take now to help protect and develop key sectors and industries. The UK Government have set their priorities for EU negotiation, which indicated the following:

- High priority industries include pharmaceuticals, car making, textiles and clothing, aerospace and air transport.
- Medium priority industries include electronics, fisheries, chemicals and furniture
- Low priorities include steel, construction, oil and gas, telecoms, environmental services, water and medical.

However, these are not necessarily Scottish priorities based on the aforementioned economic trading data. We need a Scottish industry policy for Brexit. There is already evidence that some companies are already opportunistically using Brexit to attack pay, terms and conditions with some even threatening to offshore/ relocate jobs to influence pay claims. And further evidence that employers are already not complying with existing EU laws, despite the fact that the UK has not yet left the EU.

Other opportunistic attacks by employers have included, threats to pensions’ schemes, reduction in trade union facility time and attempts to block reps sitting on European Works Councils. **EXAMPLE:** Veolia Environment tried to remove overtime from annual holiday pay entitlement.

There are further examples where companies have projected a profit for 2016-17 based on export orders only to find the value of the pound has impacted on
the profit margins which then resulted in lower pay settlements. However there are also examples where some employers are looking for commitment and continuity from the workforce and have awarded a multi-year above inflation pay increase to give security to the company.

Importantly Unite research shows where we are well organised, the worst aspects of “Brexit opportunism” has been rebuffed.

**EXAMPLE:** In one company a 1.5% pay increase was offered. The reason given was ‘due to the effects of Brexit’. However following an industrial action ballot where 96 per cent of members voted yes to strike, the company then offered a 3 per cent increase, which was accepted.

**Addressing Pay Performance and Inequality**

From April next year all UK companies, charities and government departments with more than 250 employees must publish data on hourly wages and bonus payments on a public website. However, private sector research shows the financial service sector has the highest pay gap of employers.

The latest figures from the Annual Survey of Hours and Earnings (ASHE) highlight that the median earnings grew by 1.5% in Scotland compared to 2.2% in the UK between April 2015 and April 2016. There has recently been some slight improvement in that Scotland had the 3rd highest median weekly earnings and the 5th highest growth in average weekly earnings compared with other UK regions in April 2017. Nonetheless, a startling gender pay gap still exists in Scotland as the statistics for 2016 highlight the gap was 6.2%. Since 1997, the gender pay gap has decreased from 18.4% in 1997 to 6.2% in 2016. Notably, these statistics only apply to the pay gap in median hourly earnings between men and women working full-time.

Therefore, in light of our previous points pertaining to growing insecurity, temporary and precariousness forms of work in the labour market, there needs to be greater examination of pay gaps in different forms of work. In this context, Unite reiterates its belief that tripartite institutional architecture, which can be enacted in Scotland, through the introduction of sectoral bargaining forums covering all key industrial sectors of the economy. This is required if Scotland is to ensure a degree of integrated planning to grow the economy, to prevent race to the bottom or low skill/low wage competition between companies within industries and sectors of the economy.

Unite remains concerned over the repeated failure of the Scottish Government to introduce fair procurement practices, designed to enshrine and protect

---


8 [https://fraserofallander.org/2017/10/30/how-are-scottish-earnings-performing-relative-to-the-uk/](https://fraserofallander.org/2017/10/30/how-are-scottish-earnings-performing-relative-to-the-uk/)
decent terms and conditions of employment and have direct, PAYE employment status at the heart of the employee contract.

Current procurement policies allow and encourage cartels and alliances between large and often multi-national companies to bid for “large and profitable” streams of work, whilst the workers who are engaged to carry out this vital resource are viewed as a secondary consideration, are increasingly divested of any rights to influence or advance their views, or indeed, have access to fair employment terms.

The status of workers across Scotland is becoming increasingly fragmented due to the introduction of “self-employment”, “third party” labour provision such as “Umbrella Agency Agreements” and other forms of precarious employment practices such as “zero”, or “minimum hours” contracts.

Whilst Unite accepts that it is more difficult for Local and National Government to influence private work, it is completely unacceptable that work undertaken using public funds should not be constrained by reasonable and ethical expectations. Consequently, Unite demands that reasonable measures such as the “Construction Charter”, adherence to existing “National Agreements” along with “Sectorial Collective Bargaining” should be at the forefront of all considerations when tendering Public Sector Contracts and infrastructure Projects. These measures would significantly reduce if not eradicate gender pay inequality and disparities with other parts of the UK.