Introduction

The STUC supported a ‘remain’ position in the EU referendum on the basis that the economic and social interests of Scotland’s workers are best protected through continuing membership of the European Union. The STUC also registered intense scepticism over the economic arguments presented in support of Brexit during the campaign, which ranged from the unreasonably optimistic to the brazenly dishonest. No credible authority has ever offered a coherent and compelling case as to why the Scottish economy would flourish under a hard Brexit scenario. Soft Brexit options (e.g. EEA) may at this juncture appear relatively attractive, but these will inevitably entail significant economic damage and a huge loss of political influence for no economic or social gain.

Economic Impacts of Brexit

The consensus among economists continues to support the conclusion that Brexit will be significantly detrimental to the UK and Scotland’s long-term economic interests. It is worth noting that, in relation to a politically contentious matter such as Brexit, such a consensus is quite unprecedented. The short to medium term effects are somewhat more contentious, although here too the consensus forecast continues to be negative.

The initial economic impacts of Brexit were somewhat muted, and many of the initial fears of economists mercifully did not materialise. Despite this some clear economic issues are now evident. Firstly the fall in the pound has a variety of impacts on the economy. On exports the expected stimulus is limited due to the complexity of supply chains, with many businesses facing increased import costs, which cancel out or even outweigh any benefit achieved on exports. It should be noted that Scottish exports also tend to be higher value and are therefore less price sensitive than in the past. The tourism industry has received a clear boost, however, from a reduction in the expense of a visit to the UK.

Overall the Scottish economy continues to look fragile. Throughout 2016 economic growth was flat, however, there has been some upturn in growth in Quarter 1 2017, driven mainly by production. It is notable that while the Scottish economy fared comparatively well in Quarter 1, initial figures suggest the UK economy had a marked slowdown in both Quarter 1 and Quarter 2 with growth rates estimated at 0.2% and 0.3% respectively. Commentators are now increasingly warning of underlying weaknesses in the UK economy, with the OBR suggesting that recession is likely and the Bank of England raising concerns about the level of problematic debt. It is therefore likely that the Scottish economy will also face significant headwinds in the coming period.
It is difficult to quantify the specific contribution that Brexit makes to continued economic fragility. It is certainly the case that Brexit creates uncertainty for businesses, and indeed workers, in Scotland. It also seems to be the case that most employers are adopting a ‘wait and see’ attitude as far as possible to the issue and there are relatively few examples of employers making large scale changes in their approach to their UK operations at this point. However, many employers are engaged in contingency planning and are taking account of the uncertain outlook when making wider decisions for their business. Unions are also reporting that uncertainty around Brexit is being used by employers to justify low pay offers in the private sector, which when added to the public sector pay cap, goes some way to explaining the fall in real wages, contributing to the slowdown in growth as consumer spending contracts.

The UK Government’s Negotiating Position

There STUC continues to have serious concerns around the UK Government’s approach to Brexit. The stated negotiating positions include a continuing and wrongheaded attachment to hard Brexit and abject rejection of institutions like the European Court of Justice, create unnecessary difficulty for the negotiations. The STUC is clear that continued access to the single market is essential for the ongoing health of the economy. Equally the UK’s announced position on the future status of EU nationals has provided little clarity or comfort for workers. The announcement coming over a year after the vote and the restrictive approach ultimately taken shows an unnecessary level of callousness towards EU nationals working in the UK. There is also growing concern from a range of sectors, most notably, but not limited to, the NHS, that this approach is already having an impact on recruitment and retention of workers. The impact of this on UK public services and indeed the wider economy is potentially severe and more needs to be done to support and reassure EU nationals throughout this process.

The STUC continues to have serious concerns about the UK’s commitment to deregulation, particularly around the labour market, health and safety and environmental and consumer standards. The UK – and by extension Scottish – economies are among the least stringently regulated economies in the developed world and there is no dividend to be gained from pursuing a model based on further dilution of important protections for workers, consumers, communities and the environment. Indeed, the downside of hyper deregulation has been thoroughly exposed over recent years. The ability of the Scottish Government to pursue its policy of ‘inclusive growth’ would be seriously diluted in the context of further labour and product market deregulation.

There continues to be serious questions around the capacity of the UK Government in the area of international trade. The UK hasn’t had to negotiate trade deals since it joined the EU with a concomitant loss of skills and tacit knowledge. Furthermore, there will be an asymmetry of bargaining power in the negotiation of new Free Trade Agreements (FTAs). For example, despite the STUC’s and others’ serious concerns over the negotiation of TTIP, the scale and political make-up of the EU provides something of a bulwark against the lobbying power of large US multinationals, particularly in the pharmaceutical and services sectors, whose priorities are to open up public services and replace centralised procurement regimes (e.g. NHS) with markets rigged by restrictive and litigious patent regimes. Given the chasm in trade
negotiating expertise, the scale of the partners and the politics of the UK Government likely to be charged with negotiating new FTAs especially with the US, it can be inferred that the problems experienced with TTIP are likely to be significantly magnified.

While on paper leaving the European Union suggests that there are potential opportunities to make improvements to procurement practices and benefit from the removal of state aid rules, there is also a significant risk that these opportunities will not be realised. The UK and Scotland’s ability to take a different approach in these areas very much depends on the specific restrictions that come with any free trade agreement with the EU.

Specific trade union concerns

Unions continue to express a variety of concerns, such as rising insecurity amongst EU nationals currently living and working in Scotland – this is an issue across the economy, but particularly acute in health, higher education (which is also suffering from uncertainty around access to research funding, participation in EU initiatives and status of EU students), where 16% of the workforce are EU nationals, and the performing arts. There are also growing fears over jobs and investment in industries reliant on the home market for revenues.

From ongoing discussions with affiliates and policy from 2017 Congress the following suggestions for action to help address the impact of Brexit are identifiable:

- The Scottish Government should urge the UK Government to abandon austerity, including around public sector pay, to allow investment in public services and to boost domestic demand;
- The Scottish Government should intensify its commitment to Fair Work and progressive workplace practices and the positive role of unions in improving economic resilience and productivity;
- The Scottish Government should work with the Fair Work Convention to develop collective bargaining arrangements in sectors characterised by ‘vulnerable’ employment;
- The Scottish Government should put pressure on the UK Government to maintain and improve workers rights, health and safety provisions and wider social protections post-Brexit.
- The Scottish Government should work with Trade Unions to put pressure on the UK Government to ensure that any post-Brexit deal includes the power to require the payment of collectively bargained or legally-agreed wages to all workers;
- The Scottish Government should launch with the STUC and its affiliates an initiative to support migrant workers living and working in Scotland, to ensure full access to employment rights and organise workplaces with a high density of migrant workers;
- The Scottish Government should accelerate plans for investment in social housing;
• The Scottish Government should take immediate action to establish investment plans, determined by employers and unions, for sectors most likely to be affected by Brexit;

• The Scottish Government should oppose any proposal from the UK Government to cut Corporation Tax;

• The Scottish Government should continue to press the UK Government for a genuine commitment that all existing EU citizens can continue to live, study and work in the UK without restriction;

• The Scottish Government should also provide free legal advice and support to EU workers throughout this period

• The Scottish Government should press the UK Government to remain a signatory to the European Convention on Human Rights and to retain the Human Rights Act; and

• The Scottish Government should provide sufficient resources for the civil service to enable it to deal with the extensive demands of pre-Brexit negotiations, the implementation of the Scotland Act and the Programme for Government.