RURAL ECONOMY AND CONNECTIVITY COMMITTEE

SOUTH OF SCOTLAND ENTERPRISE BILL

SUBMISSION FROM SCOTTISH TRADES UNION CONGRESS (STUC)

Do you agree that a South of Scotland Enterprise Agency should be created?

Yes, we welcome the commitment to a South of Scotland Enterprise Agency to be established in legislation, given the distinct economic challenges facing the region.

The STUC has commissioned research looking at the shape and structure of the South of Scotland economy; what can be learned from other models of regional economic development agencies; and the views and aspirations of the workers in the South of Scotland. We would be happy to share this with the Committee when published.

Do you agree with the proposals for the body’s constitution, purposes, powers and duties? If you do not agree with the proposals, please set out specifically what you would like to change.

Broadly speaking we welcome the commitment to social as well as economic development contained in Section 5 of the Bill. However we would question the balance of the sub-clause contained in 5 (2), which appears to be more focussed on economic rather than social development (and more similar to Scottish Enterprise's aims than the more socially orientated aims of Highlands and Islands Enterprise).

The importance of fair work and collective bargaining

While we welcome a commitment to ‘providing, maintaining and safeguarding employment’ in 5 (2) we would also urge that that there be a commitment to furthering fair work and collective bargaining coverage in the South of Scotland.

Fair work and collective bargaining are key drivers of inclusive growth, as acknowledged in the Scottish Government’s revised National Performance Framework (NPF). The NPF contains a national outcome that we have ‘thriving businesses and innovative businesses, with quality jobs and fair work for everyone’.1 Underneath this are a number of important indicators, including employee voice, measured by the number of workers covered by collective bargaining arrangements.

That the Scottish Government prioritise increasing collective bargaining coverage as a matter of public policy is important because there is a strong body of evidence that collective bargaining coverage is associated with lower income inequality historically within the UK and geographically across Europe.2 Longitudinal research from Norway also finds

---

1 Scottish Government [https://nationalperformance.gov.scot](https://nationalperformance.gov.scot)
that ‘increases in union density lead to substantial increases in firm productivity and wages’.³

This link between fair work, employee voice and economic success is also acknowledged within the Scottish Government’s Labour Market Strategy which states:

“Our research, and the work of the Fair Work Convention, tells us that secure, well-paid jobs which give fulfilment and offer opportunities for progression in organisations where employees have effective voice are the key to increasing workplace innovation. We believe that this can help to deliver a measurable shift in productivity and boost business success.”⁴

Given these commitments, the Agency should seek to promote greater collective bargaining coverage as a way of providing employee voice, fair work and economic success more generally. These should be included in section 5 (2) of the Bill.

It is also disappointing that there is no mention of trade unions in the policy memorandum. While there is a welcome commitment to partnership working, this only refers to stakeholders from the public, private and third sectors, and not unions. If the South of Scotland Enterprise Agency is to be effective in delivering inclusive growth and fair work, then workers need to be at the heart of economic development strategies and initiatives. There should also be a trade union seat on the Board and worker engagement should be a core function of the Agency.

This is important, not only to ensure workers voices are heard but to ensure an independent, strategic approach is taken and the Agency is not simply used as a vehicle for businesses to further their interests or complain about their problems. The Agency will have to be targeted and strategic if it is to maximise its effectiveness. It will not simply be able to support any individual or organisation that seeks help.

**Location and staffing**

While we understand calls for the Agency to be spread across a number of locations, consideration also needs to be given to teamworking and the effective functioning of an organisation. Having staff who make up an organisation spread too thinly can mean that people do not speak each other in the way they need to.

Careful consideration also needs to be given to staffing issues and the potential transfer of staff from existing organisations. PCS have consulted with members in Scottish Enterprise, and we would note that their submission details a number of concerns around staffing, pay and pensions where greater clarity is needed.

In order to address this, early engagement with the relevant unions who represent other non-departmental public bodies (NDPBs) would help ensure workers voices are heard in this process.

**The foundational economy and subsidiaries**

The foundational economy\(^5\) is particularly important in the South of Scotland, with health, retail, and education making up a large proportion of the workforce. The Agency should play a role in convening local anchor institutions and utilising procurement and planning to promote fair work within local supply chains.

While supportive of an independent Agency being established in legislation, we would hope that this structure allows scope to establish subsidiary organisations, or work with local authorities to do so. The problems with the South of Scotland economy are as much about the demand-side as they are about the supply-side (as evidenced by greater skills underutilisation rather than skills shortages). That being the case, the Agency should consider establishing or supporting subsidiaries in areas of the foundation economy such as energy where the private sector is not delivering an appropriate service, creating jobs or providing fair work.

In addition in these areas, where services are outsourced, locally delivered procurement can help prevent investment being captured by financial interests or companies with a Carillion style model based on driving down costs and standards. The example of Preston City Council, which has brought together ‘anchor institutions’ including the council, the police, hospitals, schools, housing associations, colleges, and the university, to support locally owned businesses, co-operatives and worker-owned firms, is of interest here. It has led to the proportion of procurement funds spent in the city increasing from 5 per cent to 18 per cent in five years and the share of spending in Lancashire doubling from 39% to 79%.\(^6\) We would hope the South of Scotland Enterprise Agency could consider a role in exploring such an approach.

---

\(^5\) The foundational economy is made up of activities which provide the essential goods and services for everyday life, including infrastructure; utilities; food processing; retail and distribution; and health, education and welfare.