



Covid-19- Economic & Environmental Recovery and Renewal

Summary and Recommendations

This paper provides an opportunity for the Board to discuss economic and environmental recovery and renewal post the current Covid-19 crisis. It seeks views from the Board which will influence COSLA work on this agenda.

The Board is invited to:

- i. Agree, with any changes, the COSLA position as set out in paragraphs 20-21, and
- ii. Discuss how individual Local Authorities are planning for the recovery in the short, medium and longer term.
- iii. Note the establishment of the Advisory Group on Economic Recovery (AGER) which has issued a call for evidence
- iv. Agree COSLA writes to the AGER chair setting out the views of the Board on establishing economic & environmental recovery and renewal and that this will incorporate the COSLA position agreed in recommendation i, and
- v. Note Annex A which is the SOLACE response to the AGER

References

Previous relevant reports:

- Environment and Economy Board June 2019 – Climate Change
- Environment and Economy Board June 2019 - Regional Economic Partnerships
- Environment and Economy Board September 2019 - Climate Change and Future Economic Policy- Discussion Paper
- Environment and Economy Board December 2019 – Climate Change
- Environment and Economy Board February 2020 - Green Growth Accelerator
- Community Wellbeing Board May 2020 - Employability- COVID19 Response and Update

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June 2020

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Purpose

1. To provide an opportunity for the Board to discuss economic and environmental recovery and renewal post the current Covid-19 crisis.

Current Position

2. COSLA has set up a Special Interest Group (SIG) to develop its political position on recovery from the Covid-19 crisis. The areas of focus for the SIG will include:
 - Economy and the environment
 - Vulnerable communities
 - Schools and children and young people
 - Health and social care
3. This paper opens a discussion with the Board on the first theme – economy and environment recovery – the results of which will be fed into the work of the SIG and, in time, Leaders. Beyond recovering aspects of the economy and the environment to something like late 2019 normality this paper also begins to discuss the possibility of going further by putting in place economic and environmental renewal and what this may mean for Local Government.
4. This Board has discussed the linkage between economic and environmental policy on several occasions. In September 2019 the Board discussed climate change and future economic policy and concluded climate change was an economic challenge which will require a rethinking of traditional economic priorities if we are to achieve a net zero carbon future no later than 2045 e.g. Gross Domestic Product (GDP). This paper draws on this work to set out some further thinking on how we build an economic response to the Covid-19 crisis which is consistent our response to the global climate crisis. Before we can plan for recovery and renewal, we need to better understand the nature of the current economic crisis and what this may mean for our environmental objectives. This is discussed in the next section of this report.

What is Changing?

Economic Impact

5. The economic impact of the Covid-19 crisis is severe by any measurement. An analysis published by the Office of the Chief Economic Adviser (OCEA) on 21 April suggests that there could be a 33% fall in Scottish GDP during the current period of physical distancing. The report indicated that this analysis mirrors the findings from business surveys in March and is similar to the estimates from the Organisation for Economic Co-operation and Development (OECD) and the Office for Budget Responsibility (OBR) etc. on the scale of the impact on GDP. This analysis was published as part of the April 2020 report into the state of the Scottish economy. This report is available on the Scottish Government website [here](#) and at the time of finalisation of this report remains the most recent data published by OCEA.

6. The report by OCEA indicated that the figures are unprecedented in scale. It also makes clear that, at this point, the path of the recovery remained uncertain for reasons which will be discussed below.
7. The economic shock is also not spread equally across the economy with some sectors and areas harder hit than others. Tourism, for example, has seen a rapid, widespread impact as a result of the restrictions affecting domestic and international travel. Tourism is important to the entire Scottish economy but makes a larger contribution to the economies of rural and island communities. This has led to concern about the impact of the current crisis on remote and rural communities. However, in terms of the number of jobs in the most exposed sectors it is authorities such as Glasgow, Edinburgh and Fife that are most affectedⁱ.
8. The shutting down of large parts of the economy in March has been partly mitigated by a range of support mechanisms for businesses and individuals. In Scotland we have seen a business support package of more than £2.2 billion:
 - a full year's 100% non-domestic rates relief for retail, hospitality, leisure and airport sectors;
 - £10,000 Small Business Grants to all Small Business Bonus Scheme relief recipients; all Rural Relief recipients & all properties eligible for SBBS but in receipt of a range of reliefs including Nursery/ Disabled Relief;
 - £25,000 grants for hospitality, leisure and retail properties with a rateable value between £18,000 and £51,000;
 - 1.6% relief for all properties effectively freezing the poundage rate from 1 April;
 - £100 million fund to protect self-employed people and viable micro and SME businesses.
9. There have also been support packages for the seafood sector, creative industries, and the Bus industry. This is in addition to other interventions such as the HMRC's help for self-employed, the UK Government's Coronavirus Job Retention Scheme (furlough scheme) and the British Business Bank Covid-19 loans. In total the direct fiscal interventions by the UK Government have amounted to more than £100 billion (5% of GDP).
10. Physical distancing measures have had an immediate impact on the labour market. From 1 March new Universal Credit claimants in Scotland rose from a daily average pre-crisis of 800 to a peak of 8,700 on 24 March, totalling almost 100,000 over the period 16 March to 7 April. Recent Office for National Statistics data for the UK suggests 14% of the workforce in businesses that continued trading and 78% in businesses that had temporarily closed had been furloughed. At the time, less than 1% of the overall workforce had been made redundantⁱⁱ although more [recent figures](#) suggest the unemployment rate is now rising more quickly.
11. COSLA's Community Wellbeing Board discussed on 18 May the impact of the crisis on employability services. The report indicates that changes in the labour market brought by the Covid-19 response will have the biggest impact on those on the lowest incomes and in the most precarious jobs. It is also expected there will be a significant increase in the number becoming unemployed or displaced in the labour market. This is likely to disproportionately affect young people, women, those with disabilities and minority groups. As a result social and economic inequalities are likely to increase. There are also concerns on the specific impacts on migrant work opportunities and the wellbeing of individuals. Alongside the increase in Universal Credit claims there has been

unprecedented demand for Scottish Welfare Fund Crisis Grants. Emerging data on benefit claims suggests a rapid and prolonged increase in unemployment affecting local communities differently. The impact of the crisis on the labour market is discussed further later in the agenda.

12. As OCEA report states that the economy will recover from the current impacts of Covid-19, but the shape and speed of adjustment are uncertain. Although physical distancing measures are expected to be temporary in nature, there is potential for even short term measures to have long lasting impacts. The economic impacts of social distancing are not linear - the impacts will grow more than proportionally to the length of time the measures are in place. This is because the economic impact will start to become more structural. There are several key uncertainties around the recovery and the medium term outlook:

- i. The uncertainty around how long social distancing measures will be in place;
- ii. Whether the size and scale of the temporary downturn causes more long-lasting supply-side damage to the productive capacity of the economy;
- iii. The impact that fiscal and monetary responses will have on the shape of the recovery;
- iv. The global nature of the crisis with economic spill over effects from other countries.

13. The first uncertainty recognised by OCEA reflects the fact that, to-date, it is not known when and how the physical distancing measures will end. The Scottish Government has published its [route map](#) for the easing of lockdown measures, but the pace at which we move through the phased approach to varying restrictions remains uncertain and is dependent on the rate of infection continuing to fall. It is also not known whether further phases of physical distancing may need to be re-introduced, locally or nationally, to avoid a resurgence in the rate of infection.

14. The second uncertainty identified by OCEA, reflects the fact that even temporary or mild recessions can have persistent impacts on the economy. Some of the business base will be lost and this, combined with jobs losses, will reduce the overall capacity of the economy. A mismatch between the skills demanded by firms and those recently made unemployed can mean that it takes time to match jobs with the skillsets available, or for workers to re-train. After the global financial crisis it took 8 years for Scottish unemployment to return to pre-crisis levels - an example of how persistent high unemployment rates can be. Recognising these uncertainties, three possible scenarios have been set out in the OCEA report. The modelling explores how long it might take the economy to recover to pre-pandemic level:

- Scenario A reflects a temporary shock to demand in 2020 quarter two as a simple approximation of the current containment policy measures. This can be thought of as a V shaped recovery: a short, sharp decline in economic activity followed swiftly by a rebound in growth.
- Scenario B includes an additional temporary demand shock in 2020 quarter 4 to approximate further future policy measures that may be required over and above those in Scenario A (potentially reacting to a second peak in the infection rate). This can be thought of as a W shaped recovery, or as a V shaped with a double dip.
- Scenario C also includes a more persistent supply-side shock to reflect some medium-term damage to the productive capacity of the economy.

15. These scenarios have very different profiles for GDP and unemployment. In scenario A, with a sharp fall in GDP and then a strong recovery, unemployment rises to 10%, before

returning to pre-pandemic levels after around a year. This is similar to the OBR's scenario for the UK. In the other scenarios, with a reoccurrence of physical distancing measures or a loss to the supply side of the economy, unemployment could reach higher levels and take perhaps three more years to recover to pre-pandemic levels, emphasising the degree of uncertainty around the medium term.

16. The impact that current fiscal and monetary responses will have on the overall shape of the downturn and recovery is also uncertain. OCEA make clear that a caveat to these illustrations is that they do not include any assumptions on the extensive policy interventions described earlier, which should help mitigate any loss to the productive capacity of the economy. However, significant uncertainty remains on the duration such policies may last, and whether they will be effective enough to prevent long-lasting damage being done.
17. A further key uncertainty reflects the fact the Scottish economy is highly integrated with the rest of the world and economic spill overs from other countries can have a significant impact on the domestic economy. This applies to both the economic costs from negative spill overs, such as lower demand for Scottish and UK exports and/or any positive benefits such as spill overs from global fiscal policy responses.
18. The Scottish Government has established the Advisory Group on Economic Recovery (AGER) to provide independent and expert advice on Scotland's economic recovery. The group is chaired by Benny Higgin and has issued a call for evidence for views on the how Scotland recovers from the current crisis. The Scottish Government recognise that the Group will need to consider how economic recovery will increase wellbeing, fairness and inclusivity, and makes the most of opportunities towards a greener, net-zero society. This aim links well with COSLA established position on a zero carbon, inclusive economy. Annex A of this report includes the SOLACE response to the AGER which we have included for the Boards consideration. Additionally, agenda item 4a is the SLAED response to the AGER. It is proposed the COSLA write to the Chair of AGER summarising the view of the Board, which may include aspects of the attached officer responses. We return to this point in the next steps section of this report.

Environment Impact

19. There have been several reports and articles into the impact of the current crisis on global greenhouse gas emissions. [One suggestion](#) is that the annual average CO₂ concentrations will still increase through this year, even though emissions are reducing as a result of the Covid-19 response. Although global emissions are smaller, they are still continuing – just at a slower rate. Additional CO₂ is still accumulating in the atmosphere and that, overall, the worldwide response to Covid-19 will not be enough to substantially slow global warming. Whilst the current crisis will not solve climate change it may point towards a possible future where structural changes to how the economy functions and how we live our lives can make a substantial contribution to reducing our emissions.
20. As a result, how we build the recovery from the current crisis is likely to be crucial in achieving our long term climate objectives. Recognising this, the Climate Change Committee (CCC) wrote to the Governments in all UK nations asking them to prioritise actions based on six principles. These are:
 - i. Use climate investments to support economic recovery and jobs. The CCC has previously identified a detailed set of investments to reduce emissions and manage the social, environmental and economic impacts of climate change. Many are labour-intensive, spread across the UK and ready to roll out as part of a targeted and timely stimulus package.

- ii. Lead a shift towards positive, long-term behaviours. The Government can lead the way to new social norms that benefit wellbeing, improve productivity and reduce emissions. This includes actions to support home-working, remote medical consultations and improve safety for cyclists.
- iii. Tackle the wider 'resilience deficit' on climate change. Strong policies are needed to reduce the UK's vulnerability to the destructive risks of climate change and to avoid a disorderly transition to Net Zero. They must be implemented alongside the response to COVID-19 and will bring benefits to health, well-being and national security.
- iv. Embed fairness as a core principle. The benefits of acting on climate change must be shared widely, and the costs must not burden those who are least able to pay, or whose livelihoods are most at risk as the economy changes. Lost or threatened jobs of today should be replaced by those created by the new, resilient economy.
- v. Ensure the recovery does not lock-in greenhouse gas emissions or increased risk. As it kick-starts the economy, the Government should avoid locking-in higher emissions or increased vulnerability to climate change in the longer-term. Support for carbon-intensive sectors should be contingent on them taking real and lasting action on climate change, and all new investments need to be resilient to future climate risks.
- vi. Strengthen incentives to reduce emissions when considering tax changes. Revenue could be raised by setting or raising carbon prices for sectors of the economy which do not bear the full costs of emitting greenhouse gases. Low global oil prices provide an opportunity to increase carbon taxes without hurting consumers

21. The conclusion which can be drawn from all of this information is that we are on the cusp of potentially unprecedented economic upheaval, but that if we get the interventions right we will have the opportunity to reshape the economy in a fair way and make good progress towards achieving our net zero target.

COSLA Position

22. It is impossible given the uncertainty inherent in the current situation to set out a definitive position on how we recover from the crisis and renew the economy in a positive and fair way. That said we know that the next few weeks will be important if we are to successfully achieve our longer term goals. In short, getting it wrong now may have significant long term implications. Consequently, the Board may wish to discuss the following as an initial position which should steer our work in the coming weeks:

- We need to maintain our overall goal of working towards achieving a zero carbon, inclusive economy. Fairness must be at the heart of our response given the disproportionate impact of the Covid-19 crisis on certain groups in society, the least well off and the most vulnerable.
- This Board has already agreed to support the principles of a just transition to a net zero society and economy. For any transition to be fair it seems likely the burden of climate change adaptation and mitigation will have to be shouldered by those most responsible. This principle is now more important than ever.
- We must focus on activities which will have the biggest contribution to achieving a zero carbon inclusive economy and society. From the perspective of this Board this could mean prioritising work on energy efficiency and related policy and on transport, but other areas will also need a keen focus e.g. waste and the circular economy. There will be other areas which will need a similar focus from other teams in COSLA.

- Transport is an important sector in the short term as we look to ease the lockdown. We do not wish to see a rapid increase in car usage and congestion, but this is likely if people do not wish to use public transport. We will need to encourage a new travel hierarchy which emphasises the need for continued working from home where this is possible.
- Digital investment, already an area of vital importance, will have renewed significance not just in terms of infrastructure and new technology but in how people can access online services. We must seek to close the digital divide once and for all.
- No matter the economic impact of the current crisis our short and medium term response will be crucial to our longer term goals. Unemployment will rise and we will need to determine interventions which both aid people back into work but also stimulate the types of jobs that we need for the low carbon economy. No matter how successful we become in this aim, there will be some areas, sectors, people and groups that will remain disproportionately affected by economic and societal changes. How we provide support for people in this position will determine how fair, ultimately the new economy will become.
- This is now a time to push further to redefine our economic success criteria. We have already recognised that we need to develop a more rounded definition of what constitutes future economic success in the low carbon era, beyond measurements such as economic growth or gross domestic product (GDP). The National Performance Framework and the UN Sustainable Development Goals provide the basis to do this, and we now have an opportunity to put this into practice in policy terms.
- We must also continue to make the case that only an empowered Local Government will be able to respond successfully to the current crisis and make a valued contribution towards achieving a zero carbon, inclusive economy and society. We must not be afraid to take risks and must champion the devolution of power and responsibility as one of the main ways we can give communities more control at a time of potentially unprecedented change. This is also a route to ensuring that we take a place based approach to rebuilding the economy fairly and sustainably.

23. The bullet points above are just a start and are not meant to be blueprint for how we recover from the current crisis. Other interventions will be needed, but what we should seek to achieve is a whole system approach to rebuilding from the current situation, recognising the interdependent nature of policy.

Next Steps

24. The immediate next steps should be to establish the robust ways of working which will allow all the issues identified in this report to be discussed and dealt with in partnership way. The aforementioned SIG will be part of this response from a COSLA perspective. Understanding how the different aspects of Government are developing the recovery response will be critical to our effectiveness of influencing decisions. From a Local Government perspective the response will require a systematic approach which draws in expertise from different professional groups. Getting this working in the short term is likely to be our first task.
25. There will need to be some specific work on transport as it will form a core part of the recovery. At the time of writing of this report we expect to be involved with Scottish Government in further refining the [transition plan for transport](#) which will take on board a range of issues related to getting the travelling public moving again safely while still limiting as far as possible the number of car journeys.

26. As mentioned earlier in the report, we also propose to write to the Chair of the Advisory Group on Economic Recovery setting out COSLA's position on how recovery can assist with the development of a zero carbon, inclusive economy. It is proposed that this letter incorporates the COSLA position established by this paper but that we also draws upon aspects of the SOLACE and SLAED papers.

SOLACE Response to the Advisory Group on Economic Recovery

29th May 2020

SOLACE welcomes this opportunity to input our thoughts and ideas advising the Scottish Government on the economic recovery from Covid – 19.

We have consulted with colleagues drawing on their knowledge and insights on the current context across different areas in Scotland as well as their experience and expertise in identifying a number of interventions aimed at getting the economy moving and stimulating growth.

Our Key Points

There has never been greater uncertainty on Scotland's economic future. The consequences of the impact from the health crisis on businesses and individuals, especially our young people and the most vulnerable groups in society will be profound. Many businesses and jobs will be lost.

As many have said this is no ordinary economic downturn. There is no economic blueprint we can turn to from previous recessions for answers. This economic crisis requires new and non-conventional approaches. A return to the status quo economy is not realistic or viable. We have a once in a lifetime opportunity to achieve transformational change, an economy that is genuinely inclusive, and sustainable, one that actively promotes fair working practices, secures the well-being of people, and greatly improves life chances for young people. Fundamental to Scotland's longer term recovery is the integration of economic, social, physical, cultural, and environmental policy, strategy, and ambitions for the future.

National and local government are partners in tackling the Covid-19 health crisis. Local government has been at the forefront of the humanitarian response, reinforcing public health messaging by ensuring the continued safety and well-being of communities across Scotland, from distributing food and medicines to shielded households, to ensuring children continue to have access to their education in the most difficult of circumstances as well as delivering immediate financial supports to businesses and individuals. National and local government must work together to secure Scotland's economic recovery. The delivery of strong and sustainable public services is a key requisite for economic recovery – the education of the country's future workforce, caring for elderly parents and the vulnerable to allow the working age population to contribute economically, developing and maintaining the vital economic infrastructure for use by businesses. The approach to economic recovery cannot be at the expense of public expenditure on vital services which provide the key building blocks for a successful economy, and the very services which helped keep the country running during the pandemic itself.

This response highlights a range of interventions for consideration by the Advisory Group. Our top five interventions to achieve a stronger and more inclusive economy are:

- Accelerated economic infrastructure investment programmes, including measures to strengthen the delivery and maximise the impact of City / Growth Deals.
- A laser focus on Scotland's supply chain management, building the capacity and capability of Scottish companies and making Scotland a significant and successful global supply chain.

- Targeted and bespoke active labour market policies alongside upskilling and re-skilling the workforce and safeguarding apprenticeships.
- Integrating community wealth building within Scotland's economic recovery plan, building a fairer and more inclusive society.
- Meaningful consideration of an ambitious Green New Deal for Scotland.

Working with national partners and local stakeholders we are committed to doing all we can to support Scotland's economic recovery from Covid – 19.

JIM SAVEGE

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Chair, SOLACE Scotland

SANDRA BLACK

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SOLACE Lead for Economic Development

1. Introduction

It is understated to say that much uncertainty surrounds Scotland's economic future, particularly in the short to medium terms as well as the longer term impacts from this economic crisis. What is clear is that any immediate 'bounceback' of the economy to pre Covid-19 levels is not probable, indeed the Chancellor of the Exchequer acknowledged recently that there would be no immediate bounceback as it will take time for sectors of the economy to recover from Covid-19 restrictions to protect public health. Some sectors like tourism and aviation estimate it could take several years just to return to pre Covid-19 levels. Many businesses and jobs will be lost.

Some commentators have referred to "getting back to normal" or resetting the clock to the status quo. We do not believe this is realistic or viable. The Covid-19 pandemic has showed up the fragilities in our economy, for example many low paid workers who were already struggling or those on zero hour contracts immediately lost their jobs while businesses face collapse, particularly those dependent on international supply chains. The Covid-19 pandemic presents an opportunity to make a course correction in Scotland's economic strategy, rebuilding a new economy through maximising our existing economic strengths in different sectors and knowledge institutions whilst allowing us to think and do differently, building an economy for the future.

We believe that a whole system approach is required to support Scotland's economic recovery. That means every level of national and local government, business, communities and third sector organisations working and delivering together. The principles of collaboration, interdependency and connectedness are crucial to create the conditions for a more robust, more resilient Scottish economy.

2. Local Context

The impact of this economic crisis will likely be felt differently across Scotland's regions, cities, towns, and villages due for example to their different sector specialisms, population mix and existing and different levels of inequalities. The OECD¹ forecasts that up to 30% of jobs are at risk across Scotland during the pandemic containment measures phase alone and that local labour markets could suffer for years, compounding local differences in unemployment, economic inactivity, job quality and employment as well as rising inequalities in education, health and incomes. Local government will be at the forefront in tackling these issues as part of the long-term economic recovery and is uniquely placed to build alliances and broker collaboration at the local and regional levels among local communities, central government, knowledge institutions, the third sector and the private sector to integrate and implement national government policy and programmes, adapting them to meet local needs and complimenting them with local, bottom up solutions. From our knowledge of local areas that we represent across Scotland we have outlined below a sample of how the economic crisis is currently affecting different places in this containment phase and a sense of the potential longer term impact.

Fife Council Area

Fife businesses have required extensive support, with over 4,000 payments to businesses through relief funding, over a third of Fife's business base. Many businesses have furloughed staff while some have recently begun redundancy procedures for staff due to a downturn in demand. However, some manufacturing companies are reporting positive developments with many adapting to provide PPE and COVID related products for the pharmaceutical and medical sectors while others are manufacturing protective acrylic screens for use in restaurants and offices. The impact of the pandemic on Fife's tourism industry has been particularly severe and VisitScotland's "Monitoring the Impact of Covid-

¹ OECD, April 2020

19 on the Scottish Tourism Industry” survey found that of the businesses in Fife who responded to the survey, some 64% reported that they have had to lose staff numbers. All large scale events due to be held in the coming months have been cancelled or postponed and the 150th Open Championship due to be held in St Andrews in 2021 has been moved to 2022. Moving towards recovery one of the main issues for tourism businesses will be whether they can remain profitable and viable in light of social distancing requirements particularly when some parts of the industry such as the accommodation sectors are likely to be the last to open.

Glasgow City Council Area

The impacts across Glasgow are slowly emerging. In a recent survey by the Glasgow Chamber of Commerce with over 200 responses, 20% of respondents have temporarily ceased operations. Of these businesses, 90% have furloughed at least 75% of workforce. Whilst almost two thirds of respondents are utilising the Job Retention Scheme. Due to the interactions between Glasgow’s industries, most will be affected. Although, the primary industries at risk – construction, retail, accommodation and food plus arts and entertainment, make up approximately 30% of our business base. The labour market has also been impacted with claimant counts in Glasgow rising by almost 50% in months from March to April 2020. At 7.1% of the working age population, it is 2% higher than Scottish average.

Renfrewshire Council Area

Renfrewshire’s economic activity, like other parts of Scotland, has significantly reduced since the introduction of the Covid-19 containment measures. Sectors in which Renfrewshire have strong national representation – aviation, logistics, manufacturing, construction, retail, and hospitality are all suffering and many companies are finding themselves forced into strategic reviews of their business and investment plans. During the period of restrictions Renfrewshire Council has distributed over £22M to more than 2,000 local businesses and have engaged with hundreds of other businesses to discuss their immediate support needs and challenges to restarting operations. These challenges over the medium and longer terms are likely to include supply chain availability; ability to export products; social distancing within workplaces; travelling to deliver services to clients and whether a customer base will return.

3. Strategic Interventions

We have identified several interventions that we think will make a positive difference to Scotland’s economic recovery. These ideas and suggestions are outlined below under the set of structured areas developed by the Advisory Group and are designed to support stimulating economic activity; boosting productivity and competitiveness; improving connectivity; and ensure that interventions bring about measurable improvements for those most disadvantaged and suffering from the effects of the economic crisis to achieve a stronger and more inclusive economy. This is not an exhaustive list. We will continue to engage and provide ideas and practical delivery measures as development and implementation of the recovery plan evolves.

3.1 Macro / Fiscal:

Governments across the world have introduced a range of fiscal measures, unprecedented by any measure, in response to the economic crisis including rates relief, tax deferral, loan guarantees, hardship funds for specific industries, grants paid directly to businesses, subsidising employee wages and so on. Any fiscal levers should underpin regional priorities, working with local government to determine the measures, flexibility,

and variation to support economic recovery. SOLACE members have suggested the following as measures that could be undertaken to stimulate recovery:

- **Accelerated economic infrastructure investment programmes** – Principally focused on economic infrastructure for example roads, rail, airports and ports, universities and colleges, innovation districts and ICT infrastructure will benefit a number of industries such as construction, engineering and design, transport and logistics; the infrastructure supply chain; create jobs; and ensure that the platform factors are in place for a sustainable and inclusive economy over the longer term. Additionally, changes to fiscal policies such as the removal of VAT (20%) on building refurbishment projects could also be beneficial and have the effect of stimulating activity through boosting residential development; bringing underutilised and vacant space back into use especially in our town centres; and increasing local spend for town centre services.
- **Accelerated implementation of City and Growth Deals.** These deals across Scotland include a range of truly transformational projects including investment in significant economic infrastructure; driving innovation and research and development capabilities across Scotland; creating thousands of jobs; and tackling local labour market issues through bespoke labour market programmes. There are several interventions that could be made in this area:
 - Reduce the administrative burden on the delivery of city deal projects, for example through a more streamlined business case and gateway approvals processes.
 - Reprofile the schedule of projects, bringing forward those projects, currently scheduled for later, that can enhance the economic recovery, particularly in hardest hit sectors.
 - Ensure active collaboration and integration of city / growth deal projects across Scotland to maximise impact from delivery and implementation.
 - Support the introduction of new related projects to stimulate key sectors and create jobs for example in developing skills and employment, improving connectivity, and enable strategic site development to support business growth.
- **Revision of procurement regulations.** This action by national and local government would allow for supporting local businesses as well as encouraging businesses to actively support and participate in delivering Scotland's social and environmental values and ambitions such as achieving fair work and climate change targets.

3.2 Micro / Enterprise:

The Scottish Government's State of the Nation Report (April 2020) estimates the severity of the crisis on Scotland's economy, with the issues facing businesses including availability of labour, falling demand leading to cashflow challenges, redundancies, and ultimately business closures. Their analysis shows the manufacturing sector is most exposed, with significant exposure in construction, arts and entertainment, retail and wholesale, food, and accommodation. For a lot of business and some sectors it could take several years to comeback from this economic crisis.

Over 99% of Scotland's businesses are Small and Medium Enterprises (SMEs) that make up over 50% of all Scottish employment. Scotland's SMEs are clearly at the centre of this economic crisis. Many SMEs will have low financial and operational resilience due in large part to their size while having strong representation in the sectors hardest hit such as manufacturing, tourism, and hospitality. Research from the Fraser of Allander Institute

shows that turnover in 89% of Scottish businesses has been affected by the pandemic while 54% of businesses said they could only survive less than three months. Scottish Chambers survey found 79% of firms had made use of the furlough scheme:

- **Early Invoice Payment.** Cashflow remains the critical issue for many companies (Scottish Enterprise Analysis, April 2020). To ease cashflow national and local government should implement a policy to pay invoices from all suppliers within 10 working days or less thereby easing cashflow for many SMEs thus reducing financial stress and supporting otherwise productive and sustainable businesses.
- **Supply Chain Management.** This is a critical issue for economic recovery following the health crisis, which highlighted our over dependence on imported items such as PPE. All manner of supply chain and key sector manufacturing should be supported to grow. There are two areas in which the Scottish Government should focus. Firstly, building the capacity and capability of Scottish companies particularly SMEs, for example through training and development, R&D activity, improved and expanded production processes, and/or re-purposing of capital investment to supply Scottish businesses off a scale and quality required. Countries across the world will be doing similar.

The second area is to consider how Scotland can become a significant and successful global supply chain? The Covid-19 pandemic has raised serious issues for businesses around how we procure goods and services, particularly manufacturing businesses, a sector hardest hit. As such companies especially large multinationals will be looking for new supply chain management arrangements with much greater security and resilience than before. We believe that there are three strategic interventions that could be made in this area:

1. Build upon existing relationships with multinational companies located in Scotland as well as through Global Scot re-focusing and re-activating business networks and tapping into Scotland's DIASPORA around the world seeking opportunities for reinvigorated Scottish companies to feed into their supply chain management, servicing multiple sites / locations across the world.
 2. In key sectors aim to build global leadership. For example, in manufacturing the National Manufacturing Institute Scotland (NMIS) is core part of Scotland's resurgence as a global leader in modern advanced manufacturing. The delivery of the £65million NMIS facility for undertaking significant research and development; engaging SMEs to build their supply chain management capability; and supporting businesses to be more innovative and productive will bolster Scotland's global presence.
 3. Refocus Scotland's 'Trading Nation', in the medium term prioritising key sectors. For example, in manufacturing reinforcing Scotland's credentials in manufacturing supply chain management and attracting further R&D investment and location for high-skilled manufacturing businesses.
- **Revisit and Redesign Structural Policies.** Develop targeted interventions by sector, helping SMEs for example to train and upskill their workforce; implement new working practices; identify new markets - both domestic (UK) and internationally; support R&D activity etc.
 - **Agree a "single" visitor product / experience for Scotland.** The objective is to develop the tourism sector in such a way that it can become much more

sustainable by working together across the country and in regions. Accommodation / attractions / public transport / food & drink all working together to offer quality and the best that the area can offer - attractively packaged to allow for different visitor needs / durations but one that avoids competition between areas as far as possible. This would also encourage in the longer term a boost in staycations for UK households.

- **Future of place based retailing and consumption.** Retail is Scotland's largest private sector employer (13% of total workforce). As shopping centres and retail parks may bear the brunt of changes in behaviour patterns for shopping, there is a need for the Scottish Government to reach a view on the importance of town and city centres to the economy. Most of the economic activity in these locations consists of sectors that are likely to find it hardest to operate during social distancing restrictions – cafes, pubs, restaurants, hotels, and retail, including clothing. This will mean that business closures and job losses may be acute in some of the most accessible locations in the country. Alternative job opportunities for many of the relatively lower paid employees in these sectors will be limited (i.e. A job in a peripheral business park or factory may not be possible without access to a private car).

3.3 Labour Market and Inequalities:

Scottish Government assessment of the labour market is that the impact from the crisis will be significant but that the scale of the impact and duration is unknown. Many are affected by the crisis in different ways – some workers continue to do their jobs; many are working from home while others are working reduced hours because of social distancing measures and / or supply chain disruption. Millions more workers across the UK are having their salaries paid for by the Government through the job retention scheme. Across UK and Scotland there have been widespread and substantial numbers of job losses in areas such as non-food retail, tourism, hospitality, and aviation / airports with record numbers applying for Universal Credit.

The research undertaken highlights, younger workers (16-24) will be the hardest hit with negative impacts on women, low earners, lone parents, minority ethnic people and disabled people. There is considerable risk that this will result in multiple disadvantages with increasing poverty; poor mental and physical health; rising inequalities in health, education, income, and employment; increasing labour market barriers and skills deficiencies in meeting the demand from employers in a 'new economy'. The impact on local labour markets are likely to be long lasting. Potential interventions to support the labour market and tackle inequalities are:

- **Targeted and bespoke active labour market policies (ALMPs).** ALMPs have been proven to work. However, what is required now is a radical approach that targets specific industry and bespoke to meet employer need. New and innovative approaches will be required, for example job or wage guarantee schemes. Agility by providers will be required to meet business and an individual's needs as job seekers look for employment in their current sector or industry or reskill and transition into new or growing sectors (supporting climate change) or new locations across Scotland.
- **Upskilling and Re-skilling the workforce.** Any amendment of existing skills policies such as The Future Skills Action Plan or the development of new policies and new approaches to delivering training solutions post crisis must be aligned with

employer demand so that they can access the skills they need. Ensuring that everyone can play a part in the economy and that future economic growth benefits everyone means that we must provide people with the tools to find work, stay in work and progress.

- **Safeguarding Apprenticeships.** Safeguarding Foundation, Modern and Higher level apprenticeships must be a key action in the economic recovery plan. During a recession businesses tend to cut back on apprenticeships and apprentices themselves could become disengaged, particularly young people and those more vulnerable groups. It is imperative that this does not happen. The Scottish Government should reassess how apprenticeships are delivered, for example through online learning and development of innovative approaches to work based learning so that apprentices continue to develop their skills as well as opportunities that could be provided by the public sector. Interventions should be targeted at specific sectors of the economy, those hardest hit in the crisis and those sectors that represent Scotland's economic strengths going forward. Where necessary businesses should be incentivised such as wage support for apprentice retention.
- **Integrating Community Wealth Building.** Community wealth building is a people-centred approach to local economic development, which redirects wealth back into the local economy, and places control and benefits into the hands of local people.² It is about utilising the resources, job creation potential and supply chain management of anchor institutions such as local authorities, knowledge institutions; large private sector businesses; NHS etc. to support local economies. Community wealth building has the potential to transform local economies and has been successful in other parts of the UK. The integration of community wealth building within Scotland's economic recovery plan supports the reimagining of our economy towards building a fairer and more inclusive society. North Ayrshire Council has recently developed a Community Wealth Building Strategy which could provide a useful roadmap for national and local government across Scotland.

3.4 Well-being, Inclusive Growth and Net Zero:

To achieve a stronger, growing, and inclusive economy means ensuring that businesses and people can contribute to and benefit from that growth. That means putting in place active interventions to connect people readily to the available economic opportunities, improving lives and securing the well-being of individuals, neighbourhoods, communities, villages, towns, and cities. For example, active interventions in areas such as transport; childcare; safe places and vibrant communities; leisure, culture, and the arts etc.

“Governments have a unique chance for a green and inclusive recovery that they must seize – a recovery that not only provides income and jobs, but also has broader wellbeing goals at its core, integrates strong climate and biodiversity action, and builds resilience. Stimulus packages need to be aligned with ambitious policies to tackle climate change and environmental damage. Only such an approach can deliver win-win-win policies for people, planet, and prosperity” (Angel Gurría, OCED Secretary General, April 2020).

Any investment in interventions to support net zero carbon should be directly aligned to Scotland's economic recovery from Covid-19 in ways that stimulates the economy and help to address the economic fragilities highlighted by the crisis. Investment should also make meaningful enhancements to quality of life by improving health and well-being, providing jobs with more secure earnings and greater earning power as well as providing good quality housing. For example, in tackling issues around energy, how might we

² Centre for Local Economic Strategies (CLES)

improve the design to new homes and buildings that also enhance our environment as well as reducing our dependency on solid fuels oil and gas for heating? In transportation – road, rail, aviation how might more multi-modal solutions not only contribute to tackling climate change but also improving our health and well-being; how we improve industrial processes and product use that not only reduce carbon emissions but also promotes innovation and improves productivity in our businesses; as well as liveability factors that contribute to creating more sustainable communities. Interventions to support economic recovery in this area include:

- **Green New Deal.** The creation of a Green New Deal for Scotland should be considered as part of the economic recovery plan. Actions and measures introduced should focus on for example strengthening the resilience of society, improving lives, fair work, green spaces, clean air, renewable and affordable energy and aligned to the Community Wealth Building objective.
- **Invest in a national cycling and walking network.** The creation of a national network, filling in current infrastructure gaps, that links all towns and business locations will encourage and promote well-being and active travel (link to greener agenda below on land use and over time reducing the distances travelled).
- **Rethinking Land Use.** One of the most significant challenges we face in transitioning to a greener economy is the use of the private car. However, a result of the Covid-19 health crisis is that there is in the short to medium terms likely to be some reluctance among the population to use public transport which will undoubtedly lead to increased car use for those who have access to one. This demand will depend on various factors such as working from home and any changes in behaviours in use of leisure time.

However, Scotland should begin to plan for when the health pandemic eases and behaviours are able to be changed to reduce the use of cars. An opportunity clearly exists for Scotland to make strides towards net zero carbon targets by ensuring that land use decisions are made which favour non-car modes and promote active travel.

Land use decision in the last 30 years have been one of our least inclusive cultural shifts as immediately certain sections of the population are excluded from access to certain facilities and workplaces. Only by thinking about the location of land use can we reverse this trend and at the same time improve the health and well-being of our communities by encouraging and facilitating active travel.

3.5 Government, Policy and Delivery:

As we set out earlier, we believe that a whole system approach is required to support Scotland's economic recovery. This will necessitate a change in the roles and relationships between government, businesses, social partners, knowledge institutions etc. Interventions that could support this change include:

- **Economic Recovery Regional Taskforces.** To oversee the implementation and delivery of Scotland's Economic Recovery Plan we are proposing the introduction of Economic Recovery Regional Taskforces, bringing together a common focus and effort among national and local partners. The taskforces could be created through a repurposing of the existing Regional Economic Partnerships, making best use of local and national capacity and expertise.

- **Information Sharing.** Across all levels of national and local government agree an information sharing protocol that builds on the principles of collaboration, interdependency, and connectedness for re-building Scotland's economy. A stakeholder engagement plan should be developed and agreed for engaging nongovernment parties such as business organisations including Chambers of Commerce, CBI, and FSB etc. and engaging community and voluntary organisations.
- **Greater Local Delivery.** Providing greater flexibility on how national policies and strategies can be adapted and delivered at the local level will better meet local needs, allowing the targeting of interventions to address regional differentials in for example unemployment, economic inactivity, and inequalities.

ⁱ OCEA April 2020 State of the Scottish Economy

ⁱⁱ OCEA April 2020 State of the Scottish Economy