

## **Scottish Local Authorities Economic Development (SLAED) Group**

### **Response to Call for Views: Advisory Group on Economic Recovery**

#### **Introduction**

1. SLAED is the professional network representing economic development officers from across Scotland's 32 Local Authorities. This submission has been developed on the basis of input from a range of local authorities, and supported by input from the Improvement Service. The response below has been collated under the six key headings set out within the request for knowledge and insights. SLAED welcomes the opportunity from a professional policy and practice perspective.
2. The approach to economic recovery needs to be iterative, as it is currently too early to understand the full implications of the crisis on Scotland's economy. This means that a flexible approach should be taken at the national, regional and local levels. There will also need to be local variation to approaches, as initial data demonstrates that impacts are being experienced differently with disproportionate impacts in communities and individuals with the potential to further increase social and economic inequalities.
3. In responding to the crisis and starting the process of recovery it has become increasingly evident that stronger collaboration and the co-production and joint implementation of actions is critical to a better aligned and integrated approach. As the nature and scale of the impact on our economies and communities becomes clearer and the interdependencies more apparent we must streamline and declutter the current delivery infrastructure that will become a barrier to the pace and agility required to take the right actions at the right time.

#### **Macro / Fiscal**

4. Recovery will rely on a mix of public and private sector investment, with accelerated public sector spend to stimulate growth through infrastructure investment, digital investment, housing, restructuring and repurposing of town centres. The private sector will also need public sector support in accelerating projects, e.g. through reduced timescales for planning decisions and/or reduced regulations. Measures could be undertaken to support the supply of available and affordable land, including additional measures for remediation of vacant and derelict land.
5. The economic shock from lockdown has changed the trajectory of City and Growth Deals and an accelerated process should be put in place to allow Growth Deal investment to be delivered earlier than anticipated by the previously agreed timetable. There are many elements within current Growth Deals that are ready to go and would benefit from an early financial decision and accelerated delivery programme. Where Growth Deals have not yet been signed, a process should be put in place to finalise these with a front-loaded set of investments from both Governments and the local authorities. For Growth Deals already in place, there may be a requirement to repurpose these to adapt to respond to the radically different economic environment from when these were originally negotiated.

6. There is a need and opportunity to refresh the investment criteria to ensure a positive impact on the drive to create a “new normal” and a more inclusive, resilient, sustainable economy.
7. There is a need for a new dedicated focus to ensure that the UK does not leave the EU at the end of 2020 with no deal. This would have a significant negative impact on exporting businesses, whose margins have already been significantly impacted by COVID-19 and exacerbated through unanticipated and variable custom tariffs and levies for imported goods to EU markets. This will also enhance labour supply issues in sectors where many key workers are originally from other parts of the EU.
8. There is an opportunity to reimagine and realign actions required to deal with the housing crisis which is currently treated separately to national infrastructure. Housing investment does not attempt to shape the future economy but follows and reinforces existing trends. Most housing expenditure is currently focused on alleviating housing pressures in high demand areas, whereas economic rebalancing would help to reduce this pressure and have broader economic benefits. Housing should be considered national infrastructure and supply of new housing should meet the needs of the new economy. National housing guidance and projections should reflect a place rebalancing agenda, including seeking to address rural depopulation.
9. Can UK government consider changes to the tax credit system to enable job creation programmes utilising UC payments to actively support job creation and economic development. This is seeking a movement from a passive benefit payment via UC/JSA to an active tax credit payment supporting employment and wages. This would also assist with boosting private consumption as there would be an increase in disposable income enabling a productive, social and economic return on investment. The job retention scheme provides a model via HMRC.

### **Micro / Enterprise**

10. When furlough ends, the debt that businesses have incurred during lockdown will be a significant risk to them and those that they employ. This will have a knock-on effect on local economies, reducing spending power and increasing job losses. Young people are at particular risk with employers now unable to provide apprenticeship opportunities and work placements. In the short to medium term, businesses are likely to be focused on survival, therefore medium to long term support packages need to be implemented, and these will vary between sectors. Longer term support should be focused on businesses with the ability to survive and thrive and have positive local economic impact.
11. Direct financial support should be focused on businesses and/or sectors where significant additionality can be generated locally. This should also be tied to job retention and creation, and refocusing of skills to meet bespoke growth and sustainability plans. Businesses will also need support to understand changes to markets and customer needs, as well as how to diversify to increase income. Support to maximise and accelerate the use of technology and capitalise on the digitalisation agenda will be crucial.
12. Supply chains are likely to be fundamentally altered as a result of the crisis and there will be limited capacity to source new suppliers. As a result of the crisis, international trade has been severely disrupted causing significant interruptions to supply chains.

This has led to a greater appreciation for the need to develop local production and shorter supply chains and the strategic need to create greater levels of local market resilience and capacity.

13. Supply chain management and development should be considered as part of any growth and/or sectoral action plans to ensure consistent and concentrated efforts are aligned. The effective resourcing of local business support and supplier development will be an essential enabler to the recovery process. The local intelligence led approach that tapped into the capacity of micro and SME's to support the crisis with food, PPE and social care support should be built upon to develop local, more resilient and secure supply chains.
14. The future of public transport is uncertain and this may need to be considered as an essential publicly owned utility. A Scotland wide approach to transport investment is needed to transform the public transport network with a prioritisation of marginalised communities with the highest level of deprivation and lowest employment rates for transport investment. This will help to reconnect them with services and economic opportunities and should be done with an integrated approach to investment in infrastructure and job creation.
15. The prospects of delivering economic growth in a number of areas, particularly rural and remote communities will be very challenging in the months and years ahead. This may be an opportunity to focus more on community resilience and wealth building, with new approaches to delivering procurement, different fiscal approaches to encourage new investment, and a new approach to infrastructure provision that takes better account of the needs of the community.
16. Some areas have a particularly large percentage of micro businesses, many of which may not survive the pandemic e.g. in the hospitality, food & drink and tourism sectors. Many of these will have received financial support and, as focus turns to recovery, may need more support going forward. This will present a challenge around designing support that helps businesses to survive and prosper, rather than continuing to support failing businesses. Rural areas also have a higher concentration of self-employed contributing to the number of jobs at high risk,

### **Labour Market & Inequalities**

17. The early indications are that the changes in the labour market brought about by the COVID-19 will have the biggest impact on those on the lowest incomes and in the most precarious, least secure jobs. It is also expected there will be a significant increase in the number becoming unemployed or displaced in the labour market disproportionately affecting young people, women, those with disabilities and minority groups and as a result social and economic inequalities will increase.
18. The significant impacts have still to develop as the Government taper down existing business support and the Job Retention Scheme (JRS) and many workers find themselves unemployed or under-employed. In addition education leavers will find themselves displaced and without a next positive and many young people previously employed will be unemployed as traditional sectors of employment cease to operate.

19. A significant number of key workers are low paid and a fundamental change of attitude towards jobs in care, food & drink, retail etc is needed to take into account how these have kept society functioning throughout the crisis. Labelling these jobs as 'low skilled' is unhelpful as without this work, often carried out by women and young people, other sectors of the economy would not be able to function.
20. Due to the consequences arising from the impact of Covid-19 individuals will have a range of finance and health related issues to deal with as well as traditional employability, skills and experience support needs. The Scottish Approach to Service Design will be fundamental to delivering the right support, in the right way at the right time. The Scottish/Local Government Partnership Agreement and joint work plan is being refreshed to take account of the additional challenges in the labour market as a result of the economic impact of Covid-19 and it is recommended that this collaborative approach is strengthened preventing a widening of the equalities gap and avoiding the need for additional action plans which add clutter and confusion.
21. It is recognised that employment and income are key determinants of health and well-being which is an important factor when enhancing, re-purposing and developing employment support interventions in response to Covid-19. Any policy response and investment must continue to focus on tackling inequalities and poverty.
22. In responding effectively a well targeted response is required to maximise the economic and social return on investment avoiding long term scarring which was prevalent in previous recessions. It is suggested that an all age, needs based strategic approach is most appropriate and that any silo strategies or action plans based on specific cohorts would be detrimental to a cohesive and collaborative approach ensuring no one is left behind. The Scottish Approach to Service design will strengthen this policy and practice. In an evidence led approach emerging intelligence suggests that resources should be targeted at:
  - a. Young People – Especially those leaving education without a positive destination and those previously working in sectors adversely affected by lockdown.
  - b. Women – Especially those in lock down sectors and/or with caring responsibilities
  - c. Low earners/low skilled – less likely to be able to work from home and a large % work in the hardest hit sectors.
  - d. Lone parents – More exposed to reductions in earnings/job losses coupled with caring responsibilities
  - e. Minority ethnic people – a higher % of the visible minority ethnic population work in the hospitality industry.
  - f. Disabled people – Already disadvantaged and may experience higher impact from workplace restrictions.
  - g. 50 years+ - Previous recessions have written off this age group who are amongst the most deprived of the working age population and will struggle to re-enter the labour market.
23. In addition it is recognised that the newly unemployed who are at risk of long-term unemployment due to their personal circumstances and/or characteristics should also be prioritised within an all age, needs based approach. An all age needs based policy response is required to avoid the silo and complex approaches which arose from More Choices, More Chances and Workforce Plus and a separate Youth Employment strategy should be avoided but incorporated within the NOLB approach.

24. Active labour market measures at a time of economic decline are essential and well-structured responsive Job creation programmes are important to keep people actively engaged and earning, enabling the groups most at risk to prepare for recovery and avoid the long term scars of unemployment, poverty and disadvantage. The UK Government's Future Jobs Fund was a good example of an active labour market policy/intervention.
25. It is proposed that flexible job creation initiatives are developed to respond to the lack of opportunity within local labour markets exploiting the role of the public and third sector to provide quality work experience and an opportunity for the acquisition of necessary skills. Targeted employer recruitment incentives for Micros/SMEs in priority sectors and or providing Apprenticeship and/or Fair Work opportunities should be supported aligned to local business support and employability efforts
26. The crisis has encouraged people into new ways of remote working and this will become increasingly prevalent as social distancing measures remain in place for an extended period. Flexible and home working employment options should be more widely utilised to enhance the ability of priority groups e.g. lone parents and those with disabilities to return to the labour market. Linked to this, digital capacity and capabilities are disproportionate, which impacts on inequality, and capital investment is required to increase connectivity options. There is scope to build on the "Connecting Scotland" programme strengthening the public, private and third sector partnership extending the reach and scope to tackle digital exclusion. In addition investment is required in the roll-out of fibre broadband to accelerate the adoption of new ways of working, and this needs to be supported by the necessary physical infrastructure. The R100 programme is currently tied up in legal challenges and this has left a large number of rural and remote areas without access.
27. Flexibility is required in existing employability provision to adapt to changes in demand and additional funding is needed to support job creation and wage subsidy programmes, over and above existing programmes which are designed to support those furthest from the labour market this should be routed through local partnerships to help strengthen place based recovery.
28. The Fair Work And Skills Covid-19 Partnership response group involving all key stakeholders will ensure that there is effective sharing of evidence and data and this mechanism should be central to a collaborative approach ensuring that immediate measures to support the newly unemployed to re-skill and quickly secure employment will not adversely increase the employability gap for disadvantaged groups. Effective ongoing partnership working at a National, Regional and Local level is essential to effectively target programmes, as enable appropriate employer engagement activity.
29. Local links with Early Learning Child Care and Education will be particularly important if children return to school on a part-time basis there will be a need for employers to continue to allow employees to work flexibly. Alignment with the Parental Employment Support Fund and ELC expansion should seek to support parents who are most financially, economically and socially disadvantaged.
30. Provision of education and skills training will require to be more closely aligned to the needs of the economy, with a focus on emerging jobs and sectors that will support economic recovery and growth. Measures to incentivise employment and skills training will help to fill emerging job opportunities, and funding should be targeted in this area.

31. Some areas were already experiencing a declining and ageing population and the crisis will accelerate the impact of this on local labour markets. There is likely to be a disproportionate impact of the loss of key employers in these areas with limited alternative employment options. This will enhance the existing challenge of attracting people to live in these areas. Development and promotion of IT creative industries in rural areas will help to combine quality of life with new opportunities.

### **Wellbeing, Inclusive Growth & Net Zero**

32. Home and flexible working approaches have helped to widen opportunities, significantly reduce journey to work pollutions and enhance the work-life balance, which could boost a greener recovery. Previous arguments against home working on a large scale have been invalidated, and a blend of home and office working should be the norm for the majority of people going forward. Taking this further, reducing the working week should be considered as a method of increasing productivity, reducing environmental impact and improving the work-life balance.
33. Local authorities should be given additional resources to utilise powers and flexibilities to build person-centred solutions to meet the needs of individuals and local areas, and Community Wealth Building is an approach that could support this. This can involve the creation of social enterprises, cooperatives and new models such as public common partnerships that can work with local anchor institutions to deliver services and economic opportunity through supply chain development, re-use and or re-purposing of land and assets and through these efforts pluralising the ownership of the local economy. This provides significant potential for new models of supporting sustainable job creation and access to additional resources and opportunities.
34. A shift in focus from increasing GDP towards an economy that benefits everyone is essential. A place based approach, using the five pillars of Community Wealth Building and the key local anchor institutions could help support local economies in recovery. Anchor institutions are key pillars of local economies and should be supported to create additional local fair work and apprenticeship opportunities increasing local economic impact. Fair, flexible and valued work and the provision of a living wage by anchor institutions can help to keep money within local economies and consequential positive multiplier outcomes.
35. There are significant opportunities to ensure greener energy transition and protecting biodiversity are embedded into any public sector support for recovery. Businesses should be supported and encouraged to access knowledge on how to embed net zero and become confident in applying this. In combination with changing consumer expectations, this is likely to see early adopters enhancing their competitiveness as a result.
36. Some local authorities have already indicated opportunities to develop substantial renewable energy projects. The economic stimulus and job creation potential of delivering projects in this sector would be critical to local economies and recovery. However, these have previously been restricted by regulations, and greater Government and Regulator flexibility will be required to take forward innovations in this sector.

37. The Scottish Government has signed up to the UN Sustainable Development Goals, which include reducing inequality and a target of net zero carbon emissions. However, Scotland's policies to reduce carbon emissions need to reflect regional variations, e.g. higher car dependence outside cities. There also needs to be a specific focus on disadvantaged communities, which have been proven to be more at risk during a pandemic and tend to be more at risk of the effects of climate change and environmental degradation, such as fuel poverty, poorer air quality, lack of green space, biodiversity loss and food risk.

### **Government, Policy & Delivery**

38. There is an urgent need for a national recovery plan from both the UK and Scottish Governments that will establish overarching principles and a framework for local and regional recovery plans. A place based approach should be central and all key economic stakeholders need to engage in a whole systems approach to effectively co-ordinate and align efforts in delivery at regional and local levels.

39. Significant fiscal pressures are anticipated following the initial crisis, and the critical role of local authority economic development in responding to the crisis and contributing to the recovery should be recognised and promoted. However, with continuing austerity, this critical role taken by local authorities is at risk of being undervalued and becoming constrained by a lack of resources as a result.

40. The crisis has enhanced the ability for Scotland to work together as a whole, where previously regions tended to work independently. It has seen all areas come together, share ideas, data and best practice and a continuation of this partnership working approach will be key to the recovery process. This should also be mirrored by a more coordinated approach and response across agencies with streamlined and common objectives. A more formalised partnership structure would facilitate improved, aligned and more locally coherent strategic responses. It would also allow a more efficient use of diminishing financial resources and remove any organisational overlap and duplication of efforts.

41. The rate of change within the public sector over the last three months has shown that innovation can be achieved quickly, demonstrating that public policy could be much more adaptive going forward. However, any local recovery will need to be properly resourced in terms of staffing and financial packages to ensure delivery of identified actions. Interventions should be evidence based and focused on economic need and robust business intelligence.

42. There needs to be open and transparent communication across spheres of government to ensure trust and accountability are maintained. This includes clarification for with both the public and stakeholders where responsibilities and accountabilities rest including the role of non-departmental public bodies /agencies.

43. COVID-19 has exposed regional disparities in health inequalities and economic disadvantage, and risks widening them if the policy response is not sensitive to place. ONS data shows that mortality rates in deprived areas is more than double of less deprived areas. Similarly, recent research by the Centre for Towns found significant variation in the economic impact in different types of place due to the sectoral mix of their local economies. The ability of places to bounce back will depend on underlying factors, such as skill levels, local infrastructure and ability to attract investment.

44. Currently, policy and resource decisions are taken nationally, but delivery is happening locally. Strategies for growth are often based on the assumption that there will be spill over effects of growth from cities which has led to investment aimed at linking areas to these cities, rather than each other. This has also resulted in a public investment bias towards cities across all sectors and exacerbated levels of regional inequality.

### **Lessons / Data Insights**

45. As a result of the crisis, certain data collecting process have been simplified and 'red tape' has been removed to enable quicker responses. This should be built upon to permanently remove barriers around systems and evidence gathering to make it easier for local authorities to support people and businesses. Better data sharing agreements across the public sector would help to drive innovation, productivity and greater efficiency.
46. Standardisation of the collection of data has been useful in responding to the crisis and means that all local authorities and the Scottish Government are able to analyse this to spot trends and make decisions. However, there have been some constraints in relation to GDPR, and a balance needs to be struck to ensure the data collection ask does not become cumbersome. This data can be used as a baseline and built upon to inform future decision making. Economic reaction and progress experienced in other countries should also be considered as part of this.
47. Analysis of lessons learned from the response to the crisis is important, including identifying examples of good practice that can be shared to support recovery.
48. Traditional measures of economic success have been focused on macro-economics instead of wellbeing, social progress and quality of life. Going forward these should be incorporated into any measurement frameworks to ensure a holistic approach is taken.

### **Further information**

For any queries or further information regarding this submission, please contact:-

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