

# **Building Sustainable and Inclusive Growth**

## **Introduction**

- Good afternoon everyone. It is a pleasure to be here today to speak to you about sustainable and inclusive economic growth and what we are doing to deliver it for Scotland.
- We recognise and support the ambition to deliver a more sustainable, productive and innovative industry as reflected in the theme of this year's conference.
- That's why we established the Scottish Government/Construction Scotland Leadership Forum to develop a shared action plan that will deliver on both our built environment aims and on Construction Scotland's industry strategy.
- It is still early days, but I am optimistic it will help us deliver our shared objectives.
- The Leadership Forum is a key part of government's changing relationship with the industry and the shared action plan will look to address the issues that many believe are holding the industry back.

- Around 143,000 people work in construction. And for every ten Scottish construction jobs there are a further six jobs in the supply chain.
- This contribution to Scotland's economy is crucial, but we know there is real scope for growth in the construction sector through more innovative, efficient and greener construction methods.
- This is why we established the Construction Scotland Innovation Centre. We are working closely with the Innovation Centre to support the sector to develop new and innovative products and processes.
- This will support the development of properties across all tenures – domestic, industrial and commercial- as well as R&D led-projects.
- By working together in partnership I believe we can achieve a more sustainable, productive and innovative construction industry in Scotland.

- Inclusive growth is central to Scotland's Economic Strategy, which aims to raise productivity and reduce inequality through fostering innovation, increasing investment, and promoting internationalisation.
- It enables us to look beyond simple headline measures such as GDP to consider outcomes across a broader range of performance criteria.
- This will enable a more rounded assessment of the quality of our economy and the distribution of economic opportunities across Scotland.
- As many of you will already know, to achieve sustainable and inclusive economic Growth there are many key factors which contribute to its success.
- These include boosting investment, providing a highly skilled workforce and ensuring a competitive business environment.
- Having the power to determine our own tax rates and subsidies helps to deliver all that.

- The Non-Domestic Rates Bill, which was passed on 5 February 2020, will allow us to deliver key measures to support growth, improve the administration of the system and increase fairness.
- As Cabinet Secretary for Finance I am committed to do everything I can to ensure that the Scottish Government's Budget supports job creation and sustainable economic development, investing in projects that increase Scotland's capacity for future growth.
- A strong and growing house-building industry is also key to Scotland's future economic prosperity.
- We have introduced the £150 million Building Scotland Fund. Launched in 2018, the fund is a precursor to the Scottish National Investment Bank.
- The finance available through the Building Scotland Fund aims to unlock housing development across all tenures as well as supporting industrial and commercial development by delivering a range of innovative tailored interventions to fill financing gaps.

- For example It has provided funding to Sigma Capital to deliver much needed good-quality private-rented family accommodation across Scotland. The first sites for this have been identified and it is expected that the first units for this project will be completed next year.
- However, there is more we can do together to lead the property industry to help to deliver a wellbeing economy with quality jobs and net zero carbon emission targets.
- In order to create a prosperous economy for Scotland we must look not only at growth, but maximise economic opportunities and overcome significant challenges to drive this agenda for the wellbeing of our citizens.

### **Wellbeing Economy**

- The concept of a Wellbeing Economy brings together the economic, social and environmental objectives of the government.
- We value the wellbeing of our citizens, but we recognize that, to achieve that, we need an economy that works for all the people of Scotland and not just for the few.

- There is a growing acceptance that Gross Domestic Product (GDP) is not a good measure of national progress despite it being the main or sole focus of much of the coverage of the economy.
- As we look ahead to the challenges of the climate emergency, increasing automation, and an aging population, the argument for a broader definition of what it means to be successful as a country becomes more compelling.

### **National Performance Framework**

- The concept of a wellbeing economy is something, I believe, Scotland has helped to pioneer, over the last decade or more.
- In 2007, we launched our National Performance Framework which we use to chart Scotland's progress.
- It measures a range of issues that affect people's wellbeing - from unemployment to the performance of our care system, and access to green spaces.

- These measures weren't simply picked by government – they are the product of consultation with the public, business, trade unions and charities, and were agreed by the Scottish Parliament.
- When we revised the framework in 2018 – we made 'wellbeing' and 'sustainable, inclusive growth' an explicit part of our national purpose.

### **Inclusive Growth**

- This broader definition of success is also reflected in our economic strategy, launched in 2015, which has a joint focus of increasing competitiveness and tackling inequality.
- We recognised that, following the financial crisis of 2008/09 and with the related growing inequality in advanced economies, we had to look at a more inclusive and sustainable approach.
- Fair and fulfilling employment is central to this. That's why we launched the Fair Work Action Plan to make Scotland a Fair Work Nation by 2025.

- As employers within a competitive industry, it is crucial to consider the quality of jobs and employment you provide to workers.
- During an extended period of slow growth in real wages – a period that is simply without precedent in modern times the Scottish Government has done everything possible under current devolved powers to promote the living wage.
- Well paid, secure employment can offer a route out of poverty and improve the wellbeing of our people, communities and businesses, but it can also improve productivity, competitiveness and innovation.
- Scotland performs well in a number of indicators used to measure inclusive growth.
- Many of you will have seen our latest employment figures with 75% of the working age population currently in employment, closest to the highest on record.
- The gender pay gap for all employees in Scotland fell between 2018 and 2019 to 14.3%, lower than the UK and the lowest on record.

- On the Living Wage, Scotland also remains the best performing of all four UK countries with the highest proportion of employees being paid the Living wage or more at 83.1%.
- Despite this strong performance, there are still opportunities for improvement. We must continue to make Scotland's workplaces fairer through:
  - Continuing our work to tackle the gender pay gap
  - Reducing the disability employment gap
  - Demonstrating leadership in tackling race inequality in employment.
- The move to net-zero emissions targets will also have many impacts, including on our economy, as consumption patterns change and ways of doing business adapt. There will be challenges for us all but also new opportunities.
- We have developed a Fair Work First initiative – and are now attaching Fair Work criteria to public grants, funding streams and public contracts so that we can help incentivise better practise in the workplace.

- We've also established a Scottish Business Pledge - a voluntary partnership between employers, employees and government to demonstrate to businesses across Scotland how they can support sustainable, inclusive growth through fair and inclusive business practice.
- The pledge now has 3 mandatory elements: paying the real living wage; action to address gender pay gap; and avoiding inappropriate use of zero-hours contracts. It now also includes environmental impact for the first time.
- These commitments from Government and industry are central to embedding inclusive growth at the heart of everything we do.

### **Economic Action Plan**

- In order to fully support Businesses to contribute towards this agenda, we recently relaunched the Economic Action Plan which sets out all of the things this Government is doing to drive inclusive growth.
- This plan will help to build a strong, vibrant and diverse economy that promotes wellbeing and attracts investment.

- The actions in this plan will put Scotland at the forefront in transitioning to a carbon neutral, circular economy. This will enable us to reach our net zero targets by 2045.
- Sustainability is a key element to this agenda. Many of you here today work for or represent organisations who have already begun to undertake fantastic work in this area.
- However, the Scottish Government recognises the challenges that the construction and house building sectors will face in achieving this fundamental shift.
- And it is vitally important to ensure that no one is left behind as we transition away from what has been “business as usual” for the industry.
- This is why we are committed to working with you as we develop our 2024 New Build Low Carbon Standard, which we will be consulting on later this year.
- As part of our broader action to reduce greenhouse gas emissions, we are reviewing energy standards for new buildings for 2021, working with industry to identify practical opportunities to improve energy and emissions performance in new buildings.

- We want to ensure that we have a housing system and commercial property industry that is dynamic and resilient enough to respond to future changes and challenges, and that is sustainable for the future.

### **National Planning Framework 4**

- The Planning (Scotland) Act 2019 is a key driver to deliver more good quality homes and create sustainable places.
- We want to create great places, for people to live in an environment that supports wellbeing, with access to facilities and the necessary infrastructure to tie it all together.
- It is crucial that this is taken forward in a way which supports the right housing in the right places not just in terms of numbers, but as an integral part of a place-based approach to planning for housing.
- We want everyone in Scotland to have access to a good quality home that they can afford and that meets their needs.
- As part of this we are investing over £3.3 billion to deliver 50,000 affordable homes in Scotland by March 2021.

- We're also working to make it easier for first-time buyers to buy a home.
- That's why we launched our First Home Fund last December which provides first-time buyer with up to £25,000 to help them buy a home that meets their needs in the area where they want to live.
- Help to Buy (Scotland) represents one part of a wider and substantial package to support home ownership more generally.
- Since 2013, Help to Buy (Scotland) has supported the purchase of over 15,000 new build properties and supported over £2 billion in sales.
- We are committed to Help to Buy (Scotland) to 2021. We are working with the housing sector to look at how best to deliver affordable homes beyond 2021, which includes the future of Help to Buy in the longer term.
- The Building Scotland Fund has now also agreed investments of £100 million, unlocking projects in excess of £238 million.

- This includes £75 million of housing investment supporting the development of 5,500 new homes and around 600 full time jobs, together with other regeneration, industrial and commercial property investments.
- These investments will deliver wider regeneration and place-making opportunities and continue to support housebuilding growth in Scotland including the Small to Medium Enterprise housebuilding sector.
- And, as a result of the Planning Act, the National Planning Framework is required to contain ‘targets for the use of land for housing’ in Scotland.
- Work has now commenced on the fourth National Planning Framework and we are considering the way in which requirements for housing land could be defined to meet this requirement.
- The fourth National Planning Framework will look to 2050 and will play a significant cross-cutting role in shaping the delivery of the Government’s policies locally, through decisions made in the planning system and influencing the priorities of Government, agencies and the private sector.

- Climate change, well-being, housing and infrastructure are some key factors that will be part of the policy review.
- It will guide spatial development, set out our national planning policies, designate national developments and highlight regional spatial priorities.
- We have opened a Call for Ideas and are inviting comments by 31 March. I would encourage you all to participate in this and our Scotplan 2050 Roadshow to discuss priorities for the fourth National Planning Framework.

### **Importance of Real Estate Industry in Scotland**

- Furthermore I would like to make clear how committed this Government is to the importance of this sector in growing Scotland's Economy. This is evident, for example, through our presence at MIPIM event in France.
- As the largest real estate event in the world, it brings together the investment and development community and public sector partners.

- 2019 was the first time that there was a Team Scotland pavilion at MIPIM aligning Scottish Government, Scottish Enterprise, Glasgow City Council, the City of Edinburgh Council, Aberdeen City Council, the Scottish Property Federation and the Scottish Cities Alliance together under one roof.
- This presence is a long-term play to build Scotland's brand as an investment destination, bringing in more funding, more developers and, ultimately, more jobs.
- Already we have demonstrated that our MIPIM presence has taken a step up and shows increased depth and maturity in how Scotland approaches the investor market.
- Scotland at MIPIM is a shining example of the success of how public and private sector can work successfully together.
- SPF has brought both expertise and insight - and a range of contacts for all of Scotland - and that role is valued very highly by all other MIPIM partners.

- We welcome the ongoing commitment from the Scottish Property Federation (SPF) to this joint working which will, I am sure, will deliver an even more successful MIPIM in 2020.

## **Conclusion**

- We must ensure that growth is sustainable and leads to increased wellbeing for all the people of Scotland no matter where they live, or who they are.
- This will ultimately benefit you as employers; having a productive workforce which is healthy and skilled to help contribute to its success.
- We want a country that delivers more, better quality jobs, so jobs are fulfilling and contribute to individual wellbeing and our economy.
- Well paid, secure employment not only offers individuals a route out of poverty, but enables us to sustain our finances and deliver better services.
- I encourage you all as employers to consider this within your own businesses going forward.

- I hope the points I have raised today demonstrate the Scottish Government's commitment to continuing to work with key industries such as yours and its stakeholders in order to help deliver a fairer, resilient, sustainable Scotland.
- I am confident that many of you here share that ambition.
- So I'm delighted to be here, and I look forward to your questions.

**End**

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