

Fairer Scotland Duty Assessment - Summary

A Trading Nation – a plan to grow Scotland’s Exports

November 2019

FAIRER SCOTLAND DUTY ASSESSMENT - SUMMARY

<p>Title of Policy, Strategy, Programme etc</p>	<p>A Trading Nation – a plan to grow Scotland’s Exports</p>
<p>Summary of aims and expected outcomes of strategy, proposal, programme or policy</p>	<p>A Trading Nation is the Scottish Government’s export growth plan and sets a direction on how we can grow Scotland’s exports using data driven analysis and market intelligence to identify priority sectors, markets and types of businesses and how we can focus our resources and policies to successfully deliver that growth. In doing so the Plan will help to deliver on Scotland’s wider ambition of achieving sustainable and inclusive economic growth.</p> <p>The target of this Plan is to grow Scotland's international exports from 20-25% of GDP by 2029. If achieved it is estimated that this would contribute £3.5bn to GDP, create around 17,500 jobs and add around £500m in tax to the economy every year. This would benefit individual businesses as well as the wider economy, providing revenue to support delivery of vital public services.</p> <p>Developed as a commitment in the 2018 Programme for Government <i>A Trading Nation</i> builds on existing economic strategies and the work of the Enterprise and Skills Strategic Board and also contributes to National Performance Framework outcomes:</p> <ul style="list-style-type: none"> • Economy – We have a globally competitive, entrepreneurial, inclusive and sustainable economy • International – We are open, connected and make a positive contribution internationally • Fair work and business – We have thriving and innovative businesses with quality jobs and fair work
<p>Summary of evidence</p>	<p><u>Trade and Inclusive Growth analysis paper</u> Analysts in the Office of the Chief Economic Adviser (OCEA) have produced a specific Trade and Inclusive Growth paper which considers and collates relevant evidence of links between trade and inclusive growth and the potential for inequality and socio economic impacts:</p> <ul style="list-style-type: none"> • International trade has been central to the rapid increase in growth and living standards globally, however, it is recognised that trade has significant distributional consequences within a country. • In theory trade can drive inequality and can lead to low-skilled workers losing out to more highly skilled counterparts. However, empirical studies do not support this finding, instead finding only modest impacts from trade on inequality. • Trade has regional impacts with some sectors representing a small proportion of total Scottish jobs. However this could be crucial in an area where there are a lack of alternative employment opportunities.

- Trade can impact on inclusive growth. However, **generally the solution is not to restrict trade** (which can cause negative economic consequences) but to ensure complimentary measures are in place to protect against any negative distributional consequences (e.g. effective tax systems, education programmes and retraining programmes).

While this paper was not produced for the purposes of linking to the Plan it does provide some key evidential points that are of relevance to the considerations in this assessment.

Specific Plan actions

Set against these key considerations the Plan provides evidence in the form of a range of actions and commitments to work with relevant partners to ensure successful delivery that will help achieve sustainable and inclusive economic growth without creating inequalities of outcome caused by socio economic disadvantage.

At Section 1.7 (*Scotland: a good global citizen*) of the Plan outlines our commitment to ensuring Scotland is a modern, inclusive nation that protects and recognises human rights and embeds equality across all of our policies. **The Plan sets an expectation that Scottish based businesses will adopt ethical business practices, conduct appropriate due diligence on business partners and will be aware of local business conditions in export markets.**

In Section 7.1 the Plan provides evidence of the economic impacts of exporting and the significant gains that can be achieved - higher exports boost economic growth by contributing directly to GDP and trade improves productivity over time through the diffusion of new technology, increased competition, investment and exploitation of economies of scale.

These economy wide benefits can also deliver benefits to individuals through job creation and wage growth –**research by OECD (Organisation for Economic Co-operation and Development) shows exporters typically pay higher wages than non-exporters -**

<https://www.oecd.org/site/tadicite/50286917.pdf>.

Collaboration with Enterprise Agencies

Section 6 of the Plan sets out how many of the actions will rely on Scottish Development International (SDI) as the primary delivery arm of our enterprise agencies. SDI is the operational arm of Scottish Enterprise (SE) and supports delivery of the aims of their business plan.

We will work in collaboration with Scottish Enterprise (SE) and SDI and ensure there is alignment with the aims and outcomes of their business plan. The business plan sets out commitments that all parts of Scotland can access more opportunities to generate and benefit from growth by taking account of:

- Who and where benefits - to help tackle inequality and increase the capacity of the economy

- Job Quality – to increase employee wellbeing and increase productivity levels.

This inclusive approach to growth will ensure that support and resources are appropriately targeted to fit with these aims.

Scottish Enterprise Business Plan

SE's business plan will also be tracking aspects of their activities to help measure and understand how inclusive and sustainable those activities and what impacts there are across all parts of Scotland.

In areas such as female-led businesses and number of social enterprises SE have established baseline data to allow the introduction of outcome measures for inclusive growth in future plans.

SE will work collaboratively with the Scottish Government and partner agencies to use data and evidence around any impacts to help shape future policies and actions. Some of the tracking measures include:

- Outcomes achieved in areas of disadvantage i.e. tracking and monitoring of outcomes that are achieved in local authorities with low employment rates (or high unemployment rates) as a proxy for areas of disadvantage
- Number of companies engaged and supported to develop approaches to fair and progressive workplace practices
- Number of social enterprises, employee owned companies and cooperatives supported
- Number of account managed companies adopting key inclusive and responsible business practices, e.g. adopting the living wage to all employees over 18 years old; avoiding zero hours contracts; better workforce engagement; investing in youth; gender balance boards, and a diverse workforce; playing an active role in the community
- Number of account managed companies that are women-led
- Number of jobs created by account managed companies

External Stakeholder Engagement

Specific feedback was sought from relevant external stakeholders – Joseph Roundtree Foundation (JRF), Carnegie Trust, Fraser of Allander Institute and the Institute for Public Policy Research (IPPR) - all of whom have a background in considering and advising on issues of socioeconomic disadvantage.

Of these only JRF responded with the following key points:

- The strategy (Plan) talks about productivity and new jobs as a route to improving the lives of those in Scotland. In practice this doesn't work and can embed existing inequalities.
- Ensuring quality of jobs is really important as well as looking at place based inequalities - focus on the tourism sector is one for particular attention.
- In sectors where better quality jobs are available pathways into these jobs for those normally excluded needs to be considered.

- There is a risk that businesses with a model of low pay and zero progression i.e. economic growth ahead of inclusive growth - will get support via the export strategy.
- In order for the actions in the export strategy to lead to inclusive growth an extra layer of analysis is required that looks at the outcome framework for inclusive growth:
<https://www.inclusivegrowth.scot/resources/data-and-analysis/2018/06/inclusive-growth-outcomes-framework/>

In addressing these specific points the following evidence of where the Plan and/or the wider Scottish Government is taking steps to mitigate these aspects.

Fair Work First policy

–The Scottish Government’s Fair Work Action Plan, published in February 2019 sets out how we will help employers to embed fair work principles in order to support a diverse and inclusive workforce.

This includes a commitment to implementing “Fair Work First”. The Fair Work First approach will use conditionality as a lever on any funding provided, to help and support businesses, including to commit to:

- investment in skills and training.
- no inappropriate use of zero hours contracts.
- action to tackle the gender pay gap.
- genuine workforce engagement.
- paying the real Living Wage.

Over the course of this year (2019) engagement with enterprise and skills agencies, public sector partners, industry, the third sector and trade unions will help to support wider implementation of Fair Work First by 2021.

The Plan will link to this through delivery of actions by our enterprise agencies – SE and SDI – and the financial support for exporting businesses they work with.

We have engaged with Fair Work colleagues to raise awareness of the Plan and its aims. We will continue to collaborate and engage with them where necessary on aspects of the work they are undertaking to support those business move towards fairer working practices.

In addressing the point about considering *pathways into better quality jobs for those normally excluded* the Plan’s overall aim is to support and encourage businesses to either begin exporting or for existing exporters to expand and increase their exporting activities. It is recognised within the Plan that this **could** lead to employment opportunities **but** it is currently outwith the scope of Plan delivery to control how and where employers choose to create those opportunities. However helping potential exporting business to implement fairer working practices through the conditionality requirements of the Fair Work First policy should help to mitigate these risks. In addition this is a live and evolving Plan that will be further developed as evidence of **all** of its impacts are analysed, including consideration of any evidence that supports the

need to undertake work to develop better employment pathways. Overall the Plan recognises the need for us to deepen our understanding of the economic impacts of exporting and that this will be an ongoing process which will be developed with partners over time to better inform resource allocation and strategic choices.

Part of our commitment to undertake further development of the Plan will include gathering evidence of its impacts through a specific monitoring and evaluation framework that will analyse and measure its impacts (including those that could unexpectedly result in inequalities or socio economic disadvantage). This analysis will allow us to consider what wider Scottish Government work could be undertaken to mitigate any impacts or consider the scope to put in place relevant complimentary measures against any negative distributional consequences from our efforts to deliver inclusive economic growth.

Overall successful delivery of the Plan's aims should contribute significantly to inclusive economic growth and in turn this should have positive impacts for all of the people of Scotland by ensuring we have a more resilient and healthy economy.

Summary of assessment findings

In undertaking this assessment we have considered all potential direct or indirect socio economic and equalities impacts from development of the policy or the proposed focus and actions of the Plan.

The data and analysis evidence that underpin the Plan demonstrates how economic benefits can be achieved by improving business productivity which can result in positive impacts for individuals through the creation of more and better quality jobs and growth in wages.

In aligning with the Fair Work First policy we can also help to support those export companies targeted by the Plan to move towards implementing fairer working practices. Information gathered supports that fair jobs and fair pay can benefit employers, i.e. improved recruitment and retention, more motivated staff with the right skills – all supporting increased productivity. For employees this can mean increased security and opportunities to develop and use their skills, and to have a say in their role and the business. Together this benefits individual workers, businesses and wider society.

Throughout the development of this plan officials in the Directorate for International Trade and Investment have consulted with agencies, industry and industry representative bodies across a number of sectors, including: tourism; life sciences; financial and business services; chemical sciences; mining; energy; engineering; construction; food & drink; textiles; creative industries; forestry and timber technologies and the digital sector. We have also engaged with other key stakeholders such as SCDI, Chambers of Commerce, CBI Scotland, IoD, FSB, Universities Scotland, and the Fraser of Allander Institute.

In total more than 30 organisations have been consulted in the development of this plan, albeit these consultations were not focused on seeking views on the potential for the Plan to have impacts that could potentially result in inequalities of outcome caused by socio economic

disadvantage. However there is no evidence from this engagement that any of the business or internal policy representatives raised such concerns or that this would be a significant consideration in development of the Plan and delivery of the actions.

Despite seeking the views of a range of external organisation with the relevant expertise in addressing socioeconomic disadvantage only one response was received. The evidence captured did highlight some concerns set against those concerns there is evidence of how the Plan will engage wider Scottish Government Fair Work policy to align with the actions and commitments to fairer working practices they are taking and how collaboration with our enterprise agencies (SE/SDI) will also support that work. Fair Work is a key driver for inclusive and sustainable growth: by adopting fairer working practices, employers can benefits individual workers, their business and the economy.

In addition as part of delivering the Plan we are working with OCEA to develop and integrate a monitoring and evaluation analysis framework. This will measure delivery outcomes. The framework will also seek to analyse and measure any impacts on low income groups/ deprived areas for example through recruitment/ expansion that could result in inequalities or socio economic disadvantage. This will provide us with the relevant evidence needed to consider what if any action or changes to the next iteration of the Plan are needed.

We are committed to continuing to work with internal policy colleagues, external stakeholders and partners to refine or improve this plan over time where there is need to do so. We will use analysis of the evidence collated by the evaluation and monitoring framework to undertake development of the focus of the Plan and take any mitigating action should any impacts become apparent.

In view of this there are no planned changes to the policy as it stands. However as stated this is a live and evolving action based Plan with the potential for ongoing change or redirection as the evidence of export performance continues to be collated, analysed and evaluated. That being the case we undertake to keep the requirements of the Fairer Scotland Duty under continual review.

Sign off

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