



SURF 2021 MANIFESTO PROCESS: INCLUSIVE GROWTH

ABOUT THIS PAPER

SURF is **consulting** with its **members** and **wider contacts** to prepare a **2021 Manifesto for Community Regeneration**. The 2021 Manifesto will set out what SURF's network thinks the **Scottish Government** should be **doing differently** to better support the regeneration of socially and economically challenged places over the next term of the Scottish Parliament.

SURF's consultation process is structured on **13 key themes**. This briefing paper concerns one of these themes: **inclusive growth**. This broad topic encompasses economic development, place-based inequalities, private & social enterprise, business infrastructure, employability, and skills.

Briefing papers are circulated to SURF consultees with relevant knowledge and experience with a view to sharing **helpful background information** on the process and theme in advance of consultations. Please click the following links to **learn more** about: [What is SURF?](#) How will the [2021 Manifesto be developed?](#)

SUGGESTED QUESTIONS

During the coronavirus crisis, **SURF policy and research staff** will be consulting via telephone calls, video interviews, and by requesting email submissions. **SURF is grateful to all participants for their time.**

The **following questions** will be used to structure interviews and submissions. They are **optional** and participants may answer as many or as few as they wish. **General comments and views** relevant to the theme are also very welcome.

1. What do you understand by inclusive growth?
2. The Scottish Government has announced and taken a range of actions to promote a more equitable distribution of economic growth, including those highlighted in this paper. Do you think these actions are having, or will have, the desired impact?
3. Do you think the Scottish Government should be doing more to ensure Scotland's poorer places are better integrated into emerging economic growth opportunities?
4. Do you have any views on the effectiveness of the current provision of employability and skills support services, particularly with regard to supporting inclusive growth aims?
5. The Scottish Government's Place Principle is intended to encourage more collaboration across businesses, the public sector and local community groups, to achieve better social and economic outcomes for local places. Do you know of any examples of increased cross-sector collaboration that are supporting the inclusive growth agenda?
6. Among other actions, the Scottish Government has created multiple short-term funding programmes to support businesses and social enterprises during the COVID-19 pandemic crisis period. Do you have any views on its current response to the COVID-19 economic situation?
7. Accepting that the COVID-19 situation is still unfolding, what measures do you think the Scottish Government should be putting in place to alleviate the economic impacts?

8. Some SURF members have identified a spike in youth unemployment as a particularly damaging anticipated outcome of the pandemic. How do you think this can best be addressed?
9. In the context of the climate emergency, COVID-19, Brexit, and the rising automation of work, what do you think needs to be done to help the Scottish economy cope with so many pressing challenges?
10. Do you have any other views or suggestions on what the Scottish Government should be doing differently in the future with regard to its economic strategy?

MANIFESTO FOCUS

Some **general information** for participants:

- SURF intends to **record interviews**, for internal use only in supporting the taking of summary notes. Permission to record will be requested at the start of each interview and recording will only take place where active consent is given.
- All individual responses will be **anonymised** in the Manifesto. With permission, SURF intends to publish a list of consultees in the final presentation, noting that inclusion of an individual or organisation does not necessarily imply their agreement with the presented policy recommendations.
- SURF's 2021 Manifesto is **targeted at the Scottish Government** that will be formed after the 2021 Scottish elections. Policy recommendations must be **practical** for the Scottish Government to progress or deliver within its powers and resources over the 2021-2026 Parliamentary term;
- SURF's overall objective is to **improve the lives and opportunities of people living in Scotland's socially and economically challenged places**.
- The consultation process will run while the **COVID-19 pandemic** is unfolding. The long-term implications for Scotland's economy and society are likely to be significant. SURF would like to learn more about views on these implications and several questions are specific to COVID-19.

DEFINING INCLUSIVE GROWTH

Having increasingly gained traction in policy-making discourse internationally, inclusive growth was adopted by the Scottish Government in its Economic Strategy in 2015. The Scottish Government use the following definition: "growth that combines increased prosperity with greater equality, creates opportunities for all, and distributes the benefits of increased prosperity fairly."ⁱ The Institute of Public Policy Research, however, in its 2019 study of Inclusive Growth in Scotland for the Poverty & Inequality Commission, reported a lack of consensus around what this means in practice.ⁱⁱ

Inclusive growth aims to 'front load' wealth redistribution by strengthening the economy while delivering outcomes that reduce inequalities, prior to taxation and wealth transfers. SURF's view is that delivering inclusive growth requires a comprehensive approach, covering all aspects of public policy in relevant spheres including economic development, enterprise, employability and skills.

SCOTTISH GOVERNMENT INCLUSIVE GROWTH POLICY

Labour Market

Facilitating inclusive growth is a key aspect of the Scottish Government's Economic Action Plan for 2019-20.ⁱⁱⁱ Its policy interventions largely focus on the places and people that are furthest removed from the economy and the job market, and aim to tackle pressing issues such as: in-work poverty, poor job quality, inequality in access to labour market opportunities, and persistent poor outcomes for disadvantaged groups and those furthest from the labour market.

Specific policies include those outlined in the Fair Work Framework^{iv} and the Labour Market Strategy^v, both published in 2016. There has been a general emphasis on employers to take the initiative in addressing fair work challenges. The Scottish Business Pledge was relaunched in 2018, and encourages businesses to take a

socially responsible approach, by paying the living wage, ending use of zero hours contracts wherever possible, and closing the gender pay gap. At present 744 businesses have signed up to the pledge.^{vi}

Mitigating wider inequalities is seen as essential to ensuring equal access to the labour market as part of a shift towards inclusive growth. The Scottish Government has recognised that structural barriers are preventing progress.^{vii} Among the actions it has taken to correct this are: helping parents with expanded childcare provision; the creation of a Fair Start Scotland service offering enhanced employability support to disadvantaged groups; and addressing the attainment gap in education by investing £100m in improving educational outcomes in Scotland's most deprived communities.^{viii}

Growth Sectors

The current Economic Strategy identifies six sectors where the Scottish Government believe Scotland has a distinct advantage over comparable countries and regions: Food & Drink (including agriculture & fisheries); Creative Industries (including digital); Sustainable Tourism; Energy (including renewables); Financial & Business Services; and Life Sciences.ⁱ

Concerns have been raised about the economic consequences of COVID-19 and Brexit for the growth sectors.^{xxiii ix} The growth sector focus has also been criticised as failing to reflect the inclusive growth agenda, as they are already higher paid sectors. Greater attention on the 'everyday economy' may produce better inclusive growth outcomes.ⁱⁱ

Place-Based Approaches

A key mechanism for delivering place-based inclusive growth are City Region Deals and Regional Growth Partnerships, a key feature of the Scottish Government's 2016 update of its *Agenda for Cities*.^x The broad purpose of these cross-government partnerships are to promote enhanced growth in regional economies, through structured interventions including additional investments in infrastructure and innovation.^{xi} The Institute of Public Policy Research has noted considerable variation in the extent to which inclusive growth is being actively pursued in different cities and regions.ⁱⁱ

The Scottish Centre for Regional Inclusive Growth was established by the Scottish Government in 2019. It offers resources and support to local areas, regional partners and other stakeholders seeking to develop their inclusive growth aspirations.^{xii} The Centre has produced an Inclusive Growth Diagnostic Tool, and has piloted it in North Ayrshire to explore how inclusive growth can be practically delivered in an economically challenged post-industrial region.^{xiii}

Inclusive growth is also a key focus of Scotland's three enterprise agencies – Highlands and Islands Enterprise, Scottish Enterprise and the recently established South of Scotland Enterprise, all of which receive central Scottish Government funding. An additional inclusive driver is the Place Principle developed by the Scottish Government and the Convention of Scottish Local Authorities, which aims to increase collaboration in place-based regeneration and better combine energy, resources and investments across sectors and stakeholders.^{xiv}

Employability and Skills

Targeted interventions around employability and skills are a central focus of Scottish Government inclusive growth policy, as outlined in its 2016 *Creating a Fairer Scotland* employability strategy, the 2018 update, *No One Left Behind*, and the 2014 *Developing the Young Workforce* plan.

At the core of these documents is a commitment to designing and providing flexible, person-centred services that treat individuals fairly and with dignity. There is also an emphasis on better integration in service provision, given the increasing range of partners involved in providing, and referring to, employability services; and a goal for all services to be aligned towards pathways into sustainable fair work.^{xv xvi xvii}

In 2019 a dedicated *No One Left Behind* funding stream was created by the Scottish Government, for delivery in partnership with local authorities. The fund aims to create responsive local employability programmes, targeted at referrals from local authority social work departments, Skills Development Scotland and third sector organisations. The programmes are expected to support 2500-3000 individuals during 2020-21.^{xviii}

Social Enterprise & Community Wealth Building

The Scottish Government provides a number of dedicated support budgets and programmes to encourage the growth of social enterprises, many of which work towards local regeneration objectives. Its current 2017-2020 Social Enterprise Action Plan prioritises the stimulation of new social enterprises and the growth of established ones.^{xix}

The first national audit of social enterprises in Scotland, by Social Value Lab in 2015, indicated that the country has more than 5k active social enterprises, generating £1.15bn in trading income. The audit found that 45% of social enterprises aspire to create employment opportunities and 33% to tackle poverty.^{xx}

The Scottish Government has demonstrated a growing interest in community wealth building, an alternative approach to economic development that explicitly seeks to increase wealth retention in local economies through dedicated initiatives and interventions. The three local authorities of Ayrshire are managing a £3m community wealth building fund as part of a pilot project supported by Scotland's Centre for Regional Inclusive Growth.^{xxi}

Economic Implications of COVID-19

In June 2020, the Organisation for Economic Cooperation and Development predicted that the UK would face the deepest post-COVID recession out of all the developed nations.^{xxii} The Fraser of Allander Institute anticipates a severe recession in Scotland that with long-term 'scarring' effects.^{xxiii}

The Scottish Government has created an independent Advisory Group on Economic Recovery to inform its economic response to the pandemic.^{xxiv} Evidence provided by the SURF network to the Advisory Group highlighted the potential of the post-pandemic recession to exacerbate economic challenges in already deprived places, and to disproportionately affect individuals who are younger, with less experience and skills.^{xxv}

The Fourth Industrial Revolution & the Climate Emergency

In addition to COVID-19 and Brexit, there are further anxieties about the future of the Scottish economy in the context of technological change. Some economic analysts predict that an increasing number of existing jobs and routine tasks will be automated in future, potentially setting conditions for a rapid rise in unemployment amid the disruption.^{xxvi}

A 2019 joint report by Skills Development Scotland and the Scottish Council for Development and Industry proposed 34 ideas to support the Scottish economy to thrive in what it termed the 'fourth industrial revolution'.^{xxvii}

The climate emergency has also been identified as a major challenge for the Scottish economy – and an opportunity. The Scottish Government has announced that a forthcoming update of its Climate Change Plan will contribute to a green economic recovery.^{xxviii}

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End of briefing paper (SURF contact details and references follow)

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Interviews will be carried out by Christopher and by SURF Policy Manager, Derek Rankine.

For further information on SURF, please visit: www.surf.scot

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