



Scottish Government

Consultation response

Call for Views: Advisory Group on Economic Recovery

The Scottish Council for Development and Industry (SCDI) is Scotland's Economic and Social Forum. We are an independent and inclusive economic development network representing all sectors and all geographies of the Scottish economy. Our mission is to convene our members, partners and stakeholders across the private, public and third sectors to deliver inclusive and sustainable economic growth for Scotland.

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INTRODUCTION

The COVID-19 pandemic has created both a public health crisis and an economic crisis. The crisis is unprecedented in its complexity. It presents significant challenges for government, employers, workers and communities. As we move from responding to the immediate challenges to recovery the importance of partnerships across public, private and third sectors, and across local and national boundaries, has never been greater.

SCDI members have highlighted the strengths and opportunities Scotland has before it. They remain ambitious for Scotland and believe in an economy and a society for the benefit of all. Our ambition for Scotland is to build a recovery which creates the most inclusive, sustainable and competitive economy of any small nation in the world.

The need to address the significant and long-standing challenges faced by the Scottish economy before the COVID-19 crisis is evident. Government investment and intervention must be shaped by the realities of subdued growth, weak productivity, rising inequality, skills gaps, labour shortages and concerns about fair work.

Recovery will require evidence-based policy interventions and investments by government to be delivered at pace and at scale in partnership with business, industry, academia, trade unions and workers,

Action to build back better needs to ensure we are fit for a future of technological, environmental and social disruption and transformation. It will also require a vision for clean growth which both increases prosperity and reduces emissions on Scotland's road to net-zero by 2045.

Key Priorities

SCDI's key priorities for an inclusive, sustainable and competitive economy below provide a useful framework for intervention and investment which have the potential to build a strong recovery and kick-start a virtuous economic cycle. The crisis has served to reinforce many of the drivers and conclusions SCDI has highlighted through its work in relation to the following areas:

- **Skills**
- **Infrastructure**
- **Investment**
- **Place**
- **Innovation**
- **Trade & International**

SKILLS

The technologies of the Fourth Industrial Revolution – from automation and Artificial Intelligence, to digitisation and Big Data – are transforming and disrupting our society and our economy. The crisis and the lockdown have only accelerated this transition and deepened its disruptive impact on employers, educators, learners and workers, as many of us adapt and adjust to remote working and home learning via digital technologies.

The way we live and work has changed and will continue to change – as will the skills which Scotland's workforce need to compete and thrive on the global stage. We need a paradigm shift in how we think about and invest in learning to keep pace with change and maximise gains for productivity and fair work, as machines are deployed to improve the level and

quality of life and work for people. Harnessing the talent and perspectives of all of our people, is key to improving Scotland's performance. There is much more to be done to ensure everyone's skills are recognised and harnessed.

Committing to flexible, bite-size learning for everyone at all stages of their lives and careers would accelerate reskilling and upskilling across the workforce.

SCDI's Skills & Employability Leadership Group Report, *Upskilling Scotland: The Future of Skills and the Fourth Industrial Revolution (2020)*, recommended the setting up of an Upskilling & Lifelong Learning Fund to deliver universal and lifelong entitlement to learning. Such a fund would empower every Scottish adult to partly or wholly fund reskilling or upskilling opportunities at any stage of their life or career. Access to learning and funding is often a significant barrier to reskilling, upskilling and lifelong learning. A fund which removes these barriers would empower workers and learners to become more resilient and productive in the face of changes in technology or the labour market, especially in the recovery from the COVID-19 crisis. The report also highlighted the need for a particular focus on supporting green reskilling and upskilling on the road to net-zero.

The report also calls on universities and colleges to expand and develop a more flexible, accessible and bite-size learning offer underpinned by reformed support and incentives from the Scottish Government and the Scottish Funding Council. Learning opportunities need to be flexible to improve access and widen participation; tailored to employer, sector or personal needs and priorities; responsive to new and emerging trends and technologies; informed by enhanced engagement with industry; and delivered in short, modular or bite-size segments via a hybrid model of online and offline channels.

Recommendations

- *The Scottish Government should establish an Upskilling & Lifelong Learning Fund which empowers every Scottish adult to partly or wholly fund reskilling or upskilling opportunities at any stage of their life or career.*
- *Scotland's universities and colleges to expand and develop more flexible, accessible and bite-size learning opportunities underpinned by support and incentives from the Scottish Government and the Scottish Funding Council.*
- *Scotland's employers should adopt innovative, inclusive recruitment models which support and increase diversity and conduct step-by-step, root-and-branch reviews of their recruitment practices to screen for conscious or unconscious bias.*
- *The Scottish Funding Council and the Scottish Credit and Qualifications Framework Partnership should work together to develop a systematic, nationwide approach to the recognition of prior learning developed through informal or non-formal learning.*

INFRASTRUCTURE

Workers and learners have been forced to adapt to remote, flexible and home working and learning in the middle of a public health crisis, often while managing family and caring responsibilities. Employers have moved jobs online, while educators have also shifted to digital provision. In April, with all non-essential workplaces closed down, nearly half of Scotland's workforce was working from home, up from just 4% in January. Scotland's workforce proved themselves to be highly adaptable and resilient in the face of unprecedented disruption.

The way we work and learn may never be the same again. It is unlikely that we will return to a world where 'the 9-to-5' in a physical office space is as dominant in our working lives. More people will work or learn from home more often, commuting or traveling for work less often

and communicating or collaborating with technology more readily. We will move to a hybrid online-offline model of working and learning. Many have enjoyed a better work-life balance which has the potential to improve health, wellbeing and productivity, however others feel overloaded and under pressure to perform in an uncertain future. It will be vital that these changes enhance rather than undermine fair work and inclusive, sustainable growth.

The transition to a hybrid model of work will require significant further investment in our digital infrastructure across Scotland, which has been put under pressure in some areas due to the level of demand from an unprecedentedly large workforce of remote workers. This is particularly true in many rural communities, for whom digital connectivity is now more important than ever and will be a key lifeline to recovery in protecting jobs and improving productivity.

SCDI's Rural Commission Report, *An Economy for All of Scotland: Harnessing Our Potential for Everyone, Everywhere (2019)*, highlighted the distinct needs of rural employers, workers and communities in relation to infrastructure. Prioritising the rollout of physical digital infrastructure to the hardest to reach communities and tackling mobile not-spots would help reduce the gap between urban and rural Scotland, creating jobs and boosting economic activity in some of the worst-affected, tourism-dependent areas of the country.

Increased investment in active travel infrastructure is required to stimulate modal shift, restart key sectors of the economy and reopen key parts of our towns and cities. Active travel brings the advantage of facilitating social distancing during commuting, shopping or socialising for the foreseeable future as lockdown eases. There is scope to capitalise on the behavioural change which rapid, temporary interventions have facilitated by making them permanent.

Strategically or nationally important and 'shovel-ready' transport infrastructure projects should remain a priority and can play a role in creating jobs and kick-starting economic activity, especially in construction and related sectors, but in the context of Scotland's journey to net-zero. A number of ongoing or potential road improvements projects are particularly critical for rural connectivity and road safety such as the A96 dualling, the A9 dualling and a potential A77 upgrade in the South of Scotland.

Recommendations

- *Increased investment in sustainable and active travel infrastructure.*
- *The UK and Scottish governments, utility regulators and the wider public sector should adopt a new approach to valuing investment in infrastructure and the built environment across the full life cycle of the asset which takes full account of its social value and natural value as well as its financial value and economic value.*
- *Accelerate transport infrastructure projects which are strategically- or nationally-important, or are 'shovel-ready', to create jobs, support growth and improve connectivity.*
- *The Scottish Government and Scotland's enterprise and skills agencies, working with the National Manufacturing Institute for Scotland (NMIS) and Scotland's manufacturing industries, should increase the priority given to rebuilding Scotland's production base within Scotland's economic, enterprise and skills strategies.*
- *The Scottish Government and Scotland's enterprise networks should increase support for the development of modern (net-zero?) industrial and commercial property through the Scottish National Investment Bank.*
- *Transport Scotland and Scotland's aviation industry should develop a Scottish Aviation Strategy which maintains and improves the internal, intra-UK and*

international connectivity of Scotland, is consistent with the journey to net zero, and includes a proposition for manufacturers to demonstrate electric and hybrid aircraft which will deliver the Scottish Government's ambition that the Highlands and Islands will be the world's first net zero aviation region by 2040; a target for extension of this across Scotland; measures to reduce emissions on the ground from aircraft, surface vehicles and surface access to Scotland's airports; and carbon offsetting by the aviation industry and air passengers.

INVESTMENT

SCDI strongly supported the creation of the Scottish National Investment Bank and its mission-oriented approach to help Scottish businesses access the patient capital they need to innovate, grow and internationalise. As it launches later this year, the Bank will play a critical role in supporting the recovery by responding to the Climate Emergency and investing in clean growth solutions, infrastructure and technologies. Scotland can better capitalise on our world-class strengths in academia, research and innovation to develop, commercialise and export new net-zero ideas, products and services.

By becoming a leader in clean growth, as a living lab for innovation, Scotland can become a home for truly sustainable business, create new green jobs and build on its strong track record to attract further inward investment from across the world. Encouraging businesses to create more resilient domestic supply chains is key to this. SCDI's **Clean Growth Leadership Group** is developing further ideas to support a **Green Recovery**, which will be published in June 2020.

Digital and data technologies in health and social care represent another key strategic growth opportunity for Scotland in the recovery. Our ongoing **Big Data & Health Economy project**, which will report later in the year, is exploring how technological innovation could transform health & social care to save lives, reduce costs and create jobs. The Bank could unlock significant social and economic opportunities by investing in technological innovations which respond to our demographic, public health and economic challenges, helping our NHS and the wider sector to recover from COVID-19, build capacity and improve resilience to future challenges. This should be a priority area for investment and patient capital in the recovery for compelling social and economic reasons.

Recommendations

- *Clean Growth and AI & Data in health & social care should be priorities for innovation investment and patient capital from the Scottish Government, the Scottish National Investment Bank, Scotland's enterprise, learning and skills agencies, the UK Industrial Strategy, CivTech and other funders.*
- *The Scottish National Investment Bank, working with industry and the Scottish Law Commission, should develop and promote a system or standard which enables innovative companies to value their intangible assets, such as intellectual property, patents and skills, and leverage them to access finance.*
- *Scotland's universities, the Scottish Government and Scotland's enterprise, learning and skills agencies, should implement the recommendations of the Muscatelli Review into how Scotland's universities can improve commercialisation and engagement with industry.*
- *InnovateUK, the Scottish Government and Scotland's enterprise agencies should create a new pre-seed fund which helps to bridge the funding gap between an innovative idea and an investable asset to support start-ups and high-growth firms.*
- *The Scottish Government and Scotland's enterprise agencies, working with the National Manufacturing Institute for Scotland and the utilities industry and its*

regulators, develop a net zero proposition to attract resource-intensive industries to invest in and relocate production to Scotland.

PLACE

The crisis has encouraged many people to reevaluate their priorities and given them a greater appreciation of the value of their local community and the importance of place. Recognition of and reliance on local parks and green spaces, shops and support networks has been heightened by the restrictions on movement. We have long understood the value of place based interventions in enabling the cross sectoral collaboration required to achieve an inclusive, net-zero carbon economy. Building on this knowledge to shape interventions at local, regional and Scotland-wide level is key to recovery.

The short term interventions to adapt places to facilitate active travel and social distancing can also contribute to the longer term outcomes of reducing our greenhouse gas emissions and building an economy which leaves no individual or community behind. Our places will need to be reimagined and redesigned in innovative ways to address these outcomes. Residential and commercial developments, transport infrastructure, pavements and parks will need to be adapted both to enable people's safe return to work and reopening sectors of the economy.

Future projects will need to meet higher sustainability standards and actively support modal shift by prioritising sustainable forms of transport, including pedestrians or cyclists over vehicle drivers. Many of the temporary measures taken by local authorities could become permanent, helping recovery in the shorter-term and reducing emissions in the longer-term.

Recommendations

- *Increased investment in sustainable and active travel infrastructure.*
- *A network of TechHubs should be developed to bring together innovators, entrepreneurs and creatives with professional support in flexible, affordable and high-tech spaces in cities, towns and smaller communities – with opportunities for revitalising private and public sector property assets as economic changes and financial pressures drive “capacity exit” an immediate priority for policy and partnership support.*
- *The Scottish Government, Scotland’s local authorities and the Scottish property industry should work together to create and protect places where the modern, informal economy can best thrive. Scotland’s cities, towns and rural communities need to be able to offer affordable housing, services and work-space where people can live at all stages of their lives, bring up families and come together to socialise, connect and work.*
- *The Scottish Government and Scotland’s public sector should change their approach to sales of vacant and derelict land to prioritise the economic, social and environmental value of the proposed new use rather than the financial return, not only in major regeneration projects but in all disposals.*

INNOVATION

The likelihood of continued social distancing restrictions and the need to reduce greenhouse gas emissions mean the acceleration of the rollout of new and emerging technologies to support connectivity and productivity a priority. Data Lab were tasked by the Scottish Government to lead delivery of an AI and data strategy for an inclusive Scotland in response to recommendations made in SCDI reports: [***Building a World-Leading AI and Data Strategy for an Inclusive Scotland \(2019\)***](#) and [***Automatic... For the People?***](#)

(2018).SCDI is pleased to be part of the ongoing work to develop an AI Strategy for Scotland with The Data Lab and partners,

In addition, programmes such as CivTech and the UK Industrial Strategy should be aligned to deliver increased innovation challenge funding in AI, automation and data in the context of COVID-19 challenges and opportunities. Levels of business investment have more than halved since the beginning of the crisis. Government and the public sector will need to take the lead in supporting innovation which stimulates private sector investment and business activity.

Recommendations

- *Scotland's universities and colleges, and Scottish industries, supported by the Scottish Government, should launch a dialogue with Scotland's people on the key missions for research and innovation, and deliver higher levels of public investment in R&D.*
- *The Scottish Government should establish Future Regulation Scotland, an independent advisory body on innovation, new industries and agile regulation to encourage innovation.*
- *The Scottish Government and The Data Lab, working with industry, public sector, third sector and academia, should continue to develop Scotland's AI strategy.*
- *The Scottish Government should, in partnership with Scotland's tech industry and other partners, produce a Digital Nation Action Plan, which joins up policies to promote the digital economy, digital public services, digital participation and digital connectivity, and defines ambitions to build on them.*
- *The Scottish Government, Scotland's enterprise agencies, higher and further education institutions and Innovation Centres, regional NHS Boards, local government, and the social care sector should develop the social care sector as a pathfinder for geographically dispersed innovation.*
- *The Scottish Government and NHS Scotland should develop a clear and coherent national strategy for AI and data in the health service, including information governance, integrated data systems and a commercial model, mandating a national action plan and committing resources to implement transformation.*

TRADE & INTERNATIONAL

The UK's transition period after formally leaving the EU on 31 January 2020 is scheduled to end on 31 December 2020. The future relationship between the UK and the EU, including the terms of a new trading relationship, needs to be agreed, ratified and implemented before this date. If this is not achieved, the UK will leave the single market and customs union on WTO terms, causing significant disruption across the economy and creating significantly higher costs for the inward and outward flow of goods, services, capital and people.

With progress in negotiations apparently limited to date, the risk of this deeply damaging outcome for the Scottish economy remains high. Moreover, preparing for and managing the transition to a new relationship or to WTO terms will be extremely challenging for most businesses and organisations in the midst of a global pandemic, and would seriously undermine Scotland's recovery. Many employers will have very limited capacity and resources to do so as they deal with the aftermath and the ongoing effects of the COVID-19 crisis on their operations, people, customers and communities.

Scottish business needs urgent clarity on the details of a smooth transition to, an agreed future relationship which protects jobs, trade, investment and growth. The UK Government and the EU should negotiate and agree a comprehensive Free Trade Agreement which will

sustain a strong future partnership based on free, fair and frictionless trade and maintaining key standards which protect consumers, workers and the environment, and which underpin reciprocal access to markets.

Recommendations

- *The UK Government and the EU should negotiate and agree a comprehensive Free Trade Agreement to sustain a strong future partnership, protect mutual cooperation and support further prosperity.*
- *The Scottish Government should develop a specific strand within the Scotland: a trading nation strategy on increasing exports from Scotland's public sector bodies by examining commercial opportunities, business models and partnerships.*
- *The Scottish Government should create a Scottish Trade Policy Observatory to analyse trade policy proposals; advise the Scottish Government and Parliament, and Scottish businesses, public sector organisations, and civic organisations; be an objective source of information on trade in public discussions; and train policymakers and business interests.*