



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Economy, Energy and Fair Work Committee

**Tuesday 10 November 2020**

**Session 5**



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**Tuesday 10 November 2020**

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**ECONOMY, ENERGY AND FAIR WORK COMMITTEE**

**34<sup>th</sup> Meeting 2020, Session 5**

**CONVENER**

\*Gordon Lindhurst (Lothian) (Con)

**DEPUTY CONVENER**

\*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

**COMMITTEE MEMBERS**

\*Colin Beattie (Midlothian North and Musselburgh) (SNP)

\*Maurice Golden (West Scotland) (Con)

\*Rhoda Grant (Highlands and Islands) (Lab)

Alison Harris (Central Scotland) (Con)

\*Richard Lyle (Uddingston and Bellshill) (SNP)

Gordon MacDonald (Edinburgh Pentlands) (SNP)

\*Andy Wightman (Lothian) (Green)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Jack Evans (Joseph Rowntree Foundation)

Peter Kelly (Poverty Alliance)

John Mason (Glasgow Shettleston) (SNP) (Committee Substitute)

Robin McAlpine (Common Weal)

**CLERK TO THE COMMITTEE**

Alison Walker

**LOCATION**

The Mary Fairfax Somerville Room (CR2)



**Scottish Parliament**  
**Economy, Energy and Fair Work**  
**Committee**

*Tuesday 10 November 2020*

*[The Convener opened the meeting at 09:00]*

**Decision on Taking Business in**  
**Private**

**The Convener (Gordon Lindhurst):** Good morning and welcome to the 34th meeting in 2020 of the Economy, Energy and Fair Work Committee. Before I go any further, I welcome witnesses who are joining us remotely and advise them that some committee members are here in a committee room in the Scottish Parliament building and others are joining us remotely. If a witness wishes to respond to a question from a member, it would be helpful if you could type “R” in the chat box—of course, you do not all have to respond to every question.

We have received apologies from Alison Harris and Gordon MacDonald; John Mason is attending as Gordon MacDonald’s substitute.

Do members agree to take items 4 and 7 in private?

**Members indicated agreement.**

**Covid-19 (Impact on Businesses,**  
**Workers and the Economy)**

09:01

**The Convener:** Item 2 is the committee’s inquiry into the impact of Covid-19 on Scotland’s economy, including businesses and workers. Our witnesses join us remotely: Robin McAlpine is the director of Common Weal; Jack Evans is Scotland policy and partnerships manager for work, at the Joseph Rowntree Foundation; and Peter Kelly is director of the Poverty Alliance. I welcome you all. Broadcasting colleagues will operate the comms; please give them a few seconds to switch on your microphones before you start to answer.

What are the most pressing issues for Scotland’s economy as a result of the Covid measures that have been put in place this year?

**Robin McAlpine (Common Weal):** There is an issue that has not been discussed enough. It is not just a question of saving jobs. Everyone has been focusing on jobs, which is obviously an important issue, particularly for under-35s, for whom the job market looks appalling and things are really difficult, but we also have to think about the balance of the economy that we will have after Covid, because that is really important.

The point that I want to emphasise is that if we allow this attrition—the problems that businesses are having during Covid—to take down businesses that do not have reserves, but allow businesses that have reserves to continue work, the risk is that we will lose Scotland’s indigenous, domestic industry base. If we do not get this right, what will happen is that the small, local, independent or community cafe will not be able to trade for nine months, due to Covid restrictions, and will close. However, multinational chains that have reserves or own assets and properties will be able to continue to operate and, when things open up again, will be in a position to expand into parts of the economy where domestic business has been lost.

Scotland is already, arguably, the most foreign-owned economy in the developed world—it is certainly one of the most foreign-owned economies in the developed world. We cannot afford to lose more of our indigenous industry base.

An aspect of the debate that has been poor is the idea that it is all about jobs—any job, all jobs. Of course it is about jobs, and that is particularly true for younger people, but we must also think about the balance of the economy that is left after this crisis and we must remember that any country relies on its indigenous domestic industry base as

a foundation for its economy. We cannot become a wholly foreign-owned, monopolistic economy. That is why we need a scalpel-like focus on the need to intervene not just on jobs but on business protection and business survival.

An enormous amount more could be said about what needs to be done, but I wanted to raise that key factor.

**Jack Evans (Joseph Rowntree Foundation):**

The Office for National Statistics labour force survey results that came out today show that 74,000 fewer people are in work than was the case at this time last year. We know that the impacts of the recession will fall even more heavily on people already at high risk of poverty than has been the case in other recessions, because the economic impacts are centred on leisure, hospitality and other parts of non-essential retail, which are sectors that already had high rates of in-work poverty.

It is also important to point out that, although the furlough scheme provides good support to people, other people are slipping through the cracks, particularly those on insecure, zero-hours and temporary contracts, who are those most likely to have lost their jobs before being furloughed. Furthermore, job creation has not recovered to its pre-recession levels throughout the summer, and that area is likely to be hit again. It is hard for people to find new jobs.

There are some reasons to be optimistic—demand is growing in social care and in distribution and warehousing; there are also some new green retrofitting jobs. The Government must do all that it can to grow those jobs and sectors, and help people to get the skills so that they can move into them.

**Peter Kelly (Poverty Alliance):** I thank the committee for the invitation to attend the session. I will pick up on Jack Evans and Robin McAlpine's points. Some of the most pressing issues that we face are a continuation of problems that our economy went into Covid with.

From our perspective, and from the engagement that we have had with our members, particularly those in the third sector, and with people who are living on low incomes, the experience of economic injustice and inequality was all too common for people going into the crisis. The Covid crisis and our necessary response to it have magnified that.

Although Robin McAlpine is absolutely right to say that the issue is not just about jobs, it is certainly partly about exclusion from the labour market. That impacts on young people in particular. Despite the improved employment statistics that came out today, we are still seeing the expected increase in youth unemployment.

The impact is differential. Certain jobs are being lost, which is to do with the jobs that we have. There has been an impact on women and people from black and ethnic minority communities in particular as a result of some of the measures that have been taken. We need to be particularly conscious in our economic recovery plans of those impacts.

It is not just about unemployment, as Robin McAlpine said; it is about the kind of jobs that we have and about the experience that many people have of the labour market.

I must mention that this is living wage week. We know that 350,000 people in Scotland are still paid less than the real living wage. People's contracts and their positions in the labour market are unstable and uncertain. Again, we can see a differential impact on women, disabled workers and young people.

The issue is the kinds of jobs that we have and the kind and quality of the jobs that we might have coming out of the crisis.

**The Convener:** Many members have questions and I will turn to them now. However, I ask all three witnesses to refer in your answers to what can be done to address the issues that you have identified.

Willie Coffey, the deputy convener, joins us remotely.

**Willie Coffey (Kilmarnock and Irvine Valley) (SNP):** I want to continue with the convener's opening theme. Members will be aware of the advisory group on economic recovery's report that came out in June, and which talks about issues such as natural capital, social networks and so on. I am interested in Robin McAlpine's remarks about smaller indigenous businesses with no resources. How we can progress matters to ensure that those businesses are not left out?

I am not sure that committee members are getting a number of representations from small businesses that do not seem to fall in the categories for assistance. What are your suggestions, and those of the other witnesses, to progress the matter, ensure that that does not happen and that we do not lose those valuable small businesses?

**Robin McAlpine:** We have to get our heads around the fact that this is not a normal crisis. This is an exceptional crisis, with the collapse of demand in the market at the same time as we are getting all sorts of supply chain issues—blah, blah, blah. That is not normal. My criticism of the advisory group on economic recovery's report is that it is normal—it is extreme orthodoxy. It is exactly what Scottish Enterprise would have done last year.

It is not that the report is terrible, but it does not match the problem. I will give you a couple of examples of what we should be thinking of at this stage. Let us take the indigenous industries. From the very beginning of the crisis, I have been arguing that it is not the fundamental nature of those businesses that is the problem. A lot of the cafes, manufacturing places and service-providing companies will be entirely viable as soon as the pandemic is over. What is causing them deep distress is that, while their income has collapsed, their rents and debts are still being serviced. They are losing income, but they are not being protected from their outgoings. There should have been a rent freeze and a debt moratorium for the period of the crisis. Asking businesses to operate when they are paying their outgoings as though their incomings are still normal is the problem. However, those issues are reserved to Westminster.

We need to do something radical. One suggestion that might be considered is to have a national asset co-operative. That is key, because businesses that can hold their assets will be viable when it is time to reopen. If a cafe loses its chairs, it cannot reopen. We need to protect the assets.

It might be worth looking at whether you can create a national fund that would purchase distressed assets—there is no market for empty cafe or retail space—through a co-operative and hold them. That would need to be subsidised with public money—perhaps for the cost of the assets. That would be for however long we still have to go with the Covid crisis—for nine months only, I hope. At the end of that period, the businesses could either buy back their assets or lease them from the national co-operative. If the measure were backed publicly and by the Scottish National Investment Bank, no viable business need go out of business. Whatever happened at the end of Covid crisis, their assets would still be in place.

I suspect that you are probably understating the degree to which you are all being contacted by local businesses saying, “There’s nothing wrong with my business, so long as I can get customers back in. But I’m going down the tubes, because they’re still taking my monthly rent payments on a business that I can’t operate.” That is one of the key problems.

That is a big idea, which I think would be welcome. It would also have the impact of bringing down commercial rents, which would be helpful for a lot of indigenous businesses, although perhaps not so much for the pension funds. However, right now, my heart lies with the businesses, not the pension funds. No one is coming out of this completely unscathed. I think that the pension funds will survive, so it is more important that we focus on the businesses.

The other thing that we must do—again, I do not think that the advisory group on economic recovery looked at this—is, to be frank, to get our hands a bit dirty. We cannot save everything; neither can we save businesses through macro approaches.

The standard Scottish economic development approach is, whatever happens in one area, to stand 100 yards back, tweak and turn levers and knobs and let things flow into and out of the economy. That is not getting your hands dirty. At this point, you must say that this is not just about hoping that there will be new jobs; we have got to make new jobs. We must take action.

The big and screamingly obvious thing that we have pushed a lot is that we will have to reinsulate every house, fit new heating systems to decarbonise and do an enormous amount of work to move to the circular economy that we must have if we are to meet targets. We have done a lot of work on that—we have published an entire costed green new deal. It will take 25 years to do that work and the biggest barrier is that we massively lack the workforce that we need to do those skilled jobs.

09:15

We produced an economic recovery document called “Resilient Scotland”, in which we said that a value judgment should be taken about the jobs that we want to prioritise. Make, build, grow, do and serve productive things, because they pay well—they are high productivity and high value. Take a value judgment about the jobs that we want to support to recover—such as those in manufacturing and high-quality service jobs—and intervene. The standard practice is not to make a value judgment but to stand back and let the market correct, but this is not a normal market, so we must make value judgments.

Simply and straightforwardly, we should learn the lessons of the past. This is FDR time; this is great depression time. We have had two massive economic crises back to back. We had not recovered from the previous one when we hit the next one. This is a big deal. We must think FDR-ish, and the obvious FDR thing is a green new deal to create an enormous number of jobs. This will pay—[*Inaudible*.]—if we get this right; it is the right kind of jobs.

I have given two examples. In one, we should intervene because we are making a value judgment about businesses that we want to save; in the other, we are making a value judgment about the jobs that we want and the supply chains in Scotland that will fuel those jobs. They would not be just public sector jobs; they would create

big supply chains for the Scottish private sector. We need to look at such scales of intervention.

**Willie Coffey:** That is really helpful.

**Peter Kelly:** I endorse what Robin McAlpine said. The question of storing up debts has come to us through contacts not with business but with advice providers and individuals. There is concern about the accumulation of debt and about the moment coming when that must be repaid. We need to think about the economic impact of that on individuals in the next six months or so.

Robin McAlpine made a point about the kind of intervention that we want to make in the economy, the jobs that we want to create and the kind of economy that we want to move to. It is clear that we need to have the green recovery that he talked about. In our response to the advisory group on economic recovery, we emphasised that. We endorsed the climate emergency response group's proposals on investing in retrofitting and so on. Robin McAlpine made the case well for such an approach, given its impact on indigenous businesses and through creating high-value jobs—the so-called high-skilled jobs—down the supply chain. That is important.

We have started to see activity in social care, where we need continued and increased investment. We need to invest in that sector to expand it and improve conditions. We recognise that progress has been made. The Scottish Government has made important efforts with employers in the sector to ensure that the living wage is paid, and we can build on that. As Jack Evans mentioned, the sector will expand; that needs to be a quality expansion that is based on fair-work principles.

On where we create jobs, we should think about the investment in social care and the jobs that we want to create there. That has the added benefit of an impact on a predominantly female workforce. Improving conditions for women will help to tackle in-work poverty and poverty overall.

**Jack Evans:** I will talk about the Scottish Government's response to the group's report under the heading "2.1.1. Supporting recovery through procurement".

JRF welcomes that the Scottish Government highlights that

"procurement spending across the public sector in Scotland presents a vital opportunity to maximise the impact of our investment to boost economic recovery and deliver sustainable and inclusive"

growth.

I am interested in one specific area. I have worked on the real living wage at Poverty Alliance for the past five years, encouraging procurement managers to include a non-statutory insertion of

the living wage. That has been successful and has seen Scotland increase its share of jobs that are paid at the living wage.

As you know, we cannot legally require any public contract to pay the living wage, because of the European Commission's ruling on the posted workers directive. There is an opportunity after Brexit, or with it in mind, to reassess Scotland's ability to procure at the living wage and ensure that every job is paid at the new living wage. We could definitely make an impact in some of the sectors that we have mentioned around social care and also in the construction industry.

**Richard Lyle (Uddingston and Bellshill) (SNP):** We know that many sections are not being helped. Does Robin McAlpine agree that we have to help all the sections of our community to survive the pandemic whatever the cost—a cost that will be paid back eventually, as in FDR's time—and that it is time to be bold?

**Robin McAlpine:** Yes, absolutely. I only add that we spent maybe eight months working on an economic recovery plan and we have tried to be extremely realistic. If Scotland had full fiscal powers, the response would be that it was time to be bold and throw money at the situation, which would repay the money, unlike the cost of dealing with poverty.

Unfortunately, the Scottish Parliament does not have limitless powers. I will set that point aside—this is not a constitutional debate, because this is where we will be for the next few years, as we deal with this situation. We have to consider exactly where we can create substantial investment in the Scottish economy without the assumption that we can do a lot of Government borrowing, because there is a limit on how much Governments can borrow.

We have tried to explain five areas in which Scotland can really hammer investment into the economy without public subsidy. There is no time to talk about them all here, so I am happy to send material to the committee. We have tried to show that public rental housing can be built and supply chains created through the domestic construction industry without subsidy, because subsidy is not needed to build public rental housing if it is done properly via the Scottish National Investment Bank.

The SNIB is another example. We completely concur with the economic recovery group, that Scotland should immediately seek dispensation from the Treasury to allow the SNIB to capitalise from sources other than the Scottish Government, which would mean that it could become an almost unlimited lender, should there be capacity in the economy.



Energy is another key area; we can do an enormous amount to capture the economic benefits of energy for Scotland, which will, potentially, generate jobs.

I want to double the support for what Jack Evans mentioned about public procurement. We spend on public procurement in Scotland in a manner that is almost designed to cut out Scottish businesses. I have campaigned for that to stop for 10 years; it is inexplicable why we have not made it easier for indigenous businesses to get contracts. The food processing and food retail industries in particular would make an enormous amount of money and would benefit greatly if businesses had more access to selling to the public sector in Scotland.

We have tried to say all the way through this period that this is a big investment moment and that Scotland will have to be bold, but it has to work within the limitations of its position. Only so much is possible with the powers of the Scottish Parliament, so Scotland really has to focus on the areas where it can drive big investment into the economy without the requirement for public subsidy, which can be done in the sorts of areas I have mentioned.

Let me say one thing that I should maybe have said at the opening. Massive economic restructuring was already coming. Everyone has been talking about the arrival of artificial intelligence and new manufacturing processes, the impact of the internet, remote working being on the increase, the amount of online as opposed to high-street shopping and so on. All those trends have been happening and everyone has been talking about them for a while.

People have to understand that the crisis is not a blip after which we revert to where we were. The crisis is accelerating the economic changes and restructuring that were already coming. It is important to understand that it has only bounced us forward. My best judgement is that it will have as disruptive an impact as the deindustrialisation of the 1980s. That is the scale that we are talking about—a permanent restructuring of the economy.

We have to take that very seriously. At the early stages of the crisis, I was sitting with my jaw hanging open when people were talking about a V-shaped recovery, which was fantastical. We have to start taking seriously how bad the knock-on impacts could be—they are worrying. We have not even talked about the risk of middle-class home owners losing their homes because they are over-mortgaged and cannot lose part of their income. There are all sorts of problems still to come. We need to be bold—if we are not we will regret it.

**Rhoda Grant (Highlands and Islands) (Lab):** I have a quick supplementary question for Robin McAlpine, who talked about SNIB investing in and buying businesses, which might have an impact on pension funds. Are we missing a trick here? Should we be using pension funds? Let us be honest—such funds will not be doing very well just now. Should pension funds be investing in such things, either on their own or through SNIB?

**Robin McAlpine:** The difficulty is in coordinating that. The strength of SNIB and what it was invented for is not just in the market, but in strategic investment—the ability to pursue public-good investment.

To be clear, I note that at the moment, the Scottish National Investment Bank is on the books and behaves as if it were a Government department; all of its borrowing is on the Government's books. That is not the only way to operate an investment bank. If the German investment bank's liabilities were on books, Germany would be the most indebted country in Europe. The German national investment bank is 60 years old and has massive liabilities because it has lent enormous amounts of money. It is all viable and is an operating bank, but it is not on the public books.

Likewise, in Britain, RBS has a dispensation not to be counted as a Government department, even though it is majority owned by the Government. If we were to give the same dispensation to the Scottish National Investment Bank, it could capitalise from pension funds. Rhoda Grant is right that pension funds are desperately looking for good places to put money; the Scottish National Investment Bank would be a very good bet. Pension funds could put their money in and the SNIB could direct it towards mission-oriented public-good investments in Scotland.

A difficulty at the moment is that, in the sequential chain of problems, when small businesses go down, their commercial properties are almost never owned by them, but are usually rented. In many cases pensions funds have invested in such commercial property, so there is a sequential domino topple: if too many of those businesses collapse, the value of commercial property will come down and the pension funds will take the hit, anyway. It is short-sighted to keep rents high just now, because that will only reduce the value of commercial property in the future, which is when the pension funds will take the hit.

What I am really saying is that it would be very helpful if property owners, investors in property funds, the Scottish National Investment Bank and the Scottish Government were to talk together to produce a strategy to keep as much value in the pension funds and investments as possible, while ensuring that we protect domestic businesses to

the maximum degree. The model that I was talking about would involve distressed assets being bought by a body directly from the owner of the premises and being held for later. If there are other ways to do that, that would be great. However, time is running out; we have not been doing that for the past six months but have instead just been hoping that things will be okay. We need to think about those sorts of things.

There is no shortage of money for investment just now. Hot money all over the global economy is looking for somewhere safe, sensible and reliable to go. That money could be used to fund house building, in particular. Building houses for public rental is as safe as houses.

09:30

You could find as much investment in house building as you need and you could use it to generate high-quality jobs and supply chains. There is a host of ways to do that. The problem is not investment; the problem is directing investment strategically during a crisis. That is what the Scottish National Investment Bank should be doing.

**Rhoda Grant:** I think that Orkney Islands Council is doing some such work in buying from local businesses and leasing back the premises in order to help people over the hump. That is happening in some places.

The Cabinet Secretary for the Economy, Fair Work and Culture has said that the wellbeing economy has “well and truly arrived”. Do the panel members believe that the Scottish Government’s response to the advisory group on economic recovery recognises that and takes steps in that direction?

**Peter Kelly:** There is long-standing recognition of the need to move towards a wellbeing economy. The efforts to build on the national performance framework as the basis for a wellbeing economy are welcome.

One issue is that the national response to, and discussion of, the wellbeing economy does not often reach the places it needs to reach. There are good examples, including support for the fair work agenda and the living wage. Those are building blocks of the wellbeing economy.

There are other signs of progress—for example, in the approach to community wealth building. That brings together some of what we have already been talking about. It uses local spend and procurement processes to build more inclusive local economies that have decent and fair work at their heart. Those things are important.

There is an undoubted rhetorical commitment to wellbeing. The Scottish Government believes in it,

but it must see more of the positive actions that can be taken to ensure that a wellbeing economy delivers not only for businesses, but for the people who need it.

**Robin McAlpine:** If you talk to wellbeing economists about that, you will hear that they are not persuaded. Doing what you were doing before, but with different adjectives to describe it, is not a wellbeing economy. We are, for example, still taking active steps to inflate house prices. We are doing that now, through first-time-buyer schemes, the purpose of which is to continue to inflate house prices. A wellbeing economy does not have constantly increasing house prices.

We are still subsidising low-paid employment and Scottish Enterprise is still trying to attract the Amazons of this world. They are low-pay employers; that is not wellbeing. We are still obsessed by gross domestic product; that is not wellbeing. We are still not taking structural steps to change how we do the economy. Let us be honest: this is a generational shift. GDP has been our god for so long that psychologically breaking away from it will take time. We are at least one step along the way: the rhetorical desire to do that is in place, but that does not count if poverty, carbon emissions and the rest of those things are getting worse.

If we look at the climate emergency, we can be generous and say that the press release is a step on the way to doing things differently, but I want you to show me something that is different, or that is being done differently now to how it was done this time last year. There is not much.

Procurement still does not have wellbeing clauses attached to it. That can be done—there are lots of examples of that in public procurement.

It is great that we are getting there, but we are not there yet.

**Rhoda Grant:** Does Jack Evans want to come in on that point?

**Jack Evans:** No, thank you, except to say that the wellbeing economy is something that the JRF is supportive of. We have also been looking at inclusive growth, but I have not yet been able to develop a proper opinion on it.

**Rhoda Grant:** Does Peter Kelly want to come back in?

**Peter Kelly:** *[Interruption.]*—I am sorry; my phone was ringing.

I reinforce what Robin McAlpine said about accelerating the changes that are taking place. However, we need to ensure that we do not also accelerate existing inequalities.

There is far more that we need to do. Earlier we talked about needing to take bolder action. That is

undoubtedly the case—there is no question about it. We must ask where we can make investment that will help us practically, by enabling us to build a wellbeing economy. What kinds of investments do we need to make? We have already discussed retrofitting and other practical forms of change. However, the simple point is that those need to be scaled up massively. That is where investment needs to be targeted, if we are to take more decisive steps towards achieving a wellbeing economy.

**The Convener:** We will move on to questions from Andy Wightman.

**Andy Wightman (Lothian) (Green):** In the passage that Rhoda Grant quoted from, the cabinet secretary also spoke of the need for

“a revolution in economic thinking that stimulates and values co-operative sharing of risk and reward”—[*Official Report*, 26 May 2020; c 32.],

which I think is a bold statement.

On the key actors who are involved, Robin McAlpine has already touched on the limitations of the powers of the Scottish ministers and the Scottish Parliament. The UK Government is another actor. However, one actor that has not been discussed much in the economic debate is local government, which, historically, has had a more significant role in economic development than it does now.

Robin McAlpine spoke of the need to have local supply chains and to support local economies. What must we do to bolster the powers of local government, to ensure that we get our businesses and people through the pandemic as well as we can?

**Robin McAlpine:** You know how I feel about that, Andy. Scotland is damn near the most centralised democracy in the developed world. We are the only major economy that has a single-tier local authority system—actually, it is a semi-regional authority system. The system is trapped in pincers. First, there is centralisation at the top, which includes not just the Scottish Government, but its agencies. It is that Scottish Enterprise kind of approach that says that the M1 model fits the whole country. Local authorities have been trapped by declining incomes and increasing demand for their services, so they have little financial leeway to deal with such matters.

Secondly, there is the general centralisation in the assumption of what Scotland is. We have been doing work on the south of Scotland. Dumfries and Galloway just gets forgotten, and the Scottish Borders is becoming a commuter zone for Edinburgh. The Highlands and Islands are partially protected by Highlands and Islands Enterprise, but if you were to talk to people there, you would even

hear them complaining about centralisation around Inverness.

It is great that we now have an awareness of the idea of local wealth building. That is crucial—you have no idea how much we can get out of that approach. It is about retaining more wealth in local areas, in a circular and growing fashion. However, it is really difficult to do that if there is no local place of thinking—no localism—around which to build the building of local wealth.

There are two straightforward things that we must do. Without a shadow of a doubt, the first of those is to fix our disgraceful local government system. Compared with other European countries, we are off the scale in how we approach our smallest economic units. No town in Scotland—not even the larger ones—can take economic action to save itself, because there is no democratic body at that level. Nowhere else in Europe that is on our scale would see a town such as Kirkcaldy having no autonomous economic development capacity. We must create a decentralised local government system.

Secondly, I suggest that an enormous amount of the economic development power that is centralised in national agencies should be devolved to local authorities. That would give them much more power and responsibility, and quite a bit of budget. We must get away from the paternalistic idea that people at the centre can fix everything for everyone everywhere. We need to take our hands off the wheel sometimes; we need to give a bit of power back to communities, areas and regions, and let them pursue strategies by using their knowledge of the places where they are based.

Since the Covid crisis has emerged, we have not been emphasising that approach so much, because structures could not have been fixed quickly enough and money could not have been got to local authorities quickly enough to enable them to gear up their economic development response to deal with it. Perhaps we should put that down as a lesson that we need to learn. In the most centralised democracy in western Europe, let us never again go into such a crisis in that way. Let us ensure that we have decentralised government not only for our economic recovery, but for our communities.

Committee members are likely to represent places where people have stepped forward to provide support and have created action groups that have got entire communities through the crisis. I am in awe of what has been done by a group of about 40 people—mostly women—who got together and created a support group that has kept the town where I live going all the way through the crisis. They had to hack that together in the first three or four days of the crisis, because

we do not have a town council that could have taken over that job. Let us never get into such a situation again. We should have a responsive local democracy the next time we face a crisis, which would mean that places could make their own responses quickly and accountably.

**The Convener:** Peter Kelly would like to come in. I ask witnesses to make their answers as succinct and to the point as possible, because we are rapidly running out of time.

**Peter Kelly:** I will be brief. I want to build on Robin McAlpine's point. We have seen that local government and the community sector working alongside each other is central to our response to the Covid crisis, because that has enabled us to co-ordinate our resources. However, as Robin McAlpine also said, there is not enough power to scale up that approach and to carry out the necessary economic development activity in the midst of the crisis.

That tells us that we need to devolve power to local government, which I think we have known for a long time. In 2020, we were due to go through the next stage of the local governance review. We do not know where that would have taken us but, obviously, the review process has stalled. We need to put real fire and energy back into our discussions about how we might devolve genuine power not just to local government, but to communities. The lack of that has stymied our response and will continue to do so, if we do not get our approach right.

**Andy Wightman:** I have one other question, which has been prompted by the response of the advisory group on economic recovery, which talks about the need

“not only to mitigate inequality but to reduce it.”

Perhaps I could put my question first to Peter Kelly. Is there sufficient thinking and content in the Scottish Government's recovery plans to reduce inequalities, which, as you said earlier, have been exacerbated by the Covid crisis?

**Peter Kelly:** We are certainly not doing enough. The advisory group on economic recovery said very little about social security. On its own, social security cannot solve inequality, but it can certainly play a significant role in that. The report said practically nothing about social security's role in providing decent incomes and reducing inequalities.

The report was also quite light on the gendered impact of Covid, so the Government's response to the report did not really bring in that aspect of inequalities sufficiently clearly. I think that far more needs to be done.

09:45

I go back to what Robin McAlpine said about accelerating changes. We want to ensure that we do not accelerate inequalities, but that will happen. We know that the hit for the worst-hit sectors has been delayed somewhat by extension of the furlough scheme. The worst-hit sectors already employ more people on precarious contracts and in low-paid employment, and that will further embed existing inequalities.

On our recovery plans, if we do not invest in sectors such as the social care sector, and if we do not ensure that the training programmes, the jobs guarantee and so on are properly gendered, we will reinforce income inequality and other inequalities and make efforts to address them more difficult.

**Colin Beattie (Midlothian North and Musselburgh) (SNP):** We have had a fair bit of discussion about perhaps the most worrying aspect of the pandemic, which is, obviously, the impact on jobs. A recent Joseph Rowntree Foundation report on Scotland showed a drop in hours worked, and that the number of individuals who are in receipt of universal credit—both in and out of work—had nearly doubled from the number in January. The statistics are worrying. A lot of the employment legislation, for example, is still reserved to Westminster. Are the Scottish and the United Kingdom Governments labour market interventions sufficient to stem some of those job losses?

**Robin McAlpine:** No. I mean really—no. I still think that there is denial of where we are, and I still have a real concern that people think that there is not a knock-on effects chain. That is the problem. We are a just few months in—this is like trying to discuss the great depression in January 1930. Many of the knock-on effects that are likely to come from the pandemic are not even feeding into the system yet.

I keep repeating that there are things that Scotland can and cannot do. We cannot really do anything about social security. We can tinker around the edges, but there is not much that we can do about it. We can do our very best to try to not need it.

I would be interested to see more analysis of where the breakdowns are, but I think that members will find that an enormous amount of the problems will be among young, low-skilled and semi-skilled people. Many women, particularly older women who work in the service sector, will be affected. We might not understand the importance of places such as nail bars and beauty salons, which provide important employment for working-class women, particularly in the run-up to Christmas. many of them will not be funding their

Christmas through such work this year, and there will be no office parties for people to get their hair done for.

Big problems are yet to filter through the system. I have talked about getting our hands dirty. We have to create high-skilled jobs for younger people, or we will regret not doing so, and a generation will be unemployed for a long period.

We must look at the housing problems that young people face. An enormous amount of their income goes on housing. We must also look at the jobs that would have been done by people who are being displaced. We have to be forensic about creating and stimulating opportunities to get as many people as possible into work.

I cannot emphasise enough the need for strategic long-term thinking. We have to link this crisis to the next crisis, which is the climate crisis. We have to say to ourselves that now is the time to set a 25-year plan, because one thing that we can do quickly is get people trained. We cannot create employment overnight, but we can train people for employment that we know is coming. If we need—we have costed this—an extra 3,000 joiners and an extra 4,000 electricians just to do the things that we need to do to get through climate change, we can start the training process now. We will need thousands of jobs.

However, we must have a plan that goes beyond the next six months. Otherwise, we will be going back to the idea that all training is good for the statistics. No: we have to train strategically and think strategically.

I am really nervous. If you talk to citizens advice bureaux, one thing that you will find at this time is that it is not just the usual suspects who are getting hit. The poor are getting hit—of course they are—and women are getting hit; they always do. You know that those people will suffer every time there is an economic crisis. However, there is real concern that a lot of middle-class households cannot afford to lose one income, or even half of one, because they are highly overmortgaged, which could set off strings of problems such as repossessions, into which people are unexpectedly plunged. Even if you all think that you can ride out the working-class anger, you might not be able to ride out working-class and middle-class anger.

As I have said, I think that you really need to be making bold interventions now, in order to hold together social and political cohesion. Despite the disagreements, there is surprisingly strong political cohesion in Scotland. We have to take action. Poverty eats into so much of what we need in order to tackle the next thing that comes. Let us do everything we can now, so that we need not worry about it later.

**Colin Beattie:** The committee has taken clear evidence that youth unemployment has risen fairly dramatically. The Scottish Government is basically restricted to helping out in areas such as training and apprenticeships. Is it doing enough? Should it be doing things differently?

**Peter Kelly:** I think that the jobs guarantee—the work that Sandy Begbie has been doing—is an excellent start. We would have liked some things to be added to that, such as payment of the living wage being the benchmark against which to measure its development.

However, to return to some of Robin McAlpine's points, I say that this has to be about what jobs we want to support and the training that we need to target. The measures must be linked to the changes that will take place in our economy. It is not just about the need to build more houses, to account for climate change and to invest in related industries. Digital is obviously an area in which we need to scale up our investment in infrastructure, in training and in further developing what is already a reasonably decent sector. It is important to think about how, for example, the training opportunities that will be created through the jobs guarantee will fit with the developments in and needs of our economy.

A message that we are getting back from members who are in the front-line in delivery of employability and in work with young people is about the complexity of the scene and the need to make sure that, where possible, we simplify the employability landscape so that people can access the right support when they need it.

**Jack Evans:** I would echo a lot of what Robin McAlpine and Peter Kelly have said. I also believe that a new focus is needed on productivity. I am thinking about areas in which the Government and employers can do something. There are three key things to consider within that. Skills can be improved to allow people who are in work to progress out of low-paid work. Our transport could be improved—JRF research shows that poor transport can disconnect people from local labour markets and impact on businesses as they do not have access to the correct pool of labour. There is also the large problem of there being too many low-paid and low-productivity jobs in the retail, leisure and hospitality sectors, which we know are being hit. It is easy to forget about them in the conversation on productivity and recovery, because they are seen just as low-paid jobs. However, competitors in France, Germany and Denmark are significantly more productive in terms of those low-paid jobs. Work can be done in those sectors to help with the recovery, including measures that employers can help with, such as increasing manager standards and access to in-work training. That should all be supported.

**Colin Beattie:** The wellbeing economy has been touched on. The Government is committed to developing a wellbeing economy monitoring framework, which will be based on the national performance framework. That will assess how Scotland performs across multiple dimensions of wellbeing, and whether gaps between groups are reducing. Are you satisfied that the monitoring framework is achievable? Will it make a difference?

**Robin McAlpine:** One of my favourite sayings about public policy is that you never fattened a pig by weighing it. The problem is that a standard practice of managerial government when people do not know what to do is that they will count something, but it will not work. Year after year we miss poverty targets. Year after year we miss education targets. Most glaringly, year after year we miss environmental targets and goals. The problem is not in the measuring of activity but in the structures. We can keep counting, but unless we change the structures, we will not fix things.

This is not quantum physics. Things do not change just because we look at them; we must do something to change them. It is not unhelpful to set out frameworks, which tell us something about what success looks like. That is important and I do not decry it. The term “wellbeing” is becoming a woolly one that can mean whatever people want it to mean, therefore defining exactly success in wellbeing is important, but it is not the only important part.

I say delicately that, if we look at who the Scottish Government talked to during the summer, we can see that it was not the wellbeing economists. A key point is that that was not the go-to sector when we started to look at the economic problem. Wellbeing cannot be tacked on. The word “wellbeing” is applied to describe an economy that works in a certain way. It is not glued on to an economy; it is an outcome from an economy.

Today alone, we see statistics that show that wellbeing has declined—it has not got better—in the past 10 years. We must face up to the fact that it looks as though there will be another 10 years of lost wellbeing if we do not do something differently.

I ask everybody once more to recognise, please, that housing is at the heart of wellbeing. Colin Beattie asked about young people. A young postgraduate economist interviewed me and asked, in our conversation, “Why do you older people keep saying intergenerational conflict is a shame? As far as I’m concerned, it’s nowhere near ‘pitchfork and burning torch’ enough.”

The generation who are under 35 have been entirely priced out of housing. The impact of

housing on the lives of those people is unbelievable, and that is because housing policy is being made by people in their 40s who already have mortgages and who see house prices inflating for ever as a win-win for everybody, but it is not. At some point, the situation will be pushed so far that a massive backlash will occur.

Housing is at the heart of wellbeing. If people have a warm house that they can afford and which leaves them enough money to buy food, they have a fighting chance of wellbeing. The students who are in the Common Weal youth group talk most about housing and work. They cannot get work and, even if they get work, they cannot get work that pays for a house in the place where the work is. They all rent and they do not see how they will get out of the renting cycle.

We are not doing wellbeing well. To be blunt, we are not even taking a properly aggressive approach to the bits of wellbeing that are not working. We must build affordable high-quality housing for young professionals to rent, because the private sector is not delivering housing at prices that those people can afford.

The answer is that we are not doing wellbeing well. I repeat: you never fattened a pig by weighing it.

**Colin Beattie:** Does anyone else have a view?

**The Convener:** We are rather short on time, so we will move on to questions from Maurice Golden.

10:00

**Maurice Golden (West Scotland) (Con):** Earlier, Robin McAlpine mentioned the circular economy. Scotland has some of the most ambitious circular economy and climate change targets in the world, which are matched only by a litany of failure in that space from recycling targets, procurement and green jobs. Do the witnesses have any thoughts on whether the Scottish Government has in place the correct policies to deliver a green economy?

**Robin McAlpine:** Again, the principles are fine. It is about delivery. I will give examples of where I would put in effort, if it was down to me. I emphasise that, all that way through this, when I talk about the green economy, I am talking about massive opportunities for the private sector. It is not all about state intervention; it is about using a national strategy to build opportunities right across the economy.

The first example is Scotland’s massive hydrogen potential. We are watching a number of good hydrogen projects in Scotland struggling into life in the private sector. We should be throwing all our efforts behind hydrogen. Scotland could

become the world centre on clean hydrogen. That is a massive area, and the technologies would be exportable. It would be an enormous opportunity.

On the circular economy front, Scotland has, proportionately, the lowest level of forestry cover in Europe, but we have the highest potential for forestry anywhere in Europe. The pen holder that I am holding is solid plastic. It was printed with a 3D printer by my head of policy in his house. It is 100 per cent cellulose, which is an entirely wood-based bioplastic. We have massive forestry potential, and we need to move to new materials that are circular and biodegrade at the end of their lifetime. A world of research needs to be done on bioplastics. Scotland has the science, the land, the capacity to grow the trees, and a history of industrial light and heavy manufacturing. Therefore, it could be taking steps to invest in wood processing. We do not process wood anything like enough, and we do not plant or grow trees anything like enough.

In the realm of the circular economy, those are just two examples in which we have quite a big gap between what we want to achieve and how much intervention and investment we are currently making. Those are good business opportunities. I really want to see the re-industrialisation of rural Scotland based around wood processing. There is a massive opportunity, particularly because that is where our energy is, due to Scotland's emphasis on renewables. There are enormous opportunities if we take the issue seriously, but I do not think that we are doing so yet. We have the targets; we now need the action.

**Peter Kelly:** I will come in briefly on points that were made earlier.

It is clear that we need to marry up different agendas, so that jobs, homes and environmental policies are brought more closely together in a strategic and action-orientated way.

To go back to the previous question about measurement frameworks, they are important, but what is really important is the action that is taken. There are two areas in which our policies are not living up to a broad range of goals in our economic policies and our poverty reduction policies.

On retrofitting, we need bigger investment in warmer homes Scotland and home energy efficiency programmes for Scotland area-based schemes. We talked about doubling the investment for that this year. That projection is probably out of date now, but that is what we were looking at at the beginning of the year. That is one area in which we need to significantly ramp up our investment, and that would have broad-ranging impacts, including on environmental employment and wellbeing.

The other area is transport. Transport is probably not big on everyone's agenda at the moment, as many people are working from home, although not everyone is. However, investing in transport that is used particularly by people on low incomes is fundamentally important in transforming our economy towards the green economy that we have all said that we want. Therefore, we need greater investment in green buses. There are questions to be asked about how we are investing in the Scottish businesses that could make those green buses. There are also questions about our infrastructure, such as roads, and about whether our spend is going on what will actually deliver a green economy.

**The Convener:** I think that Richard Lyle has a question.

**Richard Lyle:** I have to say that, driving round Scotland, I see a massive number of wind turbines. Scotland now produces more electricity from wind turbines than a number of other countries do. Last year, we planted 26 million trees. I have visited a very productive sawmill in Aboyne. I agree with 95 per cent of what Robin McAlpine has said, but I do not agree with the other 5 per cent. There are things in Scotland that we are doing right. With the greatest respect to Maurice Golden, there is a massive number of wind turbines. The only problem is that, as Robin McAlpine said, we are not giving the contracts to Scottish companies.

**The Convener:** Is that the question?

**Richard Lyle:** Yes. How can we give more contracts to Scottish companies?

**Jack Evans:** I have a brief point to make on that. Over the past five years, I have worked with procurement experts. They are very dedicated to their jobs, and a lot is put on them, as if procurement is the solution to every single problem and is the route out of poverty for everyone. We must understand that we need to redesign the frameworks around procurement to ensure that we give value for money while creating sustainable jobs and a green economy. The statutory guidance on fair work and procurement should be strengthened in the coming years to ensure that jobs and things are created in a way that enhances inclusive growth and does not make it even harder.

**Peter Kelly:** I do not have too much to add to what Jack Evans and Robin McAlpine have said. It is clear that we need to make more investments in Scottish companies to deliver the things that we need for the green economy. I agree that there are lots of wind turbines and that it looks as though a lot is happening, but is that investment leading to jobs in Scotland? The experience of the BiFab

yards suggests that we are not going in the right direction all the time on the issue.

**The Convener:** I will give Robin McAlpine a right to reply briefly to Richard Lyle's point. The size of forests in Scotland has increased over the past decade or so.

**Robin McAlpine:** Yes—it has increased to be the lowest rate in Europe. As I said, 18 per cent of Scotland's land is forested, whereas 75 per cent of Finland is forested. Yes, we are processing the trees, but we are doing so in very basic ways, and we are not capturing the high-end stuff, such as cross-laminated timber and structural products. Only 20 per cent of Scotland's construction materials are made in Scotland. Scotland imports all its cellulose from the Czech Republic, which is wood-based insulation. All of our organic insulation is flown in, despite the fact that we have all that forestry potential.

Let me give you another example, because I am obsessive about this. The biggest mistake that has been made with the Scottish economy has been to allow it to become so foreign owned and not to negotiate more benefits. Right now, a major wind farm in Scotland is switching from one manufacturer to another for its turbines. That is happening because the French Government demanded that, in return for its getting planning rights to deploy renewable energy in France, that company was obliged to buy a certain number of the turbines—not the blades, but the turbines—from a French company. Right now in Scotland, we are seeing the result of major industrial strategy intervention into renewable energy, which is creating high-quality jobs for a big manufacturer, but in France.

**Richard Lyle:** Why cannot we do that?

**Robin McAlpine:** We absolutely can do that. That is what drives me up the wall. We are about to go through a planning regulations process for every new turbine in Scotland. The turbines are all coming to the end of their life. The first generation of turbines are currently being replaced and are moving from 2MW to 6MW—the technology has moved forward.

If I have 10 seconds, I will tell you a story. A farmer in Scotland was offered £100,000 to put turbines on his land. Ten years later, the same company came back and said, "We want to upgrade of the turbines." In the intervening 10 years, the man went away and did his arithmetic, and discovered that he was getting ripped off. When the company came back, he said, "No, that's fine. Your lease is up. Take your wind turbines down and go away." The short version of the story is that that man now makes £30 million a year from the same land, because he was much

less gullible the second time he negotiated with the big developer.

Fortunately, that farmer, on one farm in one part of Scotland, has learned the lesson of what big renewable companies will do if they are not pressed better than the Scottish Government presses. He has negotiated better with a renewable energy deployment company than the Scottish Government has. Full stop, end of story. We are the worst in Europe at capturing manufacturing from our energy base. There is no question about that, and I cannot understand why we are still making that mistake.

**The Convener:** All right. We will move on to John Mason. Perhaps he can enlighten us.

**John Mason (Glasgow Shettleston) (SNP):** Thanks very much, convener. I note that, after world war one, we had only 4 per cent forestry coverage, so we have improved somewhat. However, I accept that there is room to go further.

The question of procurement, on which Richard Lyle somewhat stole my thunder, is difficult. I have a problem because I want us to use Scottish companies, but we are trying to be at the high end of the market, to produce high-quality products, and to get a better price for them. Is not it the case that buying Scottish things will almost inevitably be more expensive than importing things? For example, we will get only three hospitals instead of four if we insist on using Scottish labour, products and all the rest of it. If a council wants to buy butter for the kids, it can buy only a pound if it is Scottish butter, but it can buy a kilo if it is foreign. How do we square that circle of higher-cost Scottish products and cheaper imports, in procurement?

**Robin McAlpine:** One of the great myths about that is that we would spend a whole bunch of money, there would be no businesses based in our economy, and we would be dealing with poverty. It is one of those circular things. In the case of hospitals, we are currently paying for two and getting one on the basis of using crazy finance models. If it is all about saving money, why are we still, in effect, using the private finance initiative? My answer is to ask why children in our schools should not be eating good butter for the extra 10 per cent that it costs. Would you not prefer a wind turbine that is 10 per cent more expensive but creates 500 per cent more value in Scotland?

If we wish to have a bargain-basement procurement service, we will buy everything cheap from mass factories somewhere in Poland, and that is fine. That is a legitimate option, and that is what we have been doing for the past 15 years, more or less. However, do not then hold an inquiry into why Scotland's economy is in crisis. Choices



have to be made, but I honestly think that people overstate how much financial benefit comes from trimming a penny here or there from contracts.

10:15

We must remember the other thing that we have done. We have bundled contracts so that they are so big—so massive—that only a small number of big players can get them. I would like to test whether we are getting as much benefit from mega contracts as we think we are getting. If we were to procure work on five hospitals in one go, there would be a much smaller number of contractors that we could use, the market and the capacity to test it would be limited, and we would be in the hands of probably the same half dozen potential suppliers. Instead, we could stop and say that there are good medium-sized and large builders in Scotland that would be perfectly capable of building one local school, but would not be capable of building five schools across the region at the same time. We should think about the knock-on benefits of all those things.

If you have any doubt at all about what I have said, the argument can be put to bed if you consider what happened in Preston. I cannot commend enough the work of the Centre for Local Economic Strategies and, in particular, the so-called “Preston model” case study. Preston stopped handing out all its procurement money to overseas businesses and started keeping it in the local economy. It was the only part of the north of England where there was economic growth over that period. The approach was driven by a small group of visionary councillors in one local authority area, but it is now being studied by Governments around the world and it is an established concept. There is lots of information and data about that model.

We should make a choice. We can continue to try to save pennies and ha’pennies in the belief that that is the only option, or we can decide that we want to rebuild productive manufacturing and food-producing industries in Scotland. Life is about choices, and I think that we are making the wrong one.

**John Mason:** I do not know whether the other witnesses agree with the theory that we should pay more. I am quite attracted to that option, but I presume that there would need to be higher taxes if we were to pay extra for schools, hospitals, butter and so on. Would the other witnesses want to go down that route?

**Peter Kelly:** That is a false choice. As Robin McAlpine said, we need to make choices, but almost disinvesting in our local economy in the hope of saving and building more, or procuring more butter or whatever it might be, is not a

realistic choice. If we are to marry up all our ambitions around a wellbeing economy and so on, that is clearly not how we will get there; fundamentally, that approach is not proven.

I remember the predictions about the devastation that the national minimum wage, when it was introduced 20-odd years ago, would cause for the economy through prices going up. Of course, that did not happen. It meant that often the lowest-paid workers got an immediate boost to their incomes and spent the money locally.

We need to think differently about how our economy works and about the purpose of our economy. If that means that we need to look to Preston or North Ayrshire for different models and different ways of running our economy, that is what we should do. We should not constantly go back to the mantra—which, frankly, we have been hearing for a bit more than 40 years—that focusing on the lowest cost is the important thing. It is not, and doing so will further embed the problems in our economy that have led to our current weaknesses.

**Jack Evans:** I will build on what Peter Kelly and Robin McAlpine have said.

Cost is important; it is important to give value to the customer, which, in this case, is the Scottish public. However, over the years, we have moved from looking only at cost to looking at cost and quality, and now we should be looking at cost, quality and wellbeing when we consider our procurement services.

I love French butter, but if it is the cheaper option, we will pay for it in the long run by disadvantaging Scottish businesses that produce butter. The income that can be generated in a community by providing better and well-paid jobs via procurement services will be a benefit in the long run and will, I hope, move people out of poverty.

Recently, I looked at a study entitled “The local Living Wage dividend: An analysis of the impact of the Living Wage on ten city regions”, which modelled increasing wages across cities in the UK, one of which was Glasgow. It showed that, if the wages of 25 per cent of the low-paid population were increased, the extra income that would be spent in the local economy and gained in taxes would be enough to warrant thinking about procurement in a different way that was not purely concerned with cost and quality.

**Rhoda Grant:** During the pandemic, we have seen the best and also possibly the worst of employment practice. How can we promote fair work policies and also protect industry against the economic crisis that is coming? Can we do both?

**Peter Kelly:** We absolutely must do both. If we do not do promote fair work at this crucial moment and try to lay the base with better and more secure jobs as we come out of this crisis, we will have failed in our response to Covid.

We can do that by building on some of the stuff that is already happening; this is not about coming up with a new, unheard-of plan. A lot of work is being done in Scotland to promote fair work. The Government has said that it will do more of some of what is in the fair work action plan, but we need clearer and more firm plans about how that will be done.

There is an idea that employers do not want to be associated with fair work or to do their best by their employees, but that is not what we have found. This week is living wage week, and we have accredited more than 180 employers during the pandemic. Employers will not simply remove themselves from discussions about decent and fair work. Therefore, there is a responsibility on the Scottish Government, employers federations and so on to continue to push the boundaries of fair work, even in the midst of this crisis and as we come out of it.

**Jack Evans:** We should be optimistic that we can shape a response to this crisis and, at the same time, recognise the scale of the challenge and investment that are needed to meet it. It is important that we have targeted interventions in areas of employment that we know are going to suffer, as well as for the groups that will suffer most.

JRF has a risk index of jobs that are most likely to be impacted, pre-vaccine, by Covid. We know that 32 per cent of those earning £8.33 and below are at high or very high risk of losing their job. A high concentration of those people are in the under-25 population. Women are also more likely than men to be at high risk of losing their job. We need to target our efforts in the sectors that we already know those groups are in and also in the local areas that will be most affected by things like a lack of vacancies.

Lack of vacancies is an area that the Scottish Government can help with. We know that people are going to be out of work at some point. Therefore, getting people back into the labour market is vital, and deciding what we do with those people who are out of the labour market is also important. We cannot leave those people behind; our employment support services need to meet the demand. One specific example of such a service is parental employment support, in which we need to focus on lone parents as well.

**Richard Lyle:** The pandemic has changed our ways of working; as we see today, we are all working virtually and remotely and, with the digital

economy, a lot of goods are being delivered to people's doorsteps. Can that be used to the Scottish economy's advantage?

**Robin McAlpine:** Yes. There is not enough time to talk about it here, but we would like a Scottish distribution method to be explored. One of the problems now is that supermarkets have vertically integrated distributions, so they use distribution services that are part of their businesses. That means that small Scottish producers find it very difficult to—or cannot—get to market. Supermarkets or high street retailers are often the only route to market, and they are very aggressive in their pricing, which means that they really squeeze the producers. New digital technology gives us an enormous opportunity to look at a Scottish distribution hub. It would be a large Scottish producer version of Amazon, publicly or co-operatively produced and promoted by saying, "If you want to buy from Scottish producers, here is a platform that lets you go straight to Scottish high-quality producers." There are technological solutions to overcome problems that we have had in the past of getting producers in contact with consumers. If you talk to productive businesses in Scotland, one of the top three things that they tell you is that market access is a problem. If we are imaginative, there are real opportunities that we can explore.

In response to Rhoda Grant's previous question, I am in awe of virtually every small local business that I have seen during the pandemic; they have been amazing. My local pub has shown exemplary practice in how it has treated its workers. Every one of them was guaranteed to come back on their full terms as soon as they could. They went through the furlough scheme and the pub did absolutely everything that it could. Our local fruit shop expanded to become a public service for people in the town, to make sure that they had access to food. Our butchers and local businesses have all done the right thing.

It is my strong philosophical belief that there is an enormous benefit in any form of business model in which the manager who makes the decisions can see the people whom those decisions affect. It is the German Mittelstand effect. Those are medium-sized substantial businesses, but the managers are based in the plants, where the work is being done. The fundamental point is that humans do not want to screw over other humans. If a boss or manager is in a room with the people they are working with, they will try to do the right thing.

My overwhelming experience of small and medium-sized businesses in Scotland has been that the vast majority of them want to do the right thing. There are good big employers, but the second that the person who is making decisions—

about whom to cut or whose wage to squeeze—is sitting in an office in a city, many miles away from the people those decisions will affect, it is easier for them to make more brutal decisions. If we want a wellbeing economy, we must have less monopolisation by big global corporations and encourage a larger number of small and medium-sized businesses, because those are the businesses that do the right things.

I will say it again—yes, the supermarkets also kept us going through the pandemic, but, where I live, some local businesses have been like a public service, and I take my hat off to them. I have been round to thank them individually for their amazing contribution. If more of our economy is run by local people who are trying to do that kind of thing, we will end up with a fairer and better economy. My hope for Scotland is that we can go back to being a country with a more diverse business base, with more businesses and a hell of a lot less being flown in by big online—

**The Convener:** Thank you. That is fine—you have made your point.

**Peter Kelly:** I will be brief. To pick up on the last point, there are different forms of businesses. We need to think about how we support the continued growth of social enterprises and co-operatives, so that it is not just about support for small businesses.

In answer to the last question, from Richard Lyle, the pandemic has changed some of our ways of working. Some of us are working at home, but many of us are not. Many people are doing the jobs that Robin McAlpine has just talked about, such as delivery and care work, which have not stopped. If this is an opportunity to change things, we must think about what we are changing and for whom.

There is an opportunity to turn that new focus on essential workers—on whom we have been relying—to our advantage. We need to make a real investment in those jobs, not just around the living wage but in relation to conditions, voice and representation in the workplace. There is an opportunity to look at many jobs that have, for too long, been undervalued in our economy, and ask how we will value those jobs in the future as well as how we will invest more in childcare and the whole caring economy.

**The Convener:** I thank our witnesses for their evidence.

## European Union (Withdrawal) Act 2018

### Prohibition on Quantitative Restrictions (EU Exit) Regulations 2020

10:31

**The Convener:** Item 3 on the agenda is consideration of a notification from the Scottish Government relating to the Prohibition on Quantitative Restrictions (EU Exit) Regulations 2020. The committee considered an earlier draft in June and, as with the previous statutory instrument, it has been given a category A classification. Further details are outlined in the committee's papers. The committee is invited to consider the notification and decide whether it is content for those issues to be dealt with by statutory instrument laid at Westminster. If any member is not content for those matters to be so dealt with, they should request to speak now.

Since there has been no request to speak, I take it that the committee is content, and I will write to the minister to notify him of the committee's position.

10:31

*Meeting continued in private until 11:39.*



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