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How transformative is Scotland’s new National Strategy for Economic Transformation?

An assessment by the Transform our Economy group, consisting of Friends of the Earth Scotland, Scottish Environment LINK’s Economics Group, the Wellbeing Economy Alliance Scotland and Prof Camilla Toulmin – July 2022

Last year, the Transform our Economy Alliance published 10 points that set how an economic strategy for Scotland can start to deliver wellbeing for all within environmental limits. Those 10 points were endorsed by 42 academic experts and organisations such as Poverty Alliance and Scottish Women’s Budget Group. The full text and the list of organisations and the 42 academic experts who have endorsed it can be found [here](#).

‘Delivering Economic Prosperity’, the Scottish Government’s National Strategy for Economic Transformation was published on 1 March. In this document we present an assessment of the Strategy against the 10 points set out last year.

The strategy has made partial progress against four of the points but has not fully met any of them. This lack of progress is deeply disappointing. We present this assessment in order continue the discussion and engagement which should accompany this strategy, which is so important for setting the direction of the Scottish society, environment, and economy.

Summary of our Assessment:

10 points for a transformative economic strategy	Assessment
1. The goal: wellbeing for all within environmental limits	Partial Progress
2. Setting specific economic objectives to care for people and planet	No real progress
3. Using all the tools available to government to meet those objectives	No real progress
4. Policies must show how the objectives can be achieved	No real progress
5. Combat economic pressures which are helping cause the problems	Partial progress
6. Public priorities must lead the direction of development of the economy	Partial progress
7. Clear tests for all investment programmes	No real progress
8. Measure performance through metrics which matter	Partial progress
9. An economic strategy for all sectors	No real progress
10. An inclusive and participatory process	No real progress

1. The goal: wellbeing for all within environmental limits

Point 1: The core goal of the Strategy must be to show how to achieve wellbeing for all while living within environmental limits, focusing on delivering fairness, equality, dignity, connection, participation, and regenerating nature and meeting net zero. The economy should be a means to these ends and the policy hierarchy should reflect this. The focus should be principally on the composition and direction of development, not the rate of GDP increase.

Our assessment: Partial progress

It is welcome that a wellbeing economy, environmental limits, climate targets, a nature positive economy, and equality of opportunity and reward feature in the vision and ambition. However, the Strategy is not clear whether these are subordinate to, sit alongside or have primacy over the other elements. In fact, the statement of ambition appears to give primacy to economic growth. Growth in GDP seems to be an end in itself, rather than a means to wider ends.

The primacy of GDP growth is also implicit in the choice of five programmes of action. The first three programmes have clearly been chosen because they are seen as important drivers of economic growth (entrepreneurial people and culture, new market opportunities, productive businesses and regions). While some of the actions in these programmes also have the potential to address other goals, such as a net-zero and nature-positive economy, they are only included if they are not seen as in conflict with GDP growth. There is no clear analysis of why these three areas should be priorities for an economic strategy aimed at achieving collective wellbeing within planetary boundaries. While the fourth programme (Skilled Workforce) makes some welcome references to the net zero transition, it is only the fifth programme of action (A Fairer and More Equal Society), placed at the very end, that is more directly related to wellbeing outcomes, albeit not planetary health.

The title of the strategy is “Delivering Economic Prosperity”.

“Our vision is to create a wellbeing economy: a society that is thriving across economic, social and environmental dimensions, and that delivers prosperity for all Scotland’s people and places. We aim to achieve this while respecting environmental limits, embodied by our climate and nature targets.” (p. 5)

The ambition: “not just to grow our economy but, in doing so, to transform our country’s economic model so that we build an economy that celebrates success in terms of economic growth, environmental sustainability, quality of life and equality of opportunity and reward.” (p. 6)

2. Setting specific economic objectives to care for people and the planet

Point 2: This means that specific objectives must include meeting climate change targets, reducing use of raw materials, setting and meeting biodiversity targets and making our economy more equal, both in terms of economic outcomes, and in terms of race, gender, and disability amongst other protected characteristics. It means demonstrating how the economy can care for both people and the planet.

Our assessment: No real progress

The strategy restates the important (but not sufficient) targets to reach net zero by 2045, reverse biodiversity loss by 2030 and to have less than 10% of children living in poverty by 2030. But these are largely mentioned as targets to be achieved by other strategies, or as commercial opportunities for economic growth.

With the exception of child poverty, the strategy does not appear to have any specific or measurable objectives for the five programmes of actions outlined. The closest it comes is the statement of what its five programmes are intended to achieve. Mostly these are framed as improving Scotland's performance, presumably as against the status quo. Some of these could be quantified but the document sets no targets.

There is no analysis presented to show that these are the outcomes which are most relevant for an economy which cares for both people and the planet.

The publication of the Wellbeing Economy Monitor has been helpful in setting out indicators measuring important dimensions of collective human and natural wellbeing. But it does not define targets for most of these indicators.

The strategy says that the five programmes will:

- establish ... a world-class entrepreneurial nation
- strengthen Scotland's position in new markets and industries,
- generate new, well-paid jobs from a just transition to net zero;
- make Scotland's businesses, industries, regions, communities and public services more productive and innovative;
- make sure people have the skills they need at every stage of life to have rewarding careers
- meet the demands of an ever-changing economy and society
- ensure employers invest in the skilled employees they need
- deliver higher rates of employment and wage growth
- significantly reduce structural poverty, particularly child poverty
- improve health, cultural and social outcomes for disadvantaged families and communities.

3. Using all the tools available to government to meet those objectives

Point 3: Economic transformation is a complex and multifaceted task, which will take time. This Strategy must show how all the fiscal and other levers available to the Government will be used over the next decade to achieve the goals of an economy that meets the needs of both people and planet.

Our assessment: No real progress

The strategy does not include consideration of the full range of powers available to the Scottish Government and its agencies; though it does comment that it does not hold a number of important economic powers.

There is a good number of fiscal levers about which the strategy has little or nothing to say.

There is no examination of the level of investment or public spending, either needed, delivered or planned, to achieve the goals of an economy that meets the needs of both people and planet.

There is no examination of the scope to use devolved powers to tax or to levy charges to increase levels of spending or investment or achieve wider goals.

There is little consideration of the ways in which the Government's capital programme can make the maximum contribution to the strategy's goals; and only a passing reference to the Infrastructure Investment Programme.

There are only two mentions of procurement, namely to 'stimulate more business start-ups and ... scale-ups' and in relation to community wealth building. There are three mentions of conditionality for fair work.

The use of fair work conditions and support for community wealth building are welcome, but conditionality could also be used to deliver environmental objectives and the strategy lacks an overall assessment of the capacity of Government policy to encourage or require action by the private or other sectors.

The strategy includes a statement that "This strategy is intentionally focused on a small number of priorities; it does not seek to do everything". (p. 15)

The document includes reference to all other relevant government strategies and policy frameworks. Many of the delivery actions will be implemented in tandem with them.

4. Policies must show how the objectives can be achieved

Point 4: The Strategy must include policies and actions which can be shown to achieve these outcomes. It must cover the whole of the economy, projecting the investment and timescales needed in each sector. Repair and care will be as important in this strategy as, for example, energy and manufacturing.

Our assessment: No real progress

The strategy does not set out a comprehensive set of objectives related to achieving collective wellbeing within environmental limits. The five programmes of action do not clearly align with the three ambitions 'fairer, wealthier and greener'. There is no dedicated action programme for delivering on the 'greener' ambitions. Without its own dedicated action plan with specific actions, timescales, objectives, targets and measures of progress, it is highly likely that the 'green' ambitions of the strategy will be left behind or fall to the wayside. For example, none of the actions listed in the programme "entrepreneurial people and culture" refer to net zero commitments.

The strategy says:

We will "Finalise detailed delivery plans within six months of publication of the strategy, setting out how the programmes will be taken forward, demonstrating collaborative working with business". (p. 53)

There is mention of the intention to prepare Just Transition Plans for every sector and region but the strategy as a whole does not build on this. Policies to achieve a nature positive economy seem to be limited to encouraging private investment in natural capital; and although some of the sectors described as opportunities do have the potential to contribute to a nature positive economy, policies to do this are not developed.

The overarching focus on productivity growth across the whole economy does not take into account the needs of different sectors. For example, care work forms the foundation of any healthy economy. But due to the nature of care work, a relentless focus on productivity and competitiveness often comes at the cost of a reduced quality of the care delivered and of the work experience of carers. The Strategy does not show how it will create an economic system that allows care and other labour-intensive sectors, such as repair services, to thrive.

The commitment to finalise detailed delivery plans within six months holds out the possibility that this will become clearer.

5. Combat economic pressures which are helping cause the problems

Point 5: It will need to assess and combat existing pressures that are taking the economy in the wrong direction, towards climate crisis, environmental and biodiversity breakdown and increasing inequalities (vertical and horizontal). Patterns of ownership, business models, rent extraction and the distribution of power within the economy and society must be considered. The Strategy should include plans to empower workers so they can reduce their working time and so share work more equally across society, and give people more time for caring responsibilities and other non-labour market activities.

Our assessment: Partial progress

The statement of challenges includes many of the problems which are known to be features of the Scottish economy and which should be tackled by any economic strategy. However some are notably absent, for example the biodiversity crisis and the need to become nature-positive and regenerative by design, to reduce resource consumption, to create a circular economy and to create a high-skill and high-wage economy which offers security of employment and reliable pensions.

Although 'nature positive economy and natural capital' and 'wellbeing economy' appear in specific boxes and 'circular economy' is listed as a market opportunity in the strategy, these do not appear to be embedded into the main text of the strategy and there is very little indication of actions which can deliver them comprehensively across the economy. If overconsumption of raw materials and pollution are not addressed holistically, business as usual will negate benefits of pockets of good practice.

The Fair Work conditionality on Scottish Government support provides a step in the right direction to combat the economic pressures taking our economy in the wrong direction. It is also good to see recognition of the positive benefits of increasing the number of social enterprises, employee-owned businesses and cooperatives. But action is limited to a review of how to support them, which is a disappointingly low ambition for a 10-year economic strategy.

Many of the deeper problems which partially drive the structural challenges listed, like patterns of ownership and power in the Scottish economy, are not addressed.

The strategy says it is “not blind to the immediate and long-term structural challenges facing the Scottish economy, and this strategy is upfront in grappling with these”. (p. 9)

Long-term structural challenges are identified in Section 1.4 as:

- Our population is ageing and around one in five of Scotland’s working age population is economically inactive.
- Too many households continue to live in poverty as a result of structural inequalities.
- Healthy life expectancy is too low in the most deprived areas of our country.
- Scotland’s productivity lags behind that of many other advanced economies.
- Too few of our ideas are turned into businesses and too few of our new businesses are scaling up successfully.
- There are deep-seated regional inequalities, with post-industrial areas performing less well.
- Rural and island areas facing particular challenges such as a falling labour supply, poorer access to infrastructure and housing challenges.
- The further challenge of achieving a just transition that delivers positive employment, revenue and community benefits

6. Public priorities must lead the direction of development of the economy

Point 6: Achieving these objectives will require a different relation between the public and the private realms. The government needs to be decisive in setting the direction of development for the economy and showing how enterprises can and should contribute to that. Government also has a vital role in ensuring free and universal access to foundational services and the infrastructure that the future economy needs.

Our assessment: Partial Progress

The relationship between the government and other sectors, in particular private enterprise, is not explicitly examined in any detail (also see comments above about fiscal and other levers), leaving lots of ambiguity.

On the one hand, the creation of a strategy with objectives such as 'environmental sustainability, quality of life and equality of opportunity and reward' implies that these should drive the economy and there are statements highlighting the responsibilities of businesses.

On the other hand, the policy hierarchy is not clearly set out (see discussion of point 1). And large parts of the actions have an implicit framing that it is the role of government to ensure that employers get whatever they need for business growth (explicitly in terms of skills). The strategy seems to expect that entrepreneurs and employers will embrace the wider goals of the strategy voluntarily, with little evidence that the government support for businesses will be focused on enabling or requiring them to deliver positive impacts, rather than growth for its own sake.

There is no detailed discussion of the vital role for government to ensure free and universal access to foundational services and infrastructure, and no actions to improve such access.

The strategy says that it will:

"Build on the findings from the Business Purpose Commission Report in Spring 2022, to inform how businesses can deliver positive impacts on prosperity, wellbeing – including tackling child poverty – and environmental sustainability. This will recognise that businesses which take a long term (inter-generational) view of their stakeholder commitments fare better in times of crisis, including during the pandemic. It will also promote the stakeholder capitalism model with business leaders, encouraging businesses to see employees, communities and citizens as stakeholders as well as consumers and where businesses are rooted in their communities". (p. 47)

"We want businesses to be exemplars, recognising and acting on their responsibilities to fair work and net zero. Taking action that protects and sustains our environment and natural world. Building a new mindset where all businesses see employees, communities and citizens as stakeholders as well as consumers. And where businesses are rooted in their communities." (p.55)

7. Clear tests for all investment programmes

Point 7: To plan and direct the investment needed, every investment and spending programme must be assessed against a set of clear tests and criteria. This must encompass honest appraisal of the sort of industries and enterprises that are needed in a Wellbeing Economy and action to support those whose livelihoods currently depend on sectors that must wind down to meet agreed climate targets.

Our assessment: No real progress

There is no mention of such tests to ensure that investment programmes in the public sector will contribute to, or at least not obstruct, the goals of the strategy – let alone examining the investment decisions of the finance sector or private enterprises. However, it is possible that these are being developed elsewhere within government for application to the Capital Programme for example.

8. Measure performance through metrics which matter

Point 8: Different metrics and data (many of which are already assessed via the National Performance Framework) need to take precedence in policymaking. Multidimensional wellbeing indicators including reductions in environmental damage and restoring biodiversity should be prioritised, rather than GDP growth for its own sake (or as a proxy for other goals with the assumption that GDP growth will automatically bring attainment of the goals themselves)

Our assessment: Partial Progress

The recently published Wellbeing Economy Monitor provides a welcome step in the right direction, setting out a range of indicators for assessing economic progress along a number of dimensions.

But the strategy does not show the ways in which the indicators in the Wellbeing Economy Monitor and the National Performance Framework (NPF) will drive decision-making. Evidence that the existence of the NPF has transformed economic decision-making is weak. The upcoming review of the NPF should be used to develop mechanisms for embedding the NPF and Wellbeing Economy Monitor into all aspects of government decision-making in Scotland.

The strategy says:

“What we measure matters. Traditional economic metrics like GDP will remain an important measure but cannot be viewed in isolation. This strategy commits to publishing a new Wellbeing Economy Monitor. This will include measures such as healthy life expectancy, fair work indicators, mental wellbeing, child poverty, greenhouse gas emissions and biodiversity”. (p.13)

We will “publish a wellbeing economy monitor, to build on Scotland’s leading work on integrating wellbeing into its measurements and policy development and monitor how we are performing as a wellbeing economy.” (p. 53)

The strategy is still built on the assumption that any growth in GDP and productivity will automatically bring attainment of wider goals of collective wellbeing and environmental protection, despite such claims being widely discredited by recent research.

9. An economic strategy for all sectors - economic transformation as a national mission

Point 9: It needs to influence and align with the work and strategies of other social partners - from local government to the private sector. This means it needs to go beyond previous strategies: it should embrace the reality that economic transformation is a national mission that will only be achieved with everyone engaged. This takes us back to the process of design and the necessity of a broader, more participatory strategy than offered so far.

Our assessment: No real progress

The strategy recognises that “successful delivery of this strategy will require all of our partners to work together.” The important contribution of businesses, the third sector, local governments, communities, trade unions are mentioned multiple times throughout the text of the strategy. But an examination of the actions suggests that it is only business that is seen as having a major part to play in the delivery of the strategy, with a limited role for trade unions and no specific roles envisaged for the third sector or communities.

Looking beyond the text to the actions, this strategy very much reads like something that will be done to communities and the third sector rather than with them. In the 18 action projects, business and industries are mentioned frequently as partners that the government will be working with or consult with in the delivery of the strategy. The NSET Board will be co-chaired by a “figure from the private sector”. In contrast, the third sector does not feature as a partner in any of the 18 action projects. The only two times it is mentioned, the strategy says that the third sector will “be exposed to entrepreneurial training” and that it will be held “to account” for the delivery of the strategy by the NSET board.

The strategy says:

“Transforming Scotland’s economy is a national endeavour and government, the enterprise and skills agencies, business, trade unions, third sector, local government, social enterprises and the people of Scotland all have a part to play. We can only succeed and achieve our goals if we pull together as one – a Team Scotland approach.”

“To deliver this strategy businesses need access to a range of support that is designed around the requirements of businesses and innovators, not the internal structures of the public sector, as well as increased access to investment, improved connectivity and stronger skills pipelines. Government needs actions from business such as investment in improving productivity, innovation, support for skills training as well as data on outcomes. This strategy should act as a compass to guide the actions of all partners”.

10. An inclusive and participatory process

Point 10: The process of completing the Strategy must be inclusive, drawing on participation and input from workers and the communities most affected. It cannot be transformational if it does not actively engage those people affected – in effect, all of us. It must hear and benefit from the lived experience of those who are in greatest need of a transformational economic strategy. Scotland's Citizens' Assembly to debate Climate Change is a good example that should be emulated.

Our Assessment: No real progress

The process through which the strategy was developed was not the inclusive and participatory process needed for this to become a national strategy for economic transformation.

Consultation was largely limited to an invitation of written submission to a mailbox, open for 8 weeks over the summer in 2021. Even this limited consultation appears not to adhere to normal good practice. For example, the information necessary to assess how representative the respondents were was not collected. In the circumstances, it is a fair assumption that the responses are weighted towards organisations and individuals already on the inside track of economic policymaking.

There is no evidence of any targeted outreach to include the seldom-heard voices of those who are in the greatest need of a transformational economic strategy. Despite being 17 members strong, the Advisory Council for the strategy did not include members or organisations representing concerns and expertise in the areas of poverty or environmental breakdown.

Given the lack of an inclusive and participatory process, it is particularly disappointing that this strategy has not been presented as a draft for discussion and debate before adoption, with apparently no further process of consultation on the overarching strategy planned. We hope that the delivery plans will be developed through a more inclusive process.

Although consultation and public engagement with the preparation of the strategy gets little mention in the strategy, there is a separate report on the 'semi-formal' consultation in summer 2021 with "members of the public and stakeholders invited to submit views directly to a mailbox".

About the responses it says:

"A total of 265 responses were received, spread across wider public, private sector, third sector and public sector, of which:

- 77 (29%) from Wider Public,
- 81 (30%) from Private Sector,
- 73 (28%) from Third Sector, and
- 34 (13%) from Public Sector.

Given the open invitation to contribute, individuals were not asked to provide information on their characteristics and so it is not possible to determine how representative of the wider public the individual responses received are".