



# FAILURE DEMAND

## Paying to fix what we continue to break through our economic system

*Briefing for MSPs by WEAll Scotland, November 2021*

The Wellbeing Economy Alliance (WEAll) published the report "Failure Demand: Counting the true costs of an unjust and unsustainable economic system" on 12 October 2021.

By examining the case studies of Scotland and Alberta, Canada, the report demonstrates that our economic system causes harm to people and planet in its pursuit of economic growth. Governments then need to spend money to respond to these harms, which in turn becomes a justification for growth.

In other words, we are caught in a cycle of paying to fix what we continue to break. The Scottish and UK governments are spending money on income support due to in-work poverty, on housing support for the homeless and on treating disease caused by air pollution. This is known as 'failure demand', a term coined by John Seddon to highlight that a rising demand for a service often reflects failure rather than success. It was used in relation to public services in the 'Christie Review' for the Scottish Government.

The report asks the questions: is this the best we can hope for? Is it good enough to just help people survive and cope with the current system? The report argues that we can do better.

We can design a Wellbeing Economy in Scotland that delivers social justice on a healthy planet from the outset. In such an economy work is paid fairly, everybody has a comfortable home, and the air we breathe is clean and healthy. The report demonstrates that such an economy would not only deliver better lives, but also eliminate the costs of failure demands to the UK and Scottish governments.

*"Low pay, inadequate housing provision and pollution from fossil fuels all bring costs for the taxpayer, to bail out and to provide healthcare for those who suffer the consequences at the harsh end of the economy. It's called "failure demand", and Scotland has been slow to rise to the challenge."*

*Douglas Fraser, BBC Scotland Business and Economy Editor, in his [analysis](#) of the report.*

## The findings for Scotland

The report focuses on three key sectors: paid work, housing and the environment. These sectors represent only a portion of all failure demands, but they illustrate their reality.

### Paid work

- During 2017-2020, almost two-thirds (61%) of working-age adults in poverty were living in a household with at least one person in paid work.
- These figures have been the highest since reporting began in 1996-1999, when 48% of working-age adults in poverty were in work.

**The report finds that the support provided by the UK and Scottish governments to top-up the low income of working households in Scotland rose from over £596 million in 2014/15, to over £774 million in 2018/19.** This is almost three times as much as the Scottish government is planning to spend on employment and training interventions in the 2021/2022 budget (£270 million).

### Housing

- Every 17 minutes a household in Scotland becomes homeless.
- 31,333 households were assessed as homeless in 2019/2020, including more than 15,000 children.
- At least 8% of the Scottish population has experienced homelessness at some point in their lives.

**The report estimates that the cost of providing temporary accommodation in Scotland is over £111 million annually.**

### Environment

- The health and housing of Scottish people is strongly impacted by air pollution and extreme weather events caused by the use of fossil fuels.
- Approximately 79,000 homes and 29,000 non-residential properties are at risk of flooding in Scotland.
- Air pollution reduces the life expectancy of Scottish people by an average of 7-8 months.

**In Scotland, the impacts of climate change and air pollution caused by fossil fuels have cost the UK and Scottish governments more than £1.7 billion.** Such spending effectively constitutes a subsidy to fossil fuels.



## Recommendations

Addressing failure demand in Scotland demands a bold redesign of our economy, creating a Wellbeing Economy that directly delivers our fundamental human needs – dignity, connection, fairness, participation, and a healthy environment.

Such a redesign requires a suite of policies that is **ambitious** in scope, **long-term** in outlook, **targeting root causes** and **cutting across silos**. Such policies are already implemented successfully in other countries, such as the Wellbeing Budgets used in New Zealand. Examples of policies that could be implemented in Scotland are:

### **An economy with a purpose**

- Implement the recommendations of the first citizens assembly in Scotland to ensure meaningful participation at all levels of government
- Ensure that the announced dashboard of wellbeing indicators includes robust multi-dimensional measures of human and environmental wellbeing and builds on the National Performance Framework
- Align the development of all policies and the budget with the priorities in the dashboard and National Performance Framework

### **Fair Work**

- Substantially scale up support for purposeful business models, such as social enterprises and cooperatives, which prioritise fair work over shareholder returns
- Ensure that the fair work conditions announced for public grants and procurement are ambitious and effective and build additional fair work incentives for businesses into the tax system

### **Housing**

- Increase powers of communities to purchase land for development at affordable prices and increase social house building to ensure affordable housing
- Undertake a nation-wide programme of retrofitting houses and other buildings to create warm and healthy housing compatible with net-zero

### **Environment**

- Implement a Wellbeing and Sustainable Development (Scotland) Bill, which makes it a statutory requirement for all public bodies and local authorities to take full account of the short and long-term sustainable development impact of their decisions
- Build fully linked-up and protected cycling, walking and wheeling networks in cities to reduce air pollution

## Find out more

Please contact Lukas Hardt at [lukas@scotland.weall.org](mailto:lukas@scotland.weall.org) if you want to find out more about the report or the work of WEAll Scotland.

The full report can be accessed at [weall.org/failedemand](https://weall.org/failedemand)