

Evidence to Rural Economy and Connectivity Committee

South of Scotland Enterprise Bill

November 2018

1 About Co-operatives UK

1.1 We are a UK-wide organisation representing co-operative businesses, including 60 in Scotland. A co-operative is a business that exists to benefit its members, either through their work in it, trade with it or ability to share in the social value it creates. In a co-operative these members share ownership and control of the business. The 60 Scottish co-operatives we represent include worker-owned businesses, consumer co-operatives, credit unions community enterprises and small business consortia.

2 Summary

2.1 We welcome the creation of a new South of Scotland Enterprise Agency and the degree to which the South of Scotland Enterprise Bill reflects some key aspirations we have for economic strategy.

2.2 We believe South of Scotland Enterprise should be established in a way that ensures its public interventions in the private economy deliver public goods, rather than pursuing private benefit economic objectives as ends on themselves

2.3 Thus we especially welcome the creation of the following statutory aims under Section 5:

- *“further the economic and social development of the South of Scotland”*
- *“improve the amenity and environment of the South of Scotland”*
- *“supporting inclusive economic growth”*

2.4 However, we believe Parliament could make the amendments to Section 5 and Schedule 1, to further ensure the aims and governance of South of Scotland Enterprise embed the principle of ‘public interventions for public goods’.

3 Aims of South of Scotland Enterprise: centrality of inclusive growth and eco-efficiency

3.1 We believe that South of Scotland Enterprise should promote, support, and remove barriers to, inclusive growth and eco-efficiency. An inclusive economy is one that shares influence, wealth and opportunity broadly, between people as earners and asset owners as well as between places. The ambition must be for this economy to deliver on these fronts within the capacity of the planetary environment (‘eco-efficiency’).

3.2 Given the current challenges of socio-economic inequality and ecological damage, we question whether there is a strong rationale for making public interventions in the economy that do not have inclusive growth and eco-efficiency as their twin aims.

3.3 We propose the following amendments to the Bill to better establish these aims in law:

Section 5 'Aims'

- For (1) (b) after *'improve the amenity'* insert *'eco-efficiency'* before *'and environment of the South of Scotland'*

Explanation: Eco-efficiency is an essential concept when aiming for environmental improvements in the context of economic development. Eco-efficiency is a conceptual model that has been adopted by the UN, the European Commission and the OECD among others.

- For (2) (a) after *'supporting inclusive economic growth'* insert *'that shares opportunity, influence and wealth broadly between people and places'*

Explanation: It is vital that Parliament defines inclusive growth so that it can hold Scottish Government and South of Scotland Enterprise to account.

- For (2) (c) after *'enhancing skills and capacities relevant to'* delete *'employment'* and replace it with *'people's economic aspirations and opportunities'*

Explanation: Employment is too narrow a focus for skills and capacity building. Firstly, we should expect more future opportunities for decent livelihoods to arise in the space where the boundaries between employment, dependant contracting, self-employment and entrepreneurship are blurred. Secondly, inclusive growth requires that people be given a degree of economic self-efficacy, so they can explore options beyond being an employee, as well as potentially being equipped to meet the demands of labour market incumbents.

- For (2) (d) after *'encouraging business start-ups and entrepreneurship'* insert *'including the use of inclusive business models'*

Explanation: Given the socio-economic and ecological challenges we face, business as usual is not an option and to deliver clear public goods South of Scotland Enterprise will need to play its role in promoting and supporting 'inclusive business models'. Without a clear aim and some concerted effort, it will be too easy for South of Scotland Enterprise to ignore the potential for inclusive business models, such as co-operatives, social enterprise, employee-owned businesses, B-Corps and hybrids of these, to drive inclusive growth.

- For (2) (e) (i) before *'efficiency'* insert *'eco-'*

Explanation: Given the current ecological danger, no public effort should be wasted on promoting industrial and commercial activity that is not efficient within its ecological context.

- For (2) (f) delete *'supporting community organisations to help them meet their communities' needs'* and replace it with *'supporting community-led economic development'*

Explanation: Community economic development is a process through which people living, working and running businesses in an area work together as a

community to effect change in their local economy, so that it better supports their shared aspirations in terms of opportunities, livelihoods, wellbeing and ecology. This approach to local economic strategy is an essential ingredient in inclusive growth and a significant opportunity will be missed if South of Scotland Enterprise is not given a very clear aim in this regard. The role of the community and community organisations in economic development should be central, not side-lined into a provision for the third sector.

- After (2) insert a new (3) as follows:

'Improving the amenity, eco-efficiency and environment of the South of Scotland includes –

supporting responsible consumption and production

supporting economic activity that combats climate change and its impacts

supporting economic activity that protects, restores, and sustainability uses aquatic ecosystems and halts and reverses degradation and biodiversity loss

supporting economic activity that protects, restores, and sustainability uses terrestrial ecosystems and halts and reverses land degradation and biodiversity loss'

Explanation: Given the urgency with which we need to transition to economic activities that halt and reverse ecological damage, it is surprising that while Scottish Government has seen a need to elaborate on what economic and social development should mean it has not seen a need to elaborate on what improving the environment should mean. Our suggested new 5.(3) draws directly on the UN Sustainable Development Goals 12 to 15.

4 Governance of South of Scotland Enterprise: the need for representative plurality

- 4.1 We believe the South of Scotland Enterprise should be governed through a pluralistic model that provides representation for, if not accountability to, local communities and stakeholder groups. The agency's membership should be comprised of different categories for key stakeholder groups: local business leaders, workers' representatives, community organisations and environmental specialists.
- 4.2 If the Scottish Government is to appoint the members then there should be at least some stipulations in law as to which stakeholder groups must be represented through these appointments.
- 4.3 We propose making the following amendment:

Schedule 1 Part 1 'Members':

- Below 1 (4) insert a new (5) as follows:

'(5) The Scottish Ministers must ensure the membership of South of Scotland Enterprise always includes at least one of each of the following –

A representative of the South of Scotland business community who can demonstrate a track record of successful and responsible commercial activity

A representative of the South of Scotland social economy

A representative of workers in the South of Scotland

A representative with expertise in local environmental issues

A representative with expertise in local social issues

Explanation: Making stipulations in this regard will help to ensure a bare minimum of plurality and representativeness.

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About Co-operatives UK

Co-operatives UK is the network for Britain's thousands of co-ops. We work to promote, develop and unite member owned businesses across the economy. From high street retailers to community owned pubs, fan owned football clubs to farmer controlled businesses, co-ops are everywhere and together they are worth £35.7 billion to the British economy.