STUC submission to the Scottish Parliament's Economy, Tourism and Energy Committee Call for Views on Pre-Budget Scrutiny 2027/28

1. **What are your views on what the spending priorities should be in the Scottish budget 2027/28 in terms of the economy, tourism and energy sectors?**

A central priority for all Economy, Tourism and Energy funding should be to support economic growth through Fair Work. The Budget should be used to "pave the high road" and "block the low road" to economic growth, by ensuring Fair Work conditionality on all public funding and supporting sectoral bargaining across new growth sectors.

Too much of our economy and energy funding does not do this. For example, the ScotWind process included no specific requirements, or even the provision of information, with respect to worker representation, trade union engagement, or other aspects of job quality. This is despite the sector being historically resistant to trade union engagement and having a checkered history with respect to workers rights.[1]

A recent Scottish Government commissioned evaluation of Fair Work First, provides some evidence that Fair Work First has strengthened employers' commitments to Fair Work.[2] However, the evaluation exposes important weaknesses in how "effective workers' voice" is currently defined, evidenced and enforced, and it underlines Scotland's continued underperformance on collective bargaining coverage relative to leading fair work nations. This points to a clear need to move from encouragement of trade union recognition to a much firmer expectation, backed by clear conditionality on public money.

The Scottish Government should use the Budget to move from encouraging worker voice to requiring it. Public bodies should be directed to treat genuine trade-union recognition, collective bargaining and workplace representation as core indicators of fair work, rather than optional or loosely evidenced commitments. Where employers do not recognise a union, public bodies should require alternative, meaningful and independent mechanisms for worker representation, with a clear route towards union recognition

Related to Fair Work, another spending priority should be how the Scottish Budget can best support Scottish businesses, given the benefits indigenous ownership provides benefits in terms of control, long-term sustainability, high-quality HQ and research jobs, and security.

2. **What are your views on the impact or outcomes spending on economy, tourism and energy is delivering?**

The STUC believes the rationale for strong public sector economic development agencies remains extremely compelling. Public agencies help overcome a range of deeply embedded market failures e.g. funding gaps for growth and innovation enhancing investments, under-investment in skills training, lack of knowledge of international markets and capacity to access them, and poor cooperation within and between companies, industries and sectors. Many companies, particularly indigenous, growing companies require assistance with product and process innovation, internationalisation, and workplace development and innovation.

However, support must be effective and targeted rather than centre on general tax breaks and subsidies. Long-term objectives, by their very nature, go beyond the needs of individual businesses and may, on occasion, conflict with short term business need.

An example of this untargeted support can be seen through the Small Business Bonus Scheme (SBBS) which has grown from £68 million in 2008 to £247 million in 2025.[3] This is despite a Fraser of Allander Institute evaluation finding no evidence that the scheme supports enhanced business outcomes.[4] Rather than providing untargeted relief for business, we need to ensure that economic development supports good, productive jobs and Fair Work.

Instead of blanket support for business, key sectors such as manufacturing should be prioritised. Manufacturing is the country's productivity engine, responsible for half of international exports and half of business research and development spending.[5] To boost productivity and growth, we need a real industrial strategy based on public investment in Scotland's key manufacturing sites; stricter conditions on enterprise funding to ensure companies create good quality jobs here in Scotland; smarter use of public funds and procurement; investment in education, skills, and workplace-learning; use of short-term furlough schemes; public ownership of key parts of our industrial base, such as energy and ports; and support for collective bargaining in new industrial sectors, sites, and companies.

Alongside these structural measures there is a need to support workers to lead the development of their own industrial transition plans. From Grangemouth, to

Mossmorran, to Alexander Dennis, and potentially to Syngenta, Resideo and Honeywell, too often we have seen too little public intervention, too late.

While many of these multinational companies are happy to up sticks and move abroad, the workforce is not. Workers, through their unions, are therefore the Government's strongest ally in keeping and maintaining Scotland's industrial base.

Workers also know their workplace best, and are willing to transform their workplaces, companies, and industries, if they are supported. Yet too often workers' plans and pleas are ignored. The Scottish Government and public bodies must change this approach – including by making changes to the remit of public sector agencies, such as Scottish Enterprise, so they can support trade union-led efforts to future-proof workplaces.

3. **What are your views on the overall spending profile set out in the Scottish Spending Review which indicates that public spending on the economy, tourism and energy sectors will see a real terms decrease in funding over the coming financial years?**

The real term cuts to overall spending will make it impossible to meet the Scottish Government's priorities to grow the economy, eradicate child poverty, tackle climate change, and deliver first class public services. Rather than cutting spending, the Government must raise tax.

Future Economy Scotland have set out a package of credible reforms which build on previous STUC proposals. These could raise £2.3 billion a year while creating a fairer and more efficient system. Proposals include replacing council tax with a proportional property tax, scrapping business rates relief/replacing business rates with a land-value tax, and changes to income tax.

As a member of Tax Justice Scotland – a campaign involving more than 50 organisations working together to build a tax system that can make Scotland fairer, greener and more equal,[vi] we recommend five priority areas for action:

- *Replace Council Tax with a Proportional Property Tax Council*
- *Maintain a progressive approach to Income Tax, recognising that broad-based tax rises will also be necessary.*
- *Raise more revenue to invest in climate action, including by making polluters pay*
- *Introduce progressive wealth taxation measures to address extreme wealth concentration.*
- *Reform local taxes to incentive businesses towards fair work and other positive behaviours.*

4. **Any other comments you wish to make on budget spending on the economy tourism and energy sectors?**

The STUC believes there must be greater focus on the role and value of public ownership at a national and local government level.

STUC research has shown that over half of all bus operators revenue in Scotland came from government support.[6] Between 2019-2024, nearly 90% of the £2.83billion profit made from 105 onshore wind farms in Scotland was paid as dividends to corporate shareholders. [7]

These are areas where public ownership and delivery can deliver better services while retaining value locally. Forthcoming research by the Centre for Local Economies will set this out in clear terms, including with case studies from across Scotland.

The research will provide recommendations for government to ensure public ownership is enabled, rather than held back or excluded, by Scottish Government policy and funding streams.

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[1] https://www.stuc.org.uk/resources/fair-work-in-offshore-windfinal.pdf
[2] https://www.gov.scot/publications/fair-work-first-policy-evaluation/
[3] Table 8a, Reliefs publication 2025 - publication tables: https://www.gov.scot/publications/non-domestic-rates-relief-statistics-2025/documents/
[4] https://fraserofallander.org/an-evaluation-of-the-small-business-bonus-scheme/
[5] https://www.scottish-enterprise.com/insights-and-events/insights/manufacturing-success-five-things-to-consider
[6] https://www.stuc.org.uk/resources/the-next-stop-stuc-bus-research.pdf
[7] https://cles.org.uk/blown-away-following-the-money-in-scotlands-onshore-wind-sector/