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Good evening.

I want to thank the David Hume Institute for the invitation to speak tonight and for the important role it performs in providing a forum for serious and informed policy debate in Scotland.

Too often in our fast-paced world of twenty-four-hour news cycles, real debate and robust intellectual scrutiny of political ideas and policies can be overlooked in favour of a quick-hit headline, and an emotional rush in response.

Never is that clearer, than during the coverage of great political upheavals, be they constitutional referenda or the election of a President with itchy Twitter fingers.

Of course, Brexit is where most of our current political attention is focused.

Our newspapers, televisions, radios – and our smartphones – give us every alarmist twist and turn of the negotiations, inviting us to feel horrified or assured in our opinions in equal measure.

As a result, serious, informed, scrutiny is rarely on offer.

Institutes like this venerable one, are vital for giving us that space.

So thank you again for the work that you do.

David Hume would no doubt have found the EU referendum and its outcome endlessly fascinating given his interest in human nature, and the differences which lie between perception and experience.

And, importantly the impact that those differences have on our judgements and whether we always act in our own self-interest.

I have a feeling there could be a fine treatise written on that by a Hume scholar sometime soon .

The title of the series of speeches this year though is Scotland after Brexit .

It is hard to imagine that such a time will come, given how tortured the process has so far been.

And I should confirm that I am happy to accept this title in the spirit of heuristic endeavour and inquiry.

As it happens I do believe that the UK will leave the EU and that Scotland will remain part of the UK, but I accept that there are people engaged in the debate who take an opposite view on both of these points!

Some of my formative political experience came as a researcher to the late Alex Falconer who was the Labour MEP for Mid Scotland and Fife from nineteen-eighty-four to nineteen-ninety-nine.

I worked with him during those years when the foundations for the European Single Market were being laid, when the Single European Act was being guillotined through Parliament, when Economic and Monetary Union was being envisaged, and our priorities were then, all those years ago, as they are now today, around how best to promote the interests of working people, how best to build an economy that works in the interests of the many not the few.

So I bring a long view to this new challenge.

Let me be clear that I voted to Remain, and I campaigned for a Remain vote.

This was in part because of the level of economic integration that was evident after forty-five years of membership of this economic club.

It was my belief then and now that leaving would bring with it an economic shock.

But I also campaigned for a Remain vote because of the xenophobia which underpinned the predominant elements in the Leave campaign.

So I voted and campaigned for a Remain vote.

But I understand that no matter how you cast your vote, you undoubtedly did so in the belief that it was for a better future.

No one voted to be poorer.

No one voted to narrow the options of their children or grand-children.

We always vote in the belief that what comes after has to be better than what went before.

Unfortunately, my side lost – something my detractors will no doubt suggest I've had to get used to in recent years.

So here we now are: in the process of leaving the European Union.

And as a result, facing unique challenges, in uncharted waters.

It is the way we approach these challenges which will decide whether they will become opportunities, or threats.

To that end there needs to be a plan.

And in my estimation there simply isn't one .

While the twenty-seven other EU member states act in consort, the UK government is in disarray with the divisions in the Cabinet plain for all to see :

whether it is the continual opposing statements of Philip Hammond and Boris Johnson, or whether there are, or are not, any Brexit impact statements.

Three little words the Secretary of State for Exiting the EU, David Davis has nightmares about.

The Scottish Government does appear to be more focused – but not necessarily focused on what is right for Scotland.

As always their approach is more about what is right for the SNP.

So on the one hand we have a Tory Government intent on turning its back on the European Union Single Market and turning its back on Europe

And on the other is an SNP Government intent on turning its back on the UK Single Market - on England, Wales and Northern Ireland , this even though four times as many Scottish jobs depend on exports to that Single Market as depend on exports to the EU.

The SNP position uncritically in favour of an ever deepening of the EU Single Market

Whilst at the same time advocating a dramatic breach with the rest of the UK and the economic and monetary union which underpins it, is illogical and incoherent.

Indeed, the whole SNP approach to Brexit is – in my view – intellectually and economically dishonest – and I’ll get to that later.

But Scottish Labour is clear, Labour in Westminster, is clear: the government needs to put our economy and jobs at the heart of the Brexit negotiations so we can rise to the challenges it will undoubtedly present.

Migration is one such important challenge.

Yet according to the Scottish Government’s own worst-case scenario analysis, published two weeks ago, which focused in their own words to “highlight the likely impact of a hard Brexit”, a fall in migration by 2030 will account for a two point five per cent decrease in Scotland’s income.

But in that very same analysis, a forecasted decline in productivity will account for a five point eight per cent reduction in our GDP.

It was the Nobel Prize winning economist Paul Krugman – a fan of David Hume, I believe, - who said,

“Productivity isn’t everything, but in the long run it is almost everything.

“A country’s ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker.”

So, the challenges of Brexit reinforce a belief I have held for my whole time in the Scottish Labour movement - that a more pro-active approach to the economy is needed.

Consequently, Scotland has got to change.

It has got to change in terms of how economic power is exercised and by whom.

It needs a different and more active approach from government and the public sector.

Critically it needs new forms of ownership and higher levels of investment.

And an economy where the proceeds are shared more equitably.

Brexit, with all its challenges, only reinforces this need for a step change in how we do things.

If we do not do this in the context of Brexit we will simply drift further from the high skill, high wage economy Scotland needs.

The Scottish Government claims that the Scottish economy is both resilient and diverse. I wish it were so.

In fact, just fifteen businesses account for thirty per cent of the value of all of Scotland's international exports.

Just ten companies account for forty-five per cent of the total value of business research and development.

Before Brexit, economic diversification was necessary through an active Scottish industrial policy with less market and more planning in the economy.

Now with Brexit on the horizon this is more urgent than ever.

And so we will be pushing for the establishment of a Scottish industrial policy.

And, quite separately, we will be pushing the UK Government for an active regional policy too, both of which should be aimed at the development of indigenous ownership growth including a new and burgeoning co-operative and employee ownership sector.

That is where my focus will be this evening – how we make Scotland a more productive nation.

But before I discuss what needs to happen to future-proof Scotland's economy, let's take a look at the Brexit process so far. If you can bare it!

When the Scottish Parliament was created, many people – myself included – fought long and hard to ensure that it would be more than merely a democratic replacement for power exercised by Ministers in the Scottish Office – important though that was.

It was established to be a Parliament with real power and with real authority.

One of my first tasks when I went to work as an Assistant Secretary at the Scottish TUC in nineteen ninety-one was to contribute to a consultation document the General Council instructed us to draw up called "Power For Change".

It was a programme for action for the devolved Scottish Parliament we were campaigning for.

We didn't simply demand the establishment of a Scottish Parliament for the sake of it: it was power we wanted for a purpose.

Ultimately then, the 1998 Scotland Act was unambiguous in its construction that everything that was not expressly reserved to Westminster was to be devolved to the Scottish Parliament.

Unfortunately, the Tories appear to have forgotten that defining, founding principle.

In recent months, through the Brexit process, they have trampled all over the devolution settlement.

The EU Withdrawal Bill is not fit for purpose in terms of devolution, and the Tories' authoritarian approach means an arrogant refusal to listen – even to its own Scottish backbenchers.

Scottish Secretary David Mundell is supposed to be Scotland's man in the Cabinet but he certainly is not standing up for Scotland's interests in his failure to have Clause eleven of the Bill, which specifically impacts on devolution, amended.

And what role has Ruth Davidson?

That is the problem. She let this disregard of devolution occur and this snub to the settled will of the Scottish people, on her watch.

As a result, in Holyrood we have voted against granting a Legislative Consent Motion as the EU (Withdrawal) Bill currently stands.

Playing fast and loose with the devolution settlement is unacceptable and the Labour Party, the Party which delivered devolution, will not stand for it.

Of course, this lack of trust in devolution from the Tories has been a straw for the SNP government to clutch at in its perpetual drive towards independence.

Yet, the SNP too seems to have no real idea what Scotland after Brexit should look like.

It has moved its position a number of times, from demanding full membership of the EU as an independent country, to retaining single market membership ; preferring EFTA to the EU ; and now back to full membership of the single market and customs union.

We should not be entirely surprised.

As Eric Hobsbawm put it

“Nationalism has been a great puzzle to (non-nationalist) politicians and theorists ever since its invention, not only because it is both powerful and devoid of any discernible rational theory, but also because its shape and function are constantly changing.”

And disappointingly, we saw again that the constitution trumps all with the SNP, when its MPs refused to vote for our Labour amendment to the EU

(Withdrawal) Bill which would have established new procedures for the creation of UK-wide frameworks for retained EU law.

Without doubt, the SNP, is using Brexit to push its usual agenda and agitate for another referendum; not to remain in the EU but to leave the UK.

Labour has, at all times, based its strategy on protecting the economy, jobs and the interests of working people.

The four principles behind Labour's position are clear and unambiguous: -

- We respect the result of the EU referendum
- The UK will leave the EU
- By doing so we will leave the existing single market and the existing customs union
- Therefore, we will need to negotiate a new deal because on leaving the EU our membership of all existing treaties will end

Laid out like that it all seems so simple – doesn't it?

Of course it is vastly complex.

Which is why Labour is playing a critically important role in holding the Tories to account during their haphazard handling of the Brexit negotiations.

We have been the effective scrutineers.

We have ensured that there will be a transitional period, to protect and stabilise our economy after the negotiations are completed and agreement is reached.

We have focused on outcomes that retain the benefits of the single market.

We have proposed the amendments to protect workers' rights, the rights of EU citizens living here in the UK, the economy, the devolution settlements, the environment and more.

And that is why I can tell you tonight that I am fully confident that Labour will not vote for a Brexit deal that is bad for workers and bad for the economy.

When the time comes we will judge the deal on the six tests set by Keir Starmer:

- Does it ensure a strong and collaborative future relationship with the EU?
- Does it deliver the “exact same benefits” as we currently have as members of the Single Market and Customs Union?
- Does it ensure the fair management of migration in the interests of the economy and communities?
- Does it defend rights and protections and prevent a race to the bottom?
- Does it protect national security and our capacity to tackle cross-border crime?
- Does it deliver for all regions and nations of the UK?

Labour is clear.

We want a deal that is a good deal for the people of this country, not no deal and not a bad deal.

That must mean a deal that retains the benefits of the single market and customs union but which negotiates in other areas that we believe have not been as beneficial for the UK economy.

That is Labour's focus, it will continue to be our focus and we will dedicate all our attention on that until agreement is reached.

So what happens after the UK leaves the European Union?

The challenges will be multiple, but thankfully there are solutions.

In recent times we have seen both the UK and Scottish Governments hide behind the rules of the EU in order to stop the passage of progressive legislation.

There is no doubt the EU has been used to force through a market based approach to some areas of public policy where markets should have no place.

In turn this has driven down growth in our economy, driven up job insecurity and driven down wages for working people.

Here in Scotland the Competition Framework for the non-domestic sector in the water industry has been affected in this way, as has the tendering of the contract for Calmac routes and for the Northern Isles ferry link.

It has had a part to play too in the award of the Scotrail contract to Abellio and was the basis for the Scottish Government's refusal to make the Living Wage a necessary condition for private contractors carrying out public works and supply contracts during the passage of the Procurement Act in twenty-fourteen 2014.

Labour would have advocated a renewed reform agenda in these areas if we were remaining in the EU.

I also believe that there are times when the "Brussels defence" has been used as an excuse and that a robust stance particularly on the provision of lifeline public services could and should have been taken.

At a UK level too, a different approach was possible.

Reliance on the so-called Swedish Derogation to remove equal rights from Agency Workers bestowed by the EU Directive has been the subject of a legal challenge led by the TUC.

The provision of the so called "UK opt out" from the Working Time Directive has allowed for excessive working hours to prevail in breach of a measure designed to provide health and safety based rights for workers.

As a result, currently an estimated quarter of a million workers in Scotland routinely work in excess of forty-eight hours a week.

This is no way to run an economy.

In my view we need to retain the provisions of the Directive like the right to paid holidays, the right to time off between shifts and the minimum rights to breaks – including the additional protection afforded to young people and over time end the opt out by managing a planned reduction of excessive working hours in such a way that earnings do not drop and new secure employment is created.

This should be seen in the context of automation and the need to drive up productivity.

We also want to see a transfer of powers from the European Union and its institutions to the Scottish Parliament not to Westminster and Whitehall.

So decisions in key areas like environmental regulation, agriculture, fisheries, public procurement and state aid should be put in the hands of the Scottish Parliament.

By protecting vital rights and opting for a more active approach to planning our economy the challenges of Brexit can be met head on.

For if the current state of play shows us anything, it is that an active approach is vital to ensure that we shape and nurture a resilient economy.

As I said earlier the SNPs approach to Brexit is intellectually and economically dishonest.

The Scottish Government's paper on Brexit, notes that the EU Single Market will still be seven times the size of the UK market, after we leave.

But that is purely in terms of population.

The analysis fails to recognise that the UK market is worth four times as much to the Scottish economy.

Further evidence that an active approach is needed is illuminated in the Scottish Government's a worst case scenario, in that foreign investment to Scotland would drop by almost a quarter.

As Ernest and Young's Attractiveness Survey of Scotland notes Brexit will "be a major change to the overall trade position and as such requires a clearly defined strategy setting out Scotland and the UK's trade strategy and how this will be realised"

This underlines the need for an active industrial policy to reduce uncertainty for employees and investors alike.

It underlines the fact that the private sector is dependent on state decisions.

It underlines the need for a real plan which stops Scotland just being a consumer nation, but once again turns us into a nation which produces what people need.

Economist, Professor Mariana Mazzucato recognises that a strong industrial strategy has many benefits and it is the best way the state can help drive economic growth. I agree.

Which is why Scottish Labour last year launched an industrial strategy which lays out the steps which need to be taken to shape a resilient economy and a healthy society.

It is a strategy which advances democracy and equality in the economy, so that the proper role of trade unions as representatives of workers is recognised, and so that women, who are all too often shut out from the corridors of economic power, are finally let in.

We need to consider how we can use the existing and repatriated powers that we will have to expand the horizons of working people in this country, and thereby bring hope back to those communities that we are sent to the Scottish Parliament to serve.

There are profound inequalities in the real rate of unemployment

—the unequal burden of unemployment between the best and worst parts of Scotland —

which are far greater than the official figures would lead us to believe.

Indeed, Professor Steve Fothergill estimates that the real rate of unemployment is eight point six per cent of the workforce, which is double the official narrow measure.

Our economy is fundamentally unbalanced.

So, what is needed is a credible, radical and compelling strategy for reindustrialisation and a rebalancing for the post-Brexit Scottish economy.

Our new relationship with the European Union will provide a new path.

Having the right to determine our own procurement policy, to deliver apprenticeships and skills, to end bogus self-employment, to end zero-hours contracts and to pay decent wages must be policy objectives.

They are just some examples of areas in which governments have hidden behind EU procurement or state-aid rules to avoid making progressive decisions.

This active approach must support too, a just transition to a greener economy in which technology supports us all to live more fulfilling lives.

One of Scotland's greatest missed opportunities has been in wind energy.

We should have had turbines that were financed, built, owned and operated in this country.

Communities and public bodies could have developed all of that in a truly sustainable way.

Instead, the kit has been built abroad and many of our wind farms are owned by foreign multinationals, venture capital firms or wealthy individuals, with the result that the profits float off with every turn of the turbine to boardrooms in places such as Bilbao, Munich and Copenhagen.

If ever there was an absence of planning and industrial policy, this is it.

With the Scottish Government's worst-case scenario finding that the fall in income overwhelmingly comes from productivity, perhaps, Brexit should inject some added urgency to tackling the longstanding need to tackle the long term problem of Scotland's productivity gap.

Because increasing the level of productivity is key to achieving sustainable economic development, to raising incomes and to creating better quality jobs.

Scotland is one of the better performing parts of the UK by measure of productivity, but it is still below the UK average.

To catch up would therefore require a significant, transformational, increase in Scotland's rate of productivity.

But the prize of success is substantial.

Increasing Scotland's productivity to the level of the top quartile of OECD countries would grow GDP by almost forty-five billion pounds (an increase of thirty per cent), and annual average wages could be over six thousand five hundred pounds higher (an increase of twenty-five per cent).

Scottish manufacturing can provide the engine for driving much of this transformational change in productivity.

It is manufacturing which continues to disproportionately drive innovation, investment and international exports.

The Scottish Government should take a more active approach to improving Scotland's productivity problem by fully utilising the eleven billion pounds lever that is public procurement.

The discourse in the Scottish Parliament over the last few years has regularly focused on what powers the current government does not have rather than the ones that it does.

One of these areas is public procurement which has been devolved since the Parliament's inception.

Public procurement is not some technical matter but one that has a major impact on people's livelihoods, their workplaces and their public services.

The collapse of Carillion illustrates this well.

Indeed, such is the weight of that eleven billion pound purchasing power that it equates to almost ninety per cent of the value of what the Scottish Government raises in income tax, or a third of the overall budget.

Yet despite the leverage potential to drive up labour standards and corporate behaviours it is rarely used.

When the current First Minister was in charge of Government procurement she blocked the Living Wage condition.

And she refused to intervene and block the award of contracts to companies caught up in the construction industry blacklisting scandal even after they had been publicly exposed.

Tax avoiders are also to be found in the list of beneficiaries.

And then there's the Scottish Futures Trust. An infrastructure delivery company owned by the Scottish Government.

Yet, you may be surprised to learn that the two-hundred projects it is delivering are not covered by the Scottish Government's procurement guidance.

In the Scottish Labour leadership campaign, I sought – and won – a mandate for what I called a values-led public procurement policy.

The Scottish Government is simply not making the most of its purchasing power.

We can use this to improve workers' pay and conditions.

In short, public sector contractors' corporate social responsibility statements need to be more than a tick-box exercise.

So I have made clear that under a future Scottish Labour Government we will award public contracts only to organisations that meet standards like no blacklisting, no zero hours contracts,

Fair Tax Mark holders, with commitments to apprenticeships, pay ratios, tackling occupational segregation, paying at least the living Wage and with trade union recognition.

And this goes to a wider point that I want to make –

The people who create our country's wealth should have a fairer share of the wealth they create.

Our society is deeply divided, poverty and inequality is rife : with the richest one per cent in Scotland today owning more personal wealth than the whole of the bottom fifty per cent.

Too much power rests in too few hands.

The role of political leadership is, I believe, to focus on the future – and to offer the people of the country a vision of the future

One they can believe in, and one that they can participate in.

A future where they know they will be able to get a decent job, with decent pay, and have a decent home to live in; that their children get a good education and go on to a good life.

I have focused tonight on productivity and workers' rights, but there are, of course, other challenges facing us as a result of Brexit:

- How do we ensure our citizens have access to Environmental justice?
- How do we maintain environmental standards and protect our natural resources and habitats?
- What systems do we need to maintain product safety standards?
- How do we maintain consumer rights when purchasing goods and services?
- What type of trade deal would help Scottish Businesses prosper?
- How can we work cooperatively with developing countries?
- How do we support our farming and fishing communities to build a sustainable future?
- How do we support food production and develop food exports?
- How do we ensure our Parliament is ready to answer these questions?

There will come a point as the Brexit negotiations run on when we will cease to be defensive and start to become more affirmative.

Who knows, our new European style may be more in the tradition of Zurich and Belgrade, Rejkavik and Oslo or it may simply be in a tradition of our own making.

What is without doubt is the challenge ahead.

The challenge to ensure the lives of working people are improved and that they gain more, not less, control over their time and incomes.

The challenge of securing real full employment, focusing on the industries and jobs of the future – in decommissioning, in renewables, in FinTech.

The challenge of innovation and harnessing the advance of automation for the benefit of the people of Scotland.

The challenge to make Scotland a land of opportunity for all, because the right economic decisions are being made at the heart of government.

Decisions which put jobs and prosperity first.

The challenge, we hope, of a General Election sooner rather than later, which will enable a Labour Government put into action our plans for a £20 billion investment in Scotland, to further stimulate our economy.

And the challenge to build a new and co-operative relationship with our European neighbours.

That is a challenge which the Scottish Labour Party is ready to meet.

Thank you.