

**A  
JUST  
SCOTLAND**

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# **Interim Report**

November 2012

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## INTRODUCTION

At its Annual Congress in April 2012, STUC agreed to undertake a wide ranging consultation with its members and across Scotland's communities on Scotland's constitutional future. This reflected its view that there is a duty on civil organisations to ensure that it is not left to elected politicians alone to frame and conduct the debate on Scotland's future.

Historically, STUC and its affiliated unions have had a major part to play in the debate over Scotland's relationship with the rest of the United Kingdom. As one of the architects of the Constitutional Convention and having campaigned for the establishment of a Scottish Parliament, STUC is widely recognised as being a progressive force in Scotland's democratic development and a champion of devolution.

However, things do not stay the same. Scottish unions have changed significantly in the past two decades. The same is true of Scotland's communities. Activism manifests itself in different ways. Community empowerment and democratic accountability have diminished. New communities of interest have been formed and communication methods have changed. However, a strong ethos of solidarity and collectivism remains.

The starting point for the discussion was to

*A Just Scotland was launched in August 2012. STUC published 12 discussion papers on the A Just Scotland website, considering a range of key policy areas. In addition to collecting the views of online respondents, STUC held 5 discussion events in Glasgow, Dumfries, Inverness, Edinburgh and Dundee which included members and also those in the wider community. As well as trade union speakers representatives from a number of campaigning and community organisations made presentations or otherwise contributed to the events.*

*At the time of the A Just Scotland discussion, the process for the referendum had yet to be agreed. Anticipating two potential outcomes on the number of questions to be posed, STUC asked participants to consider the issue of 'enhanced' devolution along with the status quo and independence.*

allow individuals, trade union members and their families to be empowered to consider Scotland's constitutional future within the wider context of the collective values we hold. Thus, for STUC, the referendum debate needs to be seen, not just as a means of discussing the form of Scotland's constitutional arrangements, but as an exciting opportunity to reawaken a debate on social justice and equality, to talk about the sort of Scotland we want to see.



*A Just Scotland* is the starting point rather than the end point of that process. STUC has not reached a point where it is able to definitively recommend a Yes or No answer to the independence question.

It was never imagined that at this stage it would. There are, however, some key questions which STUC believes will help to shape the views of its members and some major challenges which both sides of the debate must meet.

## CHALLENGES

***The first is a general challenge. To hold a full and frank debate, we need more information and less sloganeering.*** A minority within the STUC discussion process were both clear about how they intended to vote and what they believed the economic, social and democratic consequences would be. A greater number, whether or not they leaned towards a yes or a no, voiced frustration at the level of information and analysis currently available and the overall poor quality of the debate.

***The second challenge, again for both sides of the debate, is to persuade us that social justice is more achievable as a consequence of their chosen constitutional option.*** Inevitably the focus should be on Scotland, but the impact of change on the countries within the rest of the UK, as well as Europe and wider world can also be part of that discourse. Neither side of the debate can claim with authority to be the 'voice for social justice'. The Yes Campaign derives considerable support from

sections of the business community which aspire to a low tax, low regulation economic and social model with diminished social protection. The 'Better Together' campaign includes the Scottish Tories. In both campaigns there is a tension between the desire to project a vision of social justice and the view that policies are a matter for the post-2016 elected governments. STUC recognises that the policies of elected Scottish Governments cannot be wholly predicted, however, it is not enough to 'wait and see'. The result of the referendum will in large part be conditioned by what people expect will be achieved and the post-referendum future direction of Scotland in the short and long-term, whether independent or devolved, will be influenced by how the debate develops between now and October 2014.

***The third challenge is for the Yes Campaign or to the political parties which support it.*** *A Just Scotland* participants cited concern at mixed messages emanating from the campaign. A central argument for independence has been rejection of the UK approach to taxation, welfare and a range of Coalition policies relating to social justice. The First Minister said at SNP Conference in October 2012 that only independence could protect the social fabric of Scotland. However, on other occasions, a low tax economic model with 'growth at all costs' has appeared to be the approach with current or increased spending imagined to flow from increased GDP not redistribution. It is fair to say that our members will need to hear of a more detailed vision for fairness in an independent Scotland if the Yes campaign is to succeed.



***The fourth challenge is for the ‘Better Together’ campaign and specifically for the Scottish Labour Party.*** There was concern and, on occasion, outright anger at some of the economic, social and international policies which have been pursued by government, particularly at the UK level. ‘Not being the Tories’ and negative messages about the SNP will not suffice and members will require a clear steer on how economic and social justice will be achieved at all levels of government and to be convinced that the Scottish Labour party intends to play an active and radical role in achieving this. Equally, whilst not necessarily convinced of the ‘Devo Max’ model as broadly outlined by the Scottish Government, there is clear support amongst those who are opposed to independence (or undecided) for significant additional powers for the Scottish Parliament. Detailed attention to this must be given by the ‘Better Together’ parties in the next period and meaningful proposals

brought forward.

In addition to posing these challenges to the campaigns, this interim report, leaning heavily on views gleaned from those involved in the AJS discussion, looks at the key areas which will impact upon a socially just future for Scotland. The report also references the developing Scotland wide debate and views received both from affiliated organisations and a range of other organisations.

STUC hopes that the interim report will provide a basis for further public discussion. For its part, STUC will organise a range of further discussions, reports and events concentrating on the detail of some of the issues raised whilst continuing to focus on the social justice as the outcome we aim to achieve. It will also participate in events organised by other community and campaigning organisations which share our approach.



An Economy for a Just Scotland: Glasgow



## FOR RICHER OR POORER?

Notice has been served that the debate over Scotland's fiscal position will be a key battleground for the two campaigns. Somewhat surprisingly, few AJS contributors concentrated on arguments that Scotland would become dramatically better or worse off through achieving full independence. This may be due in part to the wildly differing and poorly argued positions adopted by the two sides of the debate. It may also reflect the view that the resource question should focus less on absolute figures and more on how wealth is shared.

The 'Better Together' campaign has focused on an interpretation of the General Expenditure and Revenue in Scotland account (GERS)<sup>1</sup> account which shows both the UK and Scotland to be in deficit with Scottish public spending exceeding its Gross Domestic Product (GDP) by a significant amount – amounting to £1200 per household. Whilst the campaign is correct to point out that comparisons between Scotland and the UK are between relative deficits (to be clear, even if Scotland were independent it would still be borrowing heavily at this moment in time), it singularly fails to recognise that an independent Scotland's GDP would include around 90% of current UK oil tax receipts. The £1200 deficit figure is flawed and the 'Better Together' campaign should not be using it.

The 'Yes campaign' has spent considerable time and resources to convey the impression that post-independence, Scotland would be

better off to the tune of over £1000 per household. Whilst it is true to say that in 2010-2011, Scotland's net deficit (including a geographical share of oil and gas revenues) compared to the rest of the United Kingdom (rUK) was £2.7 billion better, the campaign has failed to clearly point out a) that this is a comparison between deficits rather than surpluses and b) that 2010-2011 was a year of high oil prices and that past and future oil revenues vary considerably. Scotland's net fiscal position within the UK is likely to be healthy for the next couple of years, but most experts predict a falling of oil revenues from the date that Scotland would become independent. There is also some uncertainty over the interest rate an independent Scotland would be charged for its sovereign debt. Therefore, the £1000 figure is not a reliable starting point for calculating the relative fiscal position of Scots post-independence and the Yes campaign should not be using it.

A more sensible analysis draws the conclusion that Scotland's income against expenditure has been reasonably balanced when the effects of a geographical share of North Sea oil are taken into account and higher public spending are factored into the equation<sup>2</sup>. In the future Scotland's relative fiscal position under independence would be initially heavily reliant on the tax revenues derived from oil and gas and, as that resource dwindles, *on the success or otherwise of wider economic development*.

A further factor for an independent Scotland would be the price paid for servicing its debt. As a new nation with no 'credit history' and most probably a comparatively high deficit



Opening session: Edinburgh

and stock of debt, Scotland might find difficulty in convincing the markets that it should enjoy interests rates at the same level of rUK, through its income stream from oil revenues and the extent to which, if at all, the rUK Government and Bank of England would guarantee Scottish sovereign and bank debt would both also be factors. It should also be noted, however, that a number of people at the AJS seminars argued for an independent Scotland which would nationalise the oil and gas sector and in turn, significantly impact on revenue streams and Scotland's choice of currency.

It remains the case that, whilst informed analysis of the relative positions of an independent Scotland and rUK is to be welcomed the debate, it will be difficult to resolve on this basis. AJS participants were

most interested in how wealth is shared. Evidence from Wilkinson and Pickett<sup>3</sup>, shows that it is the division of resources in a society rather than their absolute level which impacts health and happiness. AJS participants heard from the Scottish Poverty Alliance whose discussion paper highlights some key issues following this theme<sup>4</sup> as well as from the Church of Scotland on its project to examine the purposes of economic activity<sup>5</sup>.

**The question therefore is not about absolute economic wealth, but how best to reduce economic inequality. Equally we should ask not whether Scotland could be a viable independent nation, it could. But which constitutional settlement provides best scope for Scotland to flourish?**

## SUSTAINABLE ECONOMIC GROWTH

Scotland has prospered marginally since devolution compared to the UK, improving our performance somewhat on employment levels and GDP. However this modest improvement sits within the context of a systemically weak and unequal UK economy.

There has been near consensus at each of the AJS events that current economic orthodoxy has led to policy which has undermined the economic security and living standards of workers in Scotland. Privatisation, deregulation (particularly of finance), business tax cuts, attacks on the welfare state, the



Willie Bain MP & Cllr Drew Hendry  
Plenary Debate: Inverness

undermining of workers bargaining power and of workplace health and safety has not led to a fairer and more prosperous society.

These processes have produced a society that is less equal, fair and democratic and an economy more unstable and much more prone to systemic crises. It is vital that Scotland's politicians start to embrace new economic thinking as part of the constitutional debate.

A consistent theme throughout the AJS has been the question of economic growth and its purpose. Respondents are sceptical of the claims and counter-claims assuming automatic advantages and disadvantages of the various constitutional scenarios.

Major constitutional change could have significant consequences for specific industrial sectors. The STUC will develop its thinking in this area over the coming year but it is reasonable to assume that defence, financial services and energy could face particular challenges. The drivers of defence procurement will change due to naked politics and issues around technology ownership. Financial institutions could face a new regulatory system and questions over lender of last resort facilities and deposit guarantees. The scale and nature of investment across energy sub-sectors will depend upon the subsidy available and the regulatory regime.

Given that renewable energy is widely regarded as Scotland's greatest industrial opportunity, the potential loss of subsidy from the UK market could be a constraint on development. However, the UK electricity



Peter Kelly, Scottish Poverty Alliance: Edinburgh



market is in the process of fundamental reform; a process which may not have concluded by the time of the referendum. The consequences for the Scottish energy industries pre and post independence are therefore far from clear.

Attempts to privatise the Royal Mail have foundered on the basis that the Universal Service Obligation (USO) has dissuaded private companies from purchasing the asset. Current moves to water down the USO could see the fragmentation and piece by piece sell off of the service. Independence would not necessarily provide a satisfactory Scottish solution to this and the existence of

a UK-wide service would appear to be at threat under any constitutional scenario.

Whilst the STUC accepts that constitutional change either through enhanced devolution or independence offers the prospect of potentially developing better policy more effectively aligned with additional economic levers (i.e. industrial and tax policy) and building more effective institutions, we are profoundly sceptical that better policy and more effective institutions will lead to growth rates akin to those of developing nations. Indeed, we believe that the notion that the long-term growth rate can be significantly improved by, for instance, cutting corporation tax, is misguided, damaging and wrong. The assumption that policy alone can achieve such outcomes is poisonous to the debate about Scotland's economic future.

**Under any constitutional scenario, the successful long-term development of the Scottish economy will depend on the quality of both policy and institutions. There are no simple policy levers which if pulled will ratchet Scotland's growth rate up to levels of the BRIC countries. In any case, the STUC believes that it would be impossible to seriously reconcile growth rates of 8 or 9% with the Scottish Government's climate change targets. What should be the aims and objectives of economic development and in what ways might Scotland's constitutional position become a key determinant of future success?**



## MONETARY POLICY

There was a degree of uncertainty amongst AJS participants over the implications of proposals for currency post-independence. In terms of the three options available, no-one argued for a policy of adopting the Euro. For some the optimum solution is an independent Scottish currency allowing monetary and fiscal policy to operate together, however this was not examined in depth given that the version of independence currently promoted by Scottish Government ministers would see Scotland remain part of a monetary union with the rest of the rUK.

This would entail Scotland continuing to use Sterling, the Bank of England (BoE) continuing to set interest rates for the whole of the UK, and UK institutions (BoE, FSA and Treasury) continuing to regulate the financial sector on a UK wide basis. These arrangements will inevitably include some kind of fiscal compact limiting the independent state's ability to borrow and spend.

It should be noted that the First Minister (and some others) has recently argued that such arrangements would be fairly loose given the similar productivity of the Scottish and UK economies.

Learning from the recent crisis and ongoing events in the Eurozone it is hardly feasible that the dominant partner in the currency union would facilitate such arrangements without stipulating the smaller partner's fiscal envelope. The degree to which Scottish Ministers would have flexibility within that envelope to develop radically different tax policies is also highly uncertain. Whilst

recognising that this is but one model of an independent Scotland it is the one that has to be taken most seriously as it is proposed by the current Scottish Government. And the STUC has major concerns over the model as currently described.

**An unavoidable conclusion is that the successful long-term development of a sustainable and fair Scottish economy would be heavily reliant on the macro-economic direction of the UK irrespective of Scotland's constitutional position. Would Scotland be in a better or worse position to influence this if independent?**

## FISCAL POLICY AND SOCIAL JUSTICE

In the context of opposition to wrong-headed austerity measures, participants were keen to explore the potential for fiscal levers which might be available to an independent Scotland or under enhanced devolution.

An independent Scotland would be expected to assume responsibility for its own debt and within the limits of prudence be able to adopt different approaches to challenges such as the current economic crisis. The two main political parties in Scotland have both made clear their opposition to the austerity approach of the Coalition Government, and whilst future conditions are difficult to predict it can be assumed that in certain scenarios, the capacity to borrow to invest would be a likely feature of progressive governance in Scotland.

As discussed earlier, it is unlikely that the dominant partner in the currency union would not seek to limit the smaller partner's fiscal envelope, particularly if the interest rate on Scottish debt demanded by the markets was reliant on implicit expectations of rUK underwriting of Scottish debt.

**It is certainly feasible that an independent Scotland could establish a separate borrowing capacity with which to undertake alternative spending and capital investment policies at points during the economic cycle. What is the likely extent of this capacity (compared to the new borrowing provisions contained within the Scotland Act), and what are the implications for credit rating, interest rates and conditions placed upon Scottish fiscal policy by rUK?**

## *Tax policy*

A substantial majority of the advocates of independence at AJS seminars have stressed that their position rests on the opportunity independence provides to establish a fairer economic and social model. Awareness of the iniquities of the current taxation system and of the degree of tax avoidance formed a major part of the discussions. There was a regular assumption during AJS that an independent Scotland could and would wish to make use of progressive taxation to meet social justice and redistribution ends. An alternative view given was that the reality of 'tax competition' would actually drive Scottish taxes down and limit or undermine progressive measures.

Once again, potential limitations arising from



Sally Foster Fulton, Church of Scotland, opening plenary: Glasgow

the currency union emerge. Would rUK seek to negotiate to limit the potential for tax competition through limiting corporation tax variation for instance? Membership of the EU would certainly open the possibility of objections from countries such as Germany and France which dislike the low corporation tax policy adopted by Ireland. Equally, and particularly given Scotland's fairly high levels of GVA per capita, rUK and particularly its less productive regions and countries might itself seek to limit the variability of corporation tax<sup>6</sup>.

In any case, AJS participants argued strongly against the use of lower corporation tax and it is fair to say that its potential use in an independent Scotland will dissuade rather

than persuade a yes vote amongst union members.

There is strong support for the potential use of income based taxes to support services and welfare transfers. It was recognised by some that the integrated economic and currency framework would place practical limitations on the extent to which any Scottish Government would be likely to vary income based taxes upwards, indeed some made the argument that the most likely direction for income related taxes would be downward with a view to increasing the tax base through offering lower rates. In terms of other taxes, the EU limitations with respect to VAT were recognised along with practical limits to the variation of





'behaviour taxes' such as tobacco and alcohol duties.

Notwithstanding the limitations, a Scottish tax system would be able to more easily consider new approaches to local taxation. It could potentially make income based taxes more progressive and increase overall taxation to fund public services, although, the converse is also true. The capacity to look at taxes as they interact with the welfare system would also be a potential feature of independence.

**Whilst some flexibility would exist, are there any guarantees that the fiscal and monetary arrangements outlined as the most likely to be negotiated following independence would facilitate higher social spending; or is the opposite true?**

### *Taxation and further devolution*

There was a general acceptance that the tax powers currently held by the Scottish Parliament (including those proposed by the Scotland Bill) are too narrow, limiting the capacity to create a more progressive tax system and impacting accountability. At present revenue from devolved taxes in Scotland is one of the lowest in Europe at 13.8%, just over £4bn. After the Scotland Act 2012 is implemented that will rise to 30.8%, just over £9bn.

No single proposition for devolving additional taxes emerged. Few actively promoted the Devo Max option wherein all taxes would be devolved and a grant paid to Westminster in lieu of services provided. This is largely seen as independence without some of the

advantages and a number of contributors including the Devo Plus campaign highlighted it as the worst of the three options.

Far more support was evident for enhanced devolution. It was widely agreed that the new powers of the Scotland Act do not go far enough. Frustration was voiced that the pro-union parties have yet to bring forward tangible proposals for enhanced devolution. That said, no single scheme was proposed by respondents though note was taken of the Devo Plus<sup>7</sup> and Red Paper Collective<sup>8</sup> proposals. The discussion predated the findings of the Scottish Liberal Democrat Home Rule Commission<sup>9</sup>. Enhanced tax devolution would see taxes raised in Scotland in a general range between 50% and 100% of overall Scottish spending, which equates to 30% and 60% of the combined Westminster and Holyrood spend.

The taxes most favoured for devolution were income tax (all bands) and all property based taxes. Some also favoured the devolution of National Insurance. Fuel, alcohol and tobacco taxes were also supported though there was a degree of greater scepticism on the potential for varying these. The devolution of Corporation Tax was not supported as it was identified as the most likely to lead to tax competition.

In all of the aforementioned scenarios a continued, but reduced block grant was supported on the grounds of UK-wide redistribution and stability.

Under independence, we anticipate negotiated limits to Scottish tax powers as a consequence of currency union and practical



limits as a consequence of the integrated nature of the UK economy. There is a particular risk of tax competition around corporation tax and policy limitations imposed by potential tax flight.

**There was surprisingly little support for Devo Max amongst participants but a genuine interest from some in the various enhanced devolution proposals, will the pro-union parties come forward with detailed proposals for the devolution of additional tax powers?**

## THE LABOUR MARKET

There is widespread anger at the attacks on employment rights, equalities and trade union rights at Westminster and this is not a view confined to active trade unionists.

Participants from key social justice campaigns identified labour market regulation and pay in particular as a primary driver of poverty and income inequality.

Incredibly, in a nation where the main parties on either side of the constitutional debate claim to be of social democratic bent, there has been virtually no discussion at all on the likely structure and regulation of the labour market in different constitutional scenarios. The assumption appears to be that the UK labour market will continue to be regulated as it is now or that a new Scottish state would simply replicate the current regulatory framework.

The STUC is clear that the orthodoxy of flexible labour markets has led to an economy where work is less well paid, less secure and less permanent. The human and

social consequences are severe and reasonably well understood but the macroeconomic consequences are almost completely overlooked. If the wage share in the economy of an independent Scotland continues to fall then the only way in which the products and services the economy produces can be consumed is through rising debt. This hardly provides for the foundations of a stable, prosperous society.

The issue of trade union freedom is central to this question. Strong unions which are able to bargain effectively and, as a last resort, undertake industrial action without undue impediment, play a key role in ensuring better wage distribution and share. Thus a vision of an independent Scotland which committed to more equitable trade union laws and which enshrined democratic participation of trade union members in the economy would be an attractive proposition for many members and trade union reps. The question of whether, in an integrated economy such as would still exist post independence, progressive reform would be enacted, is harder to answer.

The European Union has always been a matter of debate within the trade union movement. However, there is a shared criticism of the historic failure of UK Governments to sign up to all of the labour protections accepted by most other EU nations and a concern that in any case, the EU has moved unambiguously towards a deregulatory agenda in which the single market overrides all other considerations. Thus the current debate over automatic membership, or otherwise, of the EU has allowed a narrative to emerge in which no



Equality and Human Rights: Edinburgh

side of the debate has been challenged to say what the EU should be doing differently and how each would work within their stated constitutional preference to protect and enhance regulated labour markets. Proponents of the status quo have given our members very little reason to believe that improving labour market regulation is on the agenda.

**Beyond general opposition to the deregulatory agenda of the current Government, the Labour Party both at UK and Scottish level has failed to convince members that, even on election, it would pursue a positive reform agenda on labour market issues. In this context it should not be surprising if many trade union**

**members feel that there is little to be lost in pursuing a 'Scotland alone' approach to regulation. That said, the current SNP Government and the YES campaign have had almost nothing to say about an alternative vision for the labour market in an independent Scotland. What does either side of the debate have to say about fair employment and pay as the basis of a sustainable and fair economy?**



## PUBLIC SERVICES, UNIVERSALISM AND WELFARE

There was a widespread view amongst participants in *AJS* events that public services are fundamental both to sustainable economic recovery and achieving social justice outcomes. Thus, the debate about Scotland's future cannot be separated from how future services will be funded and how they will be designed.

There was a wide recognition that the Scottish approach to public service delivery is distinct from south of the border. Criticism of UK public service policy was not confined to the actions of the current Coalition Government with many blaming New Labour for initiating many of the reforms including the creation of Foundation Hospitals, privatisation of local authority services and education reform south of the border. In each case, an overwhelming majority preferred the Scottish approach, highlighting the record of successive governments in Scotland in resisting NHS privatisation, limiting the contracting out of local authority services and committing to free and accessible education.

There are a number of caveats.

- Widespread anger at the level of cuts to public services did not focus solely on the UK Government with a number of respondents highlighting the failure of Scottish Governments to use revenue raising powers or maintain taxation levels to fund public services.

- Deep concerns exist about the drift towards less accountable public services through the diminishing role of local government and the creation of arms-length delivery companies.

- Empowering service users and properly involving public service staff in service design was recognised as an imperative though many speakers recognised the tension between this and providing a universal quality of care and for strategies such as personalisation not to be used as cover for budget cuts.

- The use by successive governments of private finance mechanisms to fund capital investment was a focus for critical comment.

In public services which are currently devolved, the likely employment impact of independence would depend on overall public spending commitments of the Scottish Government, which would in turn be reliant on revenue. There are however issues for those who currently deliver reserved services for the other parts of the United Kingdom but are based in Scotland. Government departments such as the Department of Work and Pensions, HM Revenue and Customs, and the Driver and Vehicle Licensing Agency do not necessarily distribute staff evenly on a regional basis. Overall, 9.4% of civil service employment is in Scotland<sup>10</sup> which is above the Scottish population share but consistent with its 2010-2011 share of GVA and UK public spending in Scotland. Further detailed analysis in this area is likely to be undertaken by civil service unions.

Another key area of discussion relates to

demographic change. The ageing population across the United Kingdom and much of the western world is understood to provide significant challenges for public service delivery as well as the provision of state and occupational pensions. The most significant questions in relation to independence surround the question of whether Scotland's current demographic trends are more challenging than those of the UK and the extent to which such trends as can be identified can be addressed.

An independent Scotland would require to negotiate with rUK arrangements for sharing existing and future state pension responsibilities. There are certainly ways in which this could be achieved though not without some complications. Equally, the liabilities or assets of the unfunded public service pension schemes which include the NHS, teachers' and civil service schemes would require negotiated separation using actuarial valuation where possible but using

other criteria in the case of the Civil Service scheme.

The extent to which Scotland's population is ageing more rapidly than that of the UK, the generally earlier mortality rates north of the border and the extent to which independence might encourage inward migration are all subjects which will require further analysis.

**Whilst the record of political parties in Scotland would suggest an approach more founded in the public service ethos, what can the proponents within the Yes and No campaigns offer in terms of a vision for future public services which goes beyond rejection of aspects of the UK model and towards a more complete vision of public services which are democratically accountable, free at the point of delivery and of consistent quality?**





## Universal services

The debate over universal services intensified towards the end of the AJS process.

Throughout the AJS discussions we heard of strong attachment to those services which are provided universally in Scotland but not down south. These include free travel, free tuition, free personal care etc. This reflects an understanding that universalism supports a philosophy of social solidarity in which all who are able contribute and all benefit irrespective of income. It also reduces inefficiency and transaction cost.

For many, the current public spending cuts being driven by Westminster put such services in potential jeopardy and make a strong case for independence. However, if the prize of the maintenance, or even extension of universal services is to be a convincing persuader for independence, a much clearer vision of a just taxation system will be required. There is a clear divergence of opinion between members who believe that Scotland could and would introduce more redistributive taxation and those who believe, either that the scope of an independent Scotland would be severely limited and/or the political will is not currently manifested by any major party. Issues around tax competition and progressive taxation have been covered in depth in another area of this report.

The ability to provide some universal provisions and to adopt different approaches to public service delivery is a cherished feature of devolution.

The effect that constitutional change would have on the delivery of education in Scotland was not given considerable attention at the AJS debates as education is primarily a devolved area, where a uniquely Scottish system already exists. There was, however, some discussion over how education could better support participation in the democratic process and many participants believed that citizenship education has a valuable role to play in Scottish schools and there was general support for lowering the voting age to include 16 and 17 year olds for all elections. There were, however, also general concerns raised about the need for better funded early years education and childcare provision and increased funding for further education colleges.

Participants identified higher education as an area where constitutional change could make a difference due to the globalised nature of this sector. Potential positive benefits of independence could come from the creation of a Scottish specific immigration system which would allow Scottish Universities to become more attractive to overseas students. A range of AJS participants cited that recent changes to the immigration system made by the Westminster Government are already making Britain less attractive to students from outside the EU and making it more difficult for universities to attract staff. These changes present a challenge to the Better Together campaign as many believe that current aspects of Government policy are having a negative impact on the international reputation of British universities.



Equally, however, independence would almost certainly create a short term funding crisis in higher education in Scotland. RUK students, who currently pay fees to Scottish institutions and add significantly to the funding available in the Scottish system, would be classed as EU students in an independent Scotland and therefore no tuition fees could be charged as long as tuition remained free for Scottish students. Some participants felt that this funding crisis could potentially endanger the long term future of free tuition in Scotland, and felt that the Yes Scotland campaign had not given sufficient detail on how funding for higher education would be maintained.

**Maintaining universal provisions and improving the quality of services in general requires a commitment from all parties to use existing or new powers to increase tax revenues if required.**

## Welfare

Discussions about the welfare system at A Just Scotland events have taken place in the general context of cuts in welfare payments and the specific move towards the Universal Credit. In straightforward cash terms, the creation of a Scottish welfare system would be by far the largest shift in resources from UK to Scotland whether under independence or enhanced devolution.

In political terms both major parties in Scotland are openly opposing the current benefit cuts and some of the features of the

new Universal Credit system. This was reflected by overwhelming opposition amongst those involved in the AJS discussions. Labour was criticised by many for its own approach to welfare reform and its refusal to signal a commitment to reversing all cuts. Differences of opinion emerged around the extent to which assumptions of Scottish people having a markedly more progressive attitude to welfare could be substantiated.

Thus the question of what sort of welfare system we might have is integral to the debate. A better welfare system would be simpler to claim and administer, would rely less on means testing and remove barriers and disincentives to work but would also move away from the extreme focus on conditionality. This would come at some cost. Long term predictions of the cost of welfare are difficult given its sensitivity to employment and inactivity levels as well as health and wider demographic factors. A simple if crude approach would be to assume that an independent Scotland would wish, at the very least to spend as much on a welfare system as was spent by the last Labour Government prior to the Coalition cuts. This would be around £2 billion a year, around 4% of the predicted tax revenue of an independent Scotland - a very significant sum.

The legislative separation between welfare services and the devolved areas of health, education and housing continues to provide major challenges for supporters of the status quo. Irrespective of critiques of some aspects of the policy, the 'employability' agenda seeks to bring together the various interventions which will improve access and

ability to work. There is a clear logic to all such interventions being fashioned by the same tier of government. The separation of these powers can also lead to negative incentives whereby the financial benefits of particular policy initiatives fashioned and paid for at a devolved level are accrued by the UK Treasury rather than in Scotland.

and passported benefits would remain devolved.

A more integrated relationship with the DWP can be imagined under enhanced devolution in which specific programmes undertaken by the Scottish Government with demonstrable savings to the UK welfare



Elaine Murray MSP and Joan McAlpine MSP. Dumfries

Participants were asked to consider the potential for devolution of the welfare system or elements thereof. It was recognised that this is a difficult process which has been complicated by the introduction of Universal Credit. Short of the full devolution of tax and welfare as imagined under Devo Max, the most coherent partial devolution proposal is forwarded by the Devo Plus campaign which imagines a system in which approximately £1 billion of additional expenditure is devolved covering primarily Attendance Allowance and Job Centre Services with the main elements of the benefit system including all pensions and the Universal Credit reserved. Additional payments could be made at the expense of the Scottish Government

budget, such as direct interventions to create jobs for the long-term unemployed or additional childcare support linked to back-to-work strategies could give rise to compensatory adjustments to the block grant.

**It would not be reasonable or practical to ask of proponents of independence or enhanced devolution to describe a system which would be in place immediately following constitutional change. It is however reasonable to elicit views on what kind of system is aspired to and, crucially, is there an expectation that tax increases would be used to fund a more humane and effective system?**



There are difficult questions too for those opposing the current direction of policy on welfare but who also oppose constitutional change. By any measure, UK public opinion is no more well-disposed to welfare than in Scotland. It is the case without question, that UK political parties are considerably less sympathetic to claimants. **In this context what can those within the Better Together campaign offer to convince people that change is possible? Is serious consideration being given to further devolution of aspects of the welfare system?**

## COMMUNITY EMPOWERMENT AND REGENERATION

Participants in AJS are overwhelmingly negative about the state of local democracy and community empowerment. Power has been centralised and there is a drift away from local public services, accountably delivered. Whilst the redistributive role of central government funding for local councils is recognised many felt that the balance between Holyrood funding (approx. 80%) and local funding (approx. 15%) is wrong. There are differences of opinion on the Council Tax freeze, but few doubted its role as a driver of further centralisation.

A range of contributors pointed to the size of Scottish local authorities and the number of electors per elected members, contrasting this with smaller councils across Europe. The Community Council system is widely considered to be broken and there is widespread cynicism about the 'voluntarist'

approach to community engagement.

Regeneration strategies centring on property ownership, debt finance and rising land prices came in for particular criticism as did the failure of successive governments to adequately invest in social housing.

Questions were raised over community land ownership at all events, but noticeably in Inverness and Dumfries. On the positive side a number of community regeneration projects around renewable energy were highlighted as positive examples of asset based approaches to regeneration.

Contributors consistently returned to the failure of previous 'trickle down' models of regeneration highlighting the importance of investing in communities through local employment and decent jobs paying a Living Wage. In this area the currently devolved areas of procurement and other government 'encouragement' were seen as key.

**Promoting genuine community empowerment and sustainable models of regeneration are certainly not an alternative to debating constitutional change. Nevertheless a vision of a devolved or independent Scotland would be incomplete without a new approach to communities and local democracy. What additional powers should be devolved FROM Holyrood towards more local levels of government?**



## EQUALITY AND HUMAN RIGHTS

There was a high level of support for the principle of equality and for equalities law in the UK and a general agreement that the law as it exists at present is the minimum that we expect in our society. Many participants also acknowledged that the commitment to continued EU membership by the Yes Scotland campaign suggests that the floor for equality law and practice would continue to exist in an independent Scotland. Some participants were, however, sceptical of the role the EU and questioned the need to stay inside Europe, even in the context of discussing European minimum protections.

On the whole, however, conversation focused on where provisions could be improved with participants recognising that legal protections alone are not enough to achieve an equal society. Ultimately there was an acknowledgement that culture change within organisations and the wider community was needed to bring about real improvements in people's lives and that Government policy and the signals it sends through its own practices and decisions on funding levels, very much set the tone. This suggests that there is scope to change the general approach to equality, including how easy it is to enforce equalities law, which would lead to real, meaningful and positive outcomes in people's lives without significantly changing the legal framework.

There were also suggestions around improving equality outcomes in the private sector, including introducing a private sector duty, similar to the public sector duty, and

making use of provisions like equal pay audits and quotas for boards. While no consensus was reached on how best to achieve these aims there was a general desire to see the private sector taking more seriously its ethical responsibilities and doing more to promote equality.

There was, however, general concern about the current UK Government's approach to equality. Many participants cited the swingeing cuts that are currently being made to the EHRC and the repeal of certain sections of the Equality Act as examples of where this Government is attempting to water down protections and the effectiveness of the law. **This presents a challenge to the Better Together Campaign as it creates a negative context for this debate and calls into question the commitment of certain parties to achieving a more equal society.** Support for Human Rights came through strongly in the discussion and many saw this debate as an opportunity to improve the Human Rights requirements that currently have a justiciable basis in UK law. Participants were particularly keen for economic and social rights, including the right to join a trade union, to be enforceable under domestic law and saw this as a possible benefit of independence. **Equally, however, there was some concern that independence could reduce the ability of Scottish people to enforce their rights and assurances are needed from Yes Scotland that the Scottish people will not be left without domestic remedy, reverting back to a situation where the Strasbourg court is the only place for Scottish citizens to challenge a breach in their convention rights.**



## Immigration

There was general agreement that the approach taken by the British Government to immigration policy is extremely negative. Participants felt that recent changes to the points based system, including the move to place a cap on migration, were detrimental to the Scottish economy and to Scottish communities and that the Westminster Government tended to play on the legitimate insecurities of workers about their jobs in order to score cheap political points. There was also a general concern that the limited flexibility that existed in the system previously, to account for the different economic contexts across the UK, was being stripped back by the Government in Westminster, creating a system that is even less likely to work for Scotland.

Asylum seekers and refugees were repeatedly cited as groups that suffer under the current approach. Child detention, dawn raids and the forced destitution of asylum seeking families were all highlighted as shameful practices that mar the current system. The majority of participants felt that an independent Scotland would almost certainly approach the issue of asylum in a more humane way, offering dignity to those who have sought sanctuary in our country. There was a clear desire to hear a commitment at this stage from the Yes Campaign that an independent Scotland would restore the right to work for asylum seekers, allowing them the ability to support themselves and begin rebuilding their lives in this country.

## INTERNATIONAL AFFAIRS AND PEACE

AJS participants were almost unanimously opposed to the possession of nuclear weapons and the UK's involvement in wars such as Iraq. Equally, there was scarcely any support for continued membership of NATO, a position which has now been debated and narrowly defeated at SNP conference in October 2012.

Despite the generally negative view of UK foreign policy, many pointed out that the Scottish people's part in the British fight against fascism in the Second World War remained a matter of pride.

Critics of the UK's current foreign policy role and possession of Weapons of Mass Destruction were broadly in three categories.

'Break the British State' was a frequent theme and is associated with the views of a particular section of the Scottish Left. This articulates the view that the act of 'breaking Britain' will have significant international implications and serve to undermine rUK foreign policy in so doing damaging US foreign policy. This is presented as a general case although the forced removal of Trident from UK shores is a key factor.

An alternative view sees the removal of Trident as a good thing to campaign for on a UK basis but without the enthusiasm for the 'break the British State position'. In this view, there is little evidence that rUK as part of NATO would play a significantly diminished



international role. A number of participants questioned the morality of remaining under a nuclear umbrella whilst removing nuclear weapons from Scottish soil and a degree of uncertainty exists as to the terms of any deal which saw Scotland remaining as part of NATO.

The support for removal of Trident is also enhanced by perceived savings to public expenditure. There was though a tendency to overestimate the actual savings (£200 million a year is a reasonable actual estimate).

There was also interest in the potential for a peace 'dividend' available from reduced conventional defence spending in an independent Scotland. Estimates of the levels of public spending released by a lower defence spend are of course reliant on the imagined size and scale of an independent Scotland's military scope. The Scottish tax base currently spends £3.3 billion per year on its share of UK defence spending and estimates of future spending have ranged between £1.8 billion<sup>8</sup> and £2.5 billion.

There would of course be employment and procurement considerations which is of concern to many members and the YES campaign should be seeking to make some very clear commitments on defence diversification if they wish to pursue the 'peace dividend' position. Equally, a more detailed assessment of the likely size of the military capacity of an independent Scotland is required if an accurate assessment of the impact on local communities of potential base closure and reduced defence contracts is to be made.

**Whilst there are concerns about the actual impact of the policy of removing Trident in the context of remaining membership of NATO, the most important question for the SNP, as part of the YES campaign, to answer is what vision it has for the role and size of a future Scottish defence force and what actions it might take to ameliorate the impact on Scottish industry of a reduction in defence contracts? Given that Scottish trade unionists appear to strongly support the removal of Trident, the question of the 'Better Together' parties is how else can Scotland and the UK be freed of Trident other than through a vote for independence?**

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