

Our Climate, Our Jobs

Safeguarding Scotland's manufacturing jobs through climate action

Summary

This briefing, which is based on TUC analysis,¹ examines jobs in Scotland's harder-to-decarbonise manufacturing sectors at risk of being offshored without timely and worker-friendly climate action. It finds:

- Between 9,700 and 16,700 direct jobs could be offshored if Scotland falls behind other countries in taking action to reduce emissions from manufacturing and heavy industry.
- When supply chains are accounted for, a total of 24,430 jobs could be at risk.
- The STUC is calling on the Scottish Government to work with unions to future-proof jobs at risk of offshoring, ensure policy ambition matches climate targets, ensure local content is used in renewable energy projects, develop a publicly-owned energy company and develop a National Infrastructure Company. It is also calling on the UK Government to increase public investment.

Why does falling behind on climate action put jobs at risk?

While Glasgow prepares to host the COP26 UN climate talks, businesses in high-carbon sectors, such as steel, cement, or glass manufacturers, face costly upgrades and complex technological and process changes to eliminate emissions. Scotland has clear climate commitments, enshrined through legislation, so continuing business as usual in these sectors is not an option. Instead, these sectors need support to change their production to a model compatible with a net zero carbon future.

Without this support there is a risk of jobs being offshored to other countries with less strict rules on emissions.² Investors and businesses may also relocate to countries and regions where government support for decarbonisation is better than in the UK. In recent years we have seen manufacturing jobs in offshore wind being offshored to Denmark, Spain, and the Far East where state support has been greater.³

Deindustrialisation in Scotland

Scotland is no stranger to deindustrialisation, having seen its manufacturing workforce fall from 346,000 to 179,000 over the last 25 years, as illustrated in the table below.



Source: Author's Analysis of ONS Workforce Jobs by Region and Industry

Earlier this month, we saw Scotland miss out on carbon capture and storage funding after the UK Government failed to financially support the Acorn project in the North East of Scotland.

If Scotland is to avoid repeating the mistakes of the past, it needs a plan to safeguard jobs that will be impacted by the transition to a low-carbon economy.

What jobs in Scotland could be affected?

In TUC's narrower estimate, based on the EU's list of industry sub-sectors at risk of carbon leakage,⁴ the number of direct jobs in industry across Scotland at risk from offshoring is 9,700.

In TUC's broader estimate, based on the Energy Systems Catapult's list of industries at risk, direct jobs at risk in Scotland reach 16,700.

When supply chain jobs are also accounted for, STUC analysis suggests the total number of jobs at risk reaches 24,300.⁵

Direct Jobs in Scotland at Risk (Narrower Estimate)	
Industry	Direct jobs at risk
Manufacture of leather clothes	10
Manufacture of veneer sheets and wood-based panels	900
Manufacture of paper and paperboard	1,250
Manufacture of refined petroleum products	1,750
Manufacture of industrial gases	150
Manufacture of dyes and pigments	350
Manufacture of other inorganic basic chemicals	40
Manufacture of other organic basic chemicals	400
Manufacture of fertilisers and nitrogen compounds	50
Manufacture of plastics in primary forms	250

Manufacture of synthetic rubber in primary forms	150
Manufacture of man-made fibres	250
Manufacture of basic iron and steel and of ferro-alloys	500
Manufacture of tubes, pipes, hollow profiles and related fittings, of steel	600
Casting of iron	125
Preparation and spinning of textile fibres	400
Finishing of textiles	1,000
Manufacture of hollow glass	800
Manufacture of glass fibres	200
Manufacture and processing of other glass, including technical glassware	100
Manufacture of refractory products	100
Manufacture of ceramic tiles and flags	10
Manufacture of bricks, tiles and construction products, in baked clay	50
Manufacture of ceramic household and ornamental articles	50
Manufacture of cement	200
Total	9,700

Source: TUC Analysis of BRES Data

Direct Jobs in Scotland at Risk (Broader Estimate)		
Industry	Direct jobs	Total jobs, including supply chain
Refineries	1,575	3,119
Chemicals	3,500	5,044
Iron and steel	920.5	1,579
Cement and lime	100	146
Paper, pulp, and printing	1,350	2,158
Rubber and plastics	4,000	5,368
Glass and ceramics	2,500	2,930
Textiles	2,100	2,662
Wood	700	1,423
Total	16,700	24,430

Source: TUC Analysis of BRES Data and STUC Analysis using employment multipliers

How can we future-proof manufacturing jobs in Scotland? Recommendations for Scottish and UK Government

Future proofing manufacturing jobs in Scotland will require a range of measures from both the Scottish and UK Government, including:

Greater public investment. The UK Government's green investment is clearly falling behind competitor economies. Research published by the TUC in June

found that the UK is second last among G7 economies for its green recovery investment. Scaled by population, the UK's green recovery investment plans are just a quarter (24%) of France, a fifth (21%) of Canada, and 6% of the USA's plans.⁶ Alongside increasing public investment at a UK level, there is an urgent need to increase the borrowing powers of the Scottish Parliament. While the STUC support the Scottish Government's position on this, the Scottish Government should also lobby the UK Government to ensure that the Scottish National Investment Bank is allowed to invest in state holding companies, new public companies and existing public sector companies such as Lothian Buses.

Greater policy ambition. Scotland missed its most recent climate targets for 2018 and 2019. According to the UK Committee on Climate Change, it was not clear that Scotland was on track to meet its legislated target for emissions reductions in 2020 before the pandemic.⁷ While much is made of Scotland's world leading climate targets – there is an increasing disconnect between Scotland's targets and its policy commitments and delivery on the ground. To begin to rectify this, the Scottish Government should commit to fully delivering the recommendations of the Just Transition Commission (JTC). While the Scottish Government have set out its initial responses to the 24 headline recommendations of the JTC's Final Report,⁸ many of these are vague and there are more detailed recommendations in the JTC Final Report to which no response is given.

Rules on local content. Local content requirements have been used successfully to build up oil and gas industry supply chains by countries ranging from Malaysia to Brazil⁹ and in renewable energy by Taiwan¹⁰ and France. The UK Government could use powers over Contract for Difference subsidies and the Scottish Government could use powers over Crown Estate Scotland to bring up the local content requirement for offshore wind to at least 80%. Local supply chain commitments should be required of all energy projects and infrastructure projects, and stringently enforced, alongside requirements to ensure developers agree to collective bargaining arrangements.

A Publicly-Owned Energy Company. Scotland's offshore wind is big business. Yet, in a capital-intensive industry like offshore wind, public companies have an edge, as it is far more cost-efficient for the public sector to borrow than it is for the private sector. Unfortunately, for Scottish taxpayers, it is currently the Danish, French, Irish, and Chinese public sector which are capturing value from Scotland's offshore wind, and not Scotland or the UK. Unfortunately, the Scottish Government has pulled its plans for a publicly-owned energy company, citing 'multiple supplier failures, rising consumer debt and volatile energy prices.'¹¹ Yet these arguments are precisely why a publicly-owned energy company – investing upstream in renewable energy generation, not downstream in a broken energy market – is needed now more than ever.

A National Infrastructure Company. Deindustrialisation has left Scotland with a lack of manufacturing capacity, skills and expertise in strategically important areas such as energy, transport and construction. Yet across Europe there are examples of state-owned Infrastructure Companies that play a crucial role in a diverse industrial base. In Sweden for example, Infranord is a wholly-owned Swedish Government enterprise and a railway contractor, providing engineering services to build and maintain railways. Meanwhile, Svevia is a publicly owned

construction company specialising in roads construction and maintenance. Scotland should learn from these examples and establish a National Infrastructure Company with a mission to support decarbonisation.

Conclusion

The future of up to 24,430 Scottish manufacturing jobs depend on taking timely climate action and supporting domestic supply chains. But this will require significantly increased public investment from the UK Government alongside greater policy ambition from the Scottish Government including far greater rules on local content in renewable energy projects, a publicly-owned energy company and a national infrastructure company.

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¹ (2021) *Safeguarding the UK's manufacturing jobs with climate action: carbon leakage and jobs* <https://www.tuc.org.uk/research-analysis/reports/safeguarding-uks-manufacturing-jobs-climate-action-carbon-leakage-and-job>. Report authors Mika Minio-Paluello and Anna Markova provided background tables for Scotland.

² European Commission (2019) *Carbon Leakage*.

https://ec.europa.eu/clima/policies/ets/allowances/leakage_en

³ STUC (2020) *Scotland's Renewables Jobs Crisis* https://stuc.org.uk/files/Policy/Research-papers/Renewable_Jobs_Crisis_Covid-19.pdf

⁴ Official Journal of the European Union, L 120, 8 May 2019 <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L:2019:120:FULL>

⁵ Calculated using Scottish employment multipliers: <https://www.gov.scot/publications/about-supply-use-input-output-tables/pages/user-guide-multipliers/>

⁶ TUC (2021), *Ranking G7 Green Recovery Plans and Jobs*, <https://www.tuc.org.uk/research-analysis/reports/ranking-g7-green-recovery-plans-and-jobs>

⁷ Climate Change Committee (2021), *Reducing emissions in Scotland – 2020 Progress Report to Parliament* <https://www.theccc.org.uk/publication/reducing-emissions-in-scotland-2020-progress-report-to-parliament/>

⁸ Scottish Government (2021) *Just Transition - A Fairer, Greener Scotland: Scottish Government response* <https://www.gov.scot/publications/transition-fairer-greener-scotland/documents/>

⁹ UNCTAD (2014) *Local Content Requirements and The Green Economy* https://unctad.org/en/PublicationsLibrary/ditcted2013d7_en.pdf

¹⁰ Chien, K (2019) *Pacing for Renewable Energy Development: The Developmental State in Taiwan's Offshore Wind Power*

https://www.researchgate.net/publication/335244906_Pacing_for_Renewable_Energy_Development_The_Developmental_State_in_Taiwan%27s_Offshore_Wind_Power#pf11

¹¹ Scottish Parliament Official Report, Net Zero Nation Debate (21 September 2021) <https://www.parliament.scot/chamber-and-committees/official-report/what-was-said-in-parliament/meeting-of-parliament-21-09-2021?meeting=13311&iob=120759>