

# Economic Research alert

May 2023

This alert provides an overview of research in the public domain over the last month with a focus on **Jobs, Innovation, International and Investment**.

- **Low paid** Scottish workers have the **least flexible working**, and the gap between the number of flexible workers on the lowest and highest salaries has increased in the last year suggests the latest Flex for Life report.
- **44% of workers core skills** are expected to change in the next 5 years suggests the Future of Jobs report from the World Economic Forum. **Cognitive skills** are reported to be growing in importance most quickly, reflecting the increasing importance of complex problem-solving in the workplace.

- Scottish small businesses are lagging behind other regions with **sustainability plans** according to a recent Small Business Sustainability report - (47%) did not have a formal plan in place to date (vs 42% national average).
- 39% of consumers in Scotland think that the **metaverse** – a virtual-reality space in which users can interact with a computer-generated environment and other users – will become widely used in the **next 10 years**.

- **80% of businesses** currently **export** and 49% of their annual revenue is generated from exporting suggests the UK Export report. Nearly 75% anticipate that their export sales will increase in the next year.
- 62% of businesses said **post-Brexit disruption was the greatest issue facing trade** suggests the Britain's Changing Position in a Global Trade report.

- The HIE Rural Business survey shows the **main concerns** for businesses over the next six months are **rising costs** (74%), **economic uncertainty** (30%), **profit margins** (23%) and **supply chain disruption** (20%).
- Scotland has the second highest proportion of **fast-growth female-led companies** across the UK after Wales (12.1%) according to The Gender Index.

- The latest [Flex for Life](#) report from Flexibility Works shows that 61% of Scottish adults are working flexibly however 36% do not have any flexibility at all. The gap between the number of flexible workers on the highest and lowest salaries has widened since last year. 1011 people were surveyed.
- More than half of gig economy workers in the UK are earning less than the minimum wage, [research](#) from the University of Bristol has found. In addition, a quarter reported that the nature of their work put their safety at risk. The study involved 510 UK gig economy workers who were surveyed last year.
- Six projects currently under development in Scotland will more than double the UK's pumped storage hydro capacity to 7.7GW, create almost [15,000 jobs](#) and generate up to £5.8 billion for the UK economy by 2035, a [report](#) by Scottish Renewables and BiGGAR Economics has found.
- A [survey](#) of 2000 young people by Censuswide shows that 47% believe they are not qualified or skilled enough to work in the digital economy. 73% of respondents reported finding it hard to get into tech due to a lack of experience or contacts.
- The Scottish Technology Industry [Survey](#) 2023, which was carried out between December 2022 and March 2023, suggests that [83% of companies](#) expect to increase their headcount in 2023. 62% have a positive outlook for 2023 and 67% expect to increase their sales.
- The latest Future of Jobs [report](#) from the World Economic Forum (WEF) looks at how jobs and skills will evolve over the next 5 years. It covers perspectives from 803 companies – collectively employing more than 11.3 million workers – across 27 industry clusters and 45 economies from all world regions. It suggests that technology adoption will remain a key driver of business transformation in the next 5 years.
- Nearly a quarter of a million extra people are needed in construction by 2027 but outdated perceptions mean it is often overlooked as a career, according to The Real Face of Construction [survey](#) from The Chartered Institute of Building. The study showed the sector was often overlooked by individuals exploring job options or changing their career path. Just 7% of respondents said they would recommend construction as a career to their children or other young people.
- The State of the Nation Director [survey](#) suggests continued concern about skills shortages in organisations, with 44% of businesses reporting they do not currently have the right number of skilled people in their workforce. It also highlights that 43% of SME's are not confident in being able to recruit the right people for the vacancies they need to fill over the next 12 months – an 8% fall in confidence from the 2022 survey results.
- A [report](#) commissioned by Friends of the Earth Scotland has suggested 22,000 jobs could be directly created in Scotland by investing in public transport, as well as hundreds of thousands more indirectly in areas such as manufacturing and infrastructure construction.

- New [research](#) from KPMG UK has revealed that 47% of consumers in the UK think that the metaverse will become widely used in the next 10 years. In Scotland 250 people were polled - 29% have positive opinions of the metaverse and 35% have negative opinions of the metaverse.
- 48% of all UK businesses are already impacted by the physical effects of climate change suggests new [research](#). The most common effect of climate change on British business is disruption from extreme weather events, including flooding, storms and heatwaves. 52% of survey respondents reported this disruption. Also common are climate-change-related increased operating costs (47%), supply chain issues (39%) and physical damage to assets (35%).
- [Scottish small businesses](#) are less likely to prioritise tackling climate change than in other parts of the UK according to the Novuna Business Finance's [Small Business Sustainability Report 2023](#). 57% were grappling with the cost-of-living crisis (vs 47% national average), while 37% said the long-term impact of Brexit was a more pressing concern (vs 23% average). The research polled more than 1000 small business leaders over the last 12 months.
- [Research](#) from Funding Circle highlights the importance of sustainability as small business owners are eager to go green, but are not able to prioritise due to challenging factors such as the cost-of-living crisis. In a poll of 500 small to medium sized business owners 62% said sustainability goals have taken a back seat during the cost-of-living crisis and, on average, they don't believe they will reach their green targets for another 14 months.
- The BSI's 2023 [net-zero barometer](#), which polled 1,000 senior decision-makers at SMEs, found awareness of net zero targets and their importance has almost tripled and there is a good level of confidence across businesses around reaching net zero, however cost is still the main obstacle towards action on net zero.
- A new [evaluation](#) estimates that The Environment, Natural Resources and Agriculture (ENRA) Strategic Research Programme has contributed £680 million to Scotland's economy by helping to create jobs and further education qualifications, save carbon emissions and reduce the impacts of animal diseases.

- The importance of international trade to UK businesses has been reinforced in a new study of more than 3,000 UK businesses by Alibaba Group, in partnership with the Institute of Export & International Trade (IOE&IT). The [UK Opportunity Report - Global horizons: helping UK businesses grow through international trade](#) has revealed both the benefits of exporting and the challenges that prevent firms from selling goods or services overseas. Perceived barriers to exporting include supply chain and logistical issues, increased paperwork/red tape and price competition.
- [Research](#) from the Alibaba Group looks at European [export opportunities](#). 9,000 business owners in 9 major markets across Europe took part in the survey. The most common obstacles to exporting include logistical and supply chain issues, lack of cultural awareness, political uncertainty and administration. Difficulties in finding a trusted export partner also ranked high on the list of barriers to international trade.
- A [survey](#) of more than 200 UK leaders from large and medium-sized companies by FleishmanHillard found that around 45% feel trade with the rest of the world has become harder over the past year, particularly with the EU, while 40% reported that their exports had declined. 62% said [post-Brexit](#) disruption was the greatest issue facing trade, pointing to supply chain issues (72%) and border and custom delays (68%).
- The recent '[UK Trade in Numbers](#)' report released by the Department for Business and Trade (DBT) combines data from a range of sources, including the Office for National Statistics (ONS), the Department for International Trade, and the UN Conference on Trade and Development (UNCTAD). The figures show that UK exports were up by 24.5% to £837bn and imports up 26.1% to £906.5bn in the 12 months to the end of February 2023.
- The IoD has published results from a member [survey](#) on the Retained EU Law (Revocation and Reform) Bill, which found 47% of IoD members did not want any changes, preferring instead stability in the current regulatory framework. The Retained EU Law (Revocation and Reform) Bill is currently passing through Parliament and will automatically revoke most retained EU law at the end of 2023 as part of a "sunset clause". The survey, which found 82% of business leaders were aware about the bill, also found that 19% believed employment regulation provided the greatest opportunity, 11% believed financial services did, while 5% believed environmental regulation did and 4% believed health and safety regulation did.

- Small business confidence recovered strongly between Q4 2022 and Q1 2023, but is still in negative territory, according to the latest [Small Business Index report](#). Headlines include: Two in five small businesses saw revenues fall over Q1 – only one in three saw an increase. A record 92% of small businesses say costs in Q1 were higher than in the same quarter last year. Two in five small firms expect their sales to increase in the next quarter.
- Activity in the Scottish construction sector continued to fall at the start of this year as a challenging economic environment continued to impact the industry according to the latest Royal Institution of Chartered Surveyors (RICS) [Construction Monitor](#) (Q1, 2023). However, surveyors now expect growth for the first time in almost a year.
- The [Scottish Business Monitor](#) (Q1, 2023) shows overall, the outlook of businesses has improved since the beginning of 2023 with business sentiment rising to its highest level since 2021. Results also indicate that employee costs have overtaken energy costs as the key driver of cost pressures faced by businesses. Last quarter, more than 75% of firms expected growth in the Scottish economy over the year to be weak or very weak. This quarter, 62% are expecting weak/very weak growth. The survey sampled 400 firms in April from across the Scottish economy.
- The Highlands and Islands Enterprise [rural business survey](#) has found some signs of a potential recovery in the confidence businesses in the Highlands and Islands have in Scotland's economic outlook, but individual business performance appears to have declined. The survey, carried out by Ipsos during February and March, also showed that increasingly Highlands and Islands businesses appear to be embracing the drive to cut carbon emissions as an effective means of tackling rising energy costs.
- The number of female-led companies in Scotland has risen, according to the annual large-scale [UK-wide study](#) into female entrepreneurship. Scotland maintained its status as having one of the highest proportion of fast-growth female-led companies in the UK, only second to Wales (12.1%). There was a modest increase in the proportion of incorporated female-led companies in Scotland, from 19.16% in 2021/22 to 19.4% in 2022/23.
- Disabled entrepreneurs face significant barriers when starting and growing a business according to a [report](#) by Lloyds Bank and Small Business Britain. Barriers include higher start-up costs, challenges accessing funding and support, and a lack of recognition from wider society.
- The [Scottish Tourism Index](#) (Spring 2023) suggests some grounds for cautious optimism for the Scottish tourism industry, with greater resilience amongst Scots for holidays – at home and abroad – despite continuing economic concerns.