

# Economic Research Alert

February 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**.

- A survey by the British Chambers of Commerce (BCC) reveals firms are facing the highest level of **recruitment difficulties** on record. In Q4 over 80% of firms reported recruitment difficulties, up from 76% in Q3.
- **Older workers** are more likely to **leave the workforce** than change jobs suggests research from the OECD.

- Research from the Energy Intelligence Unit suggests there are almost **20,000 businesses** currently within the **net zero economy** which are contributing **£71 billion** (3.7%) in GVA to the UK economy. 840,000 (3.2%) jobs are supported by businesses in the net zero economy, with an average wage of **£42,600** compared to the **£33,400** national average.

- Scotland has achieved its **highest ever reported score** in the National Brands Index 2022. Scotland's overall score is **65.3** out of 100. Scotland's **natural beauty** was ranked 7<sup>th</sup> out of 60, while tourism ranked 12<sup>th</sup> out of 60.
- From 2015-2022 the cost of **construction materials** in the UK increased by around 60% compared to 35% in the EU over the same period suggests new analysis.

- Social Enterprises are critical to the rural economy contributing **£197m** in the Highland and Islands suggests a new report.
- The Scottish Tourism Index (Q1 2023) suggests that 2023 could be a **challenging year** for **domestic tourism** due to the cost of living crisis.

- The COVID-19 Recovery Committee has published a [report](#) on its inquiry into the impact of the pandemic on Scotland's labour market. The committee recommends the Scottish Government work with employers to support more investment in employees' wellbeing and embed post-pandemic opportunities for flexible working. It also found mental health and chronic pain have had the biggest impact on economic inactivity rates while COVID has altered the way people work ie the introduction of remote working.
  - The BCC's Quarterly Recruitment Outlook [survey](#) (Q4,2022) has shown businesses are facing the highest level of recruitment difficulties on record. 82% reported recruitment difficulties, up from 76% in Q3 - issues are across the sectors with hospitality being impacted the most.
  - [Research](#) from KPMG shows that Environmental, Social and Governance (ESG) factors are influencing employment decisions for almost half of UK office workers, with millennials and younger workers driving the growing trend of 'climate quitting' – seeking out a more environmentally friendly job.
  - 43% of the workforce feel lonely at work, but home and hybrid working has improved relationships both in and outside of the job for many a [study](#) has found. The survey of 2,000 people was carried out between August and September 2022.
- A [report](#) from the OECD presents evidence on recent trends in job tenure and employee turnover eg how they have changed due to the COVID-19 shock and also looks at why employees quit their jobs (low pay, ill health). It finds retaining talent of all ages is a challenge, older workers are more likely to leave the labour market than change jobs and job quality is vital to retain staff.
  - People are still undecided on whether remote and hybrid working are having a positive or negative impact on their 'workplace community'. According to a [new poll](#), 37% cent of UK employees feel that hybrid work has made it harder to create a workplace community but 41% disagree. These are findings from [O.C. Tanner's 2023 Global Culture Report](#) which collected and analysed the perspectives of over 36,000 employees, leaders, HR practitioners, and business executives from 20 countries around the world, including 4,653 from the UK.

- [Analysis](#) from the CBI suggests that the UK is falling behind on [green growth](#) and the UK stands to lose £4.3bn in total projected lost value by 2030. Current government spending committed to climate change is UK (1.2%), Germany (4.9%), France (2.2%) and the US (1.9%).
  - Research from RenewableUK shows that more than ten times as much UK offshore wind capacity was installed in 2022 than was built onshore. The [analysis](#) shows that a total of 3511MW of new wind capacity was added last year – enough to power more than 3.4 million UK homes a year.
  - The transition to a greener economy is worth £71bn in GVA to the UK economy and has brought jobs and investment to parts of the UK experiencing industrial decline suggests a [new report](#). The move to net zero emissions has involved more than 20,000 businesses with 840,000 jobs linked to sectors such as renewable energy and waste management. The net zero economy is particularly strong in Scotland where it forms 4.3% of the country's economy – with hot spots in the North East and the central belt.
- A [report](#) from CPD shows that more than 4000 companies disclosed they had a climate transition plan, but only 81 (0.4%) demonstrated best practice by disclosing against all 21 key indicators. Data was gathered from over 18,000 companies across 13 industries in 135 countries. Examples of key indicators that make up a climate transition plan include board-level oversight, scenario analysis, financial planning, and policy engagement. 6 (out of 1448) UK based companies disclosed to all key indicators. Companies headquartered in Japan performed best with 16 organisations disclosing to all key indicators.
  - Scotland has all the ingredients needed to become one of the great European engines of innovation– but it needs governments to come up with “a recipe for action,” a new [report](#) published by Our Scottish Future concludes. It suggests boosting innovation in the poorest performing areas of Scotland to the same level as our best could add £4billion to the Scottish economy overnight.

- Scotland has achieved its highest ever reported score in The [Nation Brands Index](#) (NBI) 2022 survey which asks 60,000 adults from 20 countries what their perceptions are of 60 nations. Scotland's overall score is 65.3 out of 100. Scotland's natural beauty was ranked 7<sup>th</sup> out of 60.
- Analysis has [suggested](#) the UK arts and film industries may have missed out on nearly €200m in EU funding as the budget of Creative Europe, the EU's cultural development programme, has increased by 66% to €2.44bn. The research has indicated that if the UK had never left the EU, the UK's creative industries may have received an additional €184m, based on the percent of total funds they received last cycle.
- The UK in a Changing Europe has published a [report](#) on the future of the UK's relationship with the EU. It considers how the relationship has developed since Brexit, and how it will evolve in the future, looking at trade, migration, public opinion and political party positions. It also examines the ways in which the Trade and Co-operation Agreement (TCA) could be deepened, and steps that might be taken beyond the TCA – both unilaterally and through increased cooperation with the EU – concluding that changes to the relationship are likely to be slow and incremental.
- The UK Trade and Business Commission has published [figures](#) which show that costs for the construction sector have increased more steeply in the UK compared to EU countries with the largest inflationary difference being Brexit.
- A [working paper](#) from UK in a Changing Europe looks at the impact of the post-Brexit migration system on the UK labour market. The analysis suggests that “although migration overall is currently running at least at pre-pandemic levels, the post-Brexit migration system has produced, as designed, a clear break with pre-Brexit trends, reducing labour supply for some sectors”.

- The [Scottish Tourism Index](#) (Q1 2023) suggests 2023 could be a more challenging year for domestic tourism in Scotland, with the cost-of-living crisis impacting holiday plans or at the very least, creating uncertainty about taking holidays.
- [Research](#) by BiGGAR Economics has shown rural estates contribute to at least 7 of the Scottish Government's 11 National Outcomes to measure progress towards a wellbeing economy. The research finds estates provide homes for 13,000 families and land for 14,000 rural enterprises, attract an estimated 5.4 million Scottish residents annually to enjoy the natural environment and account for 58% of Scotland's renewable energy generating capacity.
- The latest IoD Directors' [Economic Confidence Index](#) finds business leaders' confidence about prospects for their own organisations in January rose to the highest level since Feb 2022. There were 941 response to the survey conducted between 13th-29th January 2023.
- Scotland's pubs and bars face a 'tidal wave of economic challenges' suggests a [survey](#) (covering the post Christmas/New Year period) from The Scottish Licensed Trade Association. 3 out of 5 outlets are operating restricted hours with rising costs, staff shortages and enormous increases in energy prices – 45% of respondents reported energy increases of over 250%.
- The [Night Time Industries Association](#) has produced a report (*registration required to access*) which looks at the [economic contribution](#) and the cultural significance of the electronic music industry to the UK economy. Among the findings, it suggests that the cost of living has been a bigger threat to nightclubs than covid. The total measurable economic impact of electronic music in the UK, including concerts, festivals, and nightclubs, is estimated at £2.63 billion.
- The latest [HIE Business Panel survey](#), which was undertaken in October/November 2022, finds economic optimism was at the lowest level seen in two years. Almost all businesses (99%) had experienced cost increases in the past 12 months, with 83% experiencing substantial cost increases.
- Social Enterprises are a critical part of the rural economy contributing £197m in the Highlands and Islands finds a new [report](#) (figures come from the Social Enterprise Census 2021). 68% of social enterprises are led by women and 72% of the regions social enterprises are in rural areas.