

Economic Research alert

July 2022

This alert provides an overview of research in the public domain over the last month with a focus on the priorities from our [business plan](#) which are **Jobs** (new, good, green), **Net zero** (transition to net zero economy), **Place** (regional growth, national place making)

- **Recruitment issues** continue to be highlighted across the sectors but particularly in construction, manufacturing and hospitality.
- 95% of UK **microworkers** (people paid piece wages for doing short online tasks) are paid below the minimum wage.

- Research from EngineeringUK and Nesta suggests the UK could be facing a **net zero skills shortage**.
- There is **little or no confidence** in Scotland (or the UK) meeting its **environmental targets**, suggests the new Understanding Scotland survey.

- The '**Gaelic Economy**' contributes **£21.6million to Glasgow**, as well as supporting **700 jobs** within the education, creative industries and tourism.
- The Skye Business Housing Needs Study, shows that up to **1,700 job vacancies** are currently unfilled because of the **lack of accommodation**.

- Research into the recovery of the tourism sector shows that summer and forward bookings are **down** and almost 40% of businesses have reported a **decrease in spending** since May 2021.
- The pandemic, the war in Ukraine, the aftermath of Brexit and the soaring cost of energy and manufacturing materials have created a **perfect storm** that is hitting the bottom line of many middle market businesses suggests new research.

- The latest [Business Barometer](#) from the BCC/Open University found that 70% of Scottish respondents were facing skills shortages, and 77% were seeing reduced output, profitability or growth as a result.

- [Figures](#) by the British Chambers of Commerce (BCC) reveal firms' recruitment struggles remain at record high levels. Construction; production and manufacturing; logistics; and hospitality facing greatest difficulties recruiting staff (all 78% or higher), but all sectors have significant issues.

- A [survey](#) from UKHospitality, the British Institute of Innkeeping and the British Beer and Pub Association shows staff shortages are causing the hospitality industry to lose £21bn in trade. Staff shortages are forcing one in three businesses to close one or more days a week. The highest shortages are for front of house roles, chefs, kitchen porters and assistant managers.

- A [survey](#) from HSBC suggests that a third of UK businesses plan to invest more heavily in automation in order to help with staff shortages. Transport and storage sectors were most at risk, with up to 56% of roles under threat from automation.

- The UK Hopes and Fears [survey](#): why “the great rethink” must follow “the great resignation” from PWC suggests that employers must act decisively and think creatively about packages for employees that combine reward, opportunity, flexibility and purpose.

- A [report](#) on “microworkers” (individuals paid piece wages for performing short online tasks) finds that that 95% earn less than the minimum wage, while almost two in three receive less than £4 an hour. 30% of workers also report spending at least half an hour on unpaid activities for every hour of paid work.
- Highlights from the Working Lives Scotland [report](#) suggest 55% of all employees would like to work from home at least some of the time, 34% feel their job offers good prospects for career advancement and key workers are significantly more likely to feel their jobs are meaningful.
- A new [report](#) from the Work Foundation looks at The Changing Workplace: Enabling Disability-Inclusive Hybrid Working. It found that outdated cultures meant that some disabled workers felt left out or isolated while working at home, particularly when colleagues used different working patterns. The report concludes with practical steps for employers to take to ensure their approach to hybrid and remote working is inclusive of disabled employees; and recommendations to Government for policy changes that will be needed to tackle the disability employment gap.
- The UK Treasury Committee has published a [report](#) on post-pandemic jobs, growth, and productivity. The report calls for additional resourcing to address long COVID and enable those suffering long-term sickness generally to re-enter the workforce, noting high levels of vacancies which may hold back growth and stoke inflation.

- EngineeringUK has published its Net Zero Workforce [report](#), which is an analysis of almost 30 research reports from across the engineering sector into the green jobs and engineering skills needed to decarbonise all sectors of the UK economy. It highlights a lack of understanding around green STEM jobs and suggests the UK could be facing a net zero skills shortage.
- To meet the UK's net zero target, 25 million fossil fuel boilers need to be swapped out for less polluting heating systems over the next three decades. This will require more heat pump engineers to be trained each year than there are currently working in the whole industry now. A new [report](#) from Nesta outlines the scale of the challenge and makes recommendations for government and industry to scale a highly skilled heat pump industry.
- The latest Understanding Scotland's quarterly survey [report](#) looks at environmental attitudes. It finds widespread dissatisfaction with Scotland's and the UK's existing climate targets, and scepticism that these will be met. Those with a greater knowledge of climate change and net zero were also more likely to deem existing targets inadequate.
- The IPPR has published a [briefing](#) on the uncertainty of how the UK Government will reach its goal of net zero by 2050. It suggests the transport plan is strong on rhetoric but lacks detailed policy commitments and the investment needed, while, missing the near-term targets required to provide urgency.
- The organisers of the Big Plastic Count [survey](#) say the results prove that recycling alone is not a solution for reducing how much plastic ends up as waste. The Big Plastic Count was run across a week in May and the results show that the average participating household threw away 66 pieces of plastic in a week.
- The Climate Change Committee (CCC) has published the Energy Saving Trust commission [report](#) on the actions needed from Small Medium Enterprises (SMEs) to meet the Sixth Carbon Budget. The Carbon Budget Report was the first detailed assessment of the UK trajectory for achieving net zero and calls for more ambitious policy to drive rapid rates of carbon reduction in the economy.

- A new [report](#) finds The 'Gaelic Economy' contributes £21.6million to Glasgow, as well as supporting 700 jobs within education, creative industries and tourism.

- A Centre for Cities [report](#), "Out of Pocket: the Places at the Sharp End of the Cost of Living Crisis", looks at what the cost of living crisis is, what is driving it, and how the squeeze on disposable incomes is likely to be felt across the UK's cities and largest towns. It finds that Inflation is higher in the UK's poorest cities. Households in Burnley, Blackburn and Blackpool will likely see higher inflation compared to those in southern cities like London, Reading and Cambridge. There is also a [Cost of Living Tracker](#) (Scottish cities not included).

- A new [report](#), The Skye Business Housing Needs Study, shows that up to 1,700 job vacancies are currently unfilled because of the lack of accommodation. The report finds "The housing shortage is already impacting on the local economy, with many businesses forced to reduce the services they deliver, or choosing to not invest in the growth of the business".

- More [people](#) in Scotland moved from cities to rural areas during the pandemic. Populations fell in Scotland's largest cities, while some rural areas saw an increase for the first time in years. New [figures](#) from National Records of Scotland (NRS) found the health crisis may have reversed long-term trends.

- [Figures](#) from CBRE on the Aberdeen office market during the second quarter of 2022 shows the city has the strongest Q2 performance for office take-up since the start of the Covid-19 pandemic. Buoyed by the rise in oil price, the total take-up in the first half of the year was 256,426 sq ft, a 361% rise from the same period in 2021.
- [Data](#) from Real Estate company JLL suggests the office market outlook remains positive across the central belt of Scotland, with occupiers reviewing property strategies. Transactions for space of 5,000 sq ft and over rise in Glasgow, while occupier enquiries in Edinburgh hit a five-year high during May.
- The latest [Property Market Report 2021-22](#) was published by Registers of Scotland. Highlights include:- The average price of a residential property in Scotland was £201,744, the total number of residential property sales in Scotland was 110,248 sales, the value of residential property sales in Scotland was £22.2 billion.
- A [report](#) from Centre for Cities, Homeworking and the high street, looks at the impact that homeworking is having on local businesses, how important it is for the high street that office workers return, and what prospects it faces if they don't. It suggests that policy makers need to support better job creation in city centres by making them better places to do business and strengthening their role as places of work, Help city centres to grow and adapt to a reconfigured demand, by finding creative and more flexible ways to repurpose and use space
- And finally, The 53 [best cities in the world](#) in 2022 from Time Out rate Edinburgh at number 1 and Glasgow at number 4.

- Small businesses are reportedly calling for action as insurance premiums rise and coverage shrinks. The Federation of Small Businesses new [report](#) finds three in five small businesses have seen their insurance premiums rise in the last year, and one in six who have renewed their policy in the last year say their cover has been restricted. The findings of the report detail concerns about whether the insurance market is performing adequately for small firms and self-employed people.
- A [report](#) by the British Business Bank found university spinouts which emerged from research council investments and received funding from both the British Business Bank and Innovate UK were more likely to have better business survival rates and generated more jobs.
- The 'The Real Economy' [report](#) for RSM suggests the pandemic, the war in Ukraine, the aftermath of Brexit and the soaring cost of energy and manufacturing materials have created a perfect storm that is hitting the bottom line of many middle market businesses. In addition, supply chain issues have led to 44% of businesses experiencing significant increases in their operating costs, while 42% said they've seen their profits decline.
- Highlights from the [BCC Quarterly Economic Survey](#) (Q2) show 65% of businesses are expected to raise prices, 82% cite inflation as a growing concern and 75% report no increase to investment in plant/equipment.
- The Big Brexit [report](#) from the Resolution Foundation provides an assessment of the scale of change to come from Brexit. It finds the long-run impacts will mean significant change for some sectors of our economy e.g. fishing but the aggregate effect will be to reduce household incomes as a result of a weaker pound, and lower investment and trade.
- The Fraser of Allander Institute has published a [report](#) on tourism post-COVID. Economic indicators revealed Scottish GDP remained above the pre-pandemic level for the fourth month in a row and there has been substantial growth in the accommodation and food services sector throughout the first four months of 2022.
- [Research](#) from the Scottish Tourism Alliance into the recovery of the sector shows that summer and forward bookings are down and almost 40% of businesses have reported a decrease in spending since May 2021. 34% described their business as, currently, in steady recovery, 50% said that it would take them at least a year to recover and 6% said they are unlikely to make it.
- A Barclays Corporate Banking [report](#) has revealed the hospitality and leisure sector's post-pandemic recovery could be restricted by the cost-of-living crisis and a widespread lack of staff. To hire staff, businesses are turning to incentives such as flexible working, an increase in staff welfare budgets and the introduction of bonuses.