# Economic Research alert

June 2022

Insights & Economics

Scottish Enterprise

SUMMARY

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), N**et zero** (transition to net zero economy), **Place** (regional growth, national place making)

JOBS

- An extra **25,250** construction workers may be needed from 2022 to 2026 in Scotland to cope with demand – particularly in the industrial sector.
- Research suggests that businesses have become more open to **part time working** since the pandemic**.**

NET ZERO

- New data from the Institute of Directors shows that, as a result of **rising energy costs**, half of businesses are now more likely to invest in **carbon reduction measures**.
- A new report has revealed that companies in the Scottish energy industry think that almost half (**47%**) of their operations will be **outside of oil and gas** within just eight years, by 2030.

PLACE

- The extent to which businesses are investing in **new technologies** and moving towards **low carbon ways of working** appears to be greater in the Highlands and Islands than elsewhere in rural Scotland, however the region's **workforce challenges** are more marked.
- New licensing system for short term lets could cost the Scottish economy as much as **£133m** suggests analysis from BiGGAR Economics.

OTHER BUSINESS

- 79% of Scottish SMEs report that **rising living costs**, **energy bills** and **inflation** are a long-term concern for their business.
- Scotland's 146 **employee-owned** businesses have a combined turnover of **£691m**.

SUMMARY

JOBS

NET ZERO

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OTHER BUSINESS

- Jobs in the UK offshore wind industry could grow to almost 100,000 by 2030 from more than 31,000 currently, according to a new **report** by the Offshore Wind Industry Council (OWIC). The Report said the 31,000 figure is a 16% increase on the 26,000 jobs reported in last year's survey.
- Over a quarter of a million extra construction workers may be needed in the UK by 2026, according to the latest Construction Skills Network (CSN) **report**. The Scotland 5-year outlook suggests the annual recruitment requirement in **Scotland** of 2.2% per year is above the UK figure of 2.0% and means an extra 25,250 workers will be needed from 2022 to 2026.
- Key findings from the latest KPMG and REC, UK Report on Jobs **survey** suggest slower increases in permanent placements and temp billings, the downturn in candidate supply eases only slightly and pay pressures remain historically sharp.
- The Scottish Employer Perspectives **survey** shows, in the previous 12 months, 52% of employers had at least one vacancy and 46% recruited staff, 35% had recruited an employee into their first job directly from education, and 59% thought work experience to be 'critical' or 'significant' when recruiting.
- **Research** from Cranfield University suggests that businesses have become more open to part-time work since the pandemic. Post-pandemic, 62% of line managers say they are 'more willing' to consider employee requests for part-time working, 96% were more flexible about where their employees worked, and 87% about how employees scheduled their working hours.
- 18% of UK workers say they are likely to change jobs in the next 12 months a **survey** from PWC suggests. While hybrid is the preference for most (62%), 31% would prefer fully remote working and 7% would rather work in-person full time.
- **Research** has revealed that 53% of Scots would be tempted to move to a company which offers a four-day week, with 32% believing this will become a reality within two to five years.
- 31% of financial services and banking professionals are planning to leave the industry due to high pressure, according to a new **report** by LemonEdge
- The **UK Insecure Work Index** from The Work Foundation reveals women, disabled people, ethnic minorities and young workers have been consistently affected by insecure employment over the last twenty years.
- The abrdn Financial Fairness Trust has published a **report** on pay ratios within FTSE 350 companies. It found CEO/median pay ratios across the index have narrowed slightly from 53:1 in 2019-20 to 44:1 in 2020-21.
- **Research** from Women on Boards shows that 50% of UK firms in FTSE All-Share ex350 have no women in C-Suite positions, 44% have not achieved the target of 33% women on boards and 25% have one director of colour, up from 16% in 2021 - but 75% of boards are entirely white.

- A **report** from the Green Alliance looks at how driving forward the net zero carbon economy can help to reverse the UK's productivity, contribute to economic growth and provide skilled jobs. It suggests that the green economy should be classed as a central driver right at the heart of the Treasury's growth plan and concludes that the UK government should ramp up its climate policies to benefit individuals and communities across the country struggling with the serious consequences of the economic downturn.
- A sustainability **report** for COP26 has been published which details the measures taken to deliver a sustainable summit, to avoid and reduce greenhouse gas emissions and the lessons identified for future COPs and large-scale events.
- Transport Scotland has published a **report** containing national forecasts of the renewable electricity and hydrogen that will be needed to help the transport sector play its part in meeting net zero greenhouse gases by 2045 and meet the 75% greenhouse gas reduction target by 2030. The report finds the amount of electricity and hydrogen the transport system is expected to need is well within the limits of what the energy sector is expected to generate.
- The Institute of Directors has published the findings of a recent **survey** of 600 business leaders, in which 16% agreed rising energy costs would make them more likely to invest in carbon reduction measures in the short term, 28% in the medium term and 22% in the long term.
- The Resolution Foundation has published a **report** which provides an assessment of the opportunities presented to the UK by the move to net zero and considers how these opportunities can be realised. It found the UK was not the world leader overall in clean technologies or traded goods but was among the top countries in terms of its specialisation in clean technologies and products, which translated to specific areas of strength that could be built upon as part of a new economic strategy for the UK.
- Eurostat has published a **monitoring report** providing a statistical overview of progress towards the Sustainable Development Goals (SDGs) in the EU. It found positive assessment of SDG 7 was influenced by a large reduction in energy consumption in 2020 as a result of COVID lockdowns. Therefore, the EU was able to reach its 2020 energy efficiency target and, based on the progress achieved so far, is on track towards its 2030 target. In addition, the use of renewable energy has grown continuously, with its share doubling since 2005.
- A new **report** has revealed that companies in the Scottish energy industry think 47% of their operations will be outside of oil and gas by 2030. However, Energy Transition 35 – produced by Aberdeen & Grampian Chamber of commerce alongside KPMG and ETZ – shows that the number of companies who expect to be involved in vital carbon capture and storage activities has fallen from 45% to 23%.

- The latest **EY Attractiveness Survey Scotland** shows: FDI projects in Scotland increased by 14% in 2021, with four years of continuous growth and the highest share of UK projects in the past decade, Scotland ranked second in 2021 for employment, with a 125% increase in job prospects, Scotland has seen strong performance in the digital, utilities and manufacturing sectors, and is a firm second choice for digital investment beyond London.
- The extent to which businesses are investing in new technologies and moving towards low carbon ways of working (eg investing in premises, making/updating business plans) appears to be greater in the Highlands and Islands than elsewhere in rural Scotland, however the region's workforce challenges are more marked. These were among the findings of the latest Highlands and Island Enterprise (HIE) Business Panel **survey**.
- A new BiGGAR Economics **analysis** undertaken for Airbnb has highlighted the potential adverse economic impacts that could result from the new short term let licensing system being introduced in Scotland. The hit to the Scottish economy could be as much as £133m, putting more than 7,000 jobs at risk.
- Glasgow city centre has secured its position for having the second highest ranking commercial city in the league of 9,000 retail and leisure markets nationwide suggests a **report** from Colliers. Data considered includes venue type, brand presence and strength, vacancy and refurbishment rates, floorspace availability, price positioning (value vs luxury) and category mix. Edinburgh is in the top 10 this year following the opening of St James' Quarter which significantly enhanced the city's retail and leisure offering.
- Aberdeen is one of the top cities in the UK paying above the national living wage (NLW) according to **analysis** from Breakroom. The highest paying cities above the NLW were found to be: Oxford (£11.08), Aberdeen (£10.20), and Perth £10.19, with the lowest paying being Colchester (£9.03), Derry (£9.10), and Bradford (£9.15).
- The University of Edinburgh is ranked number 15 in the QS World University **Rankings 2023**: Top global universities. The QS World University Rankings includes about 1,500 institutions from around the world, institutions are assessed across six categories (or indicators) to effectively capture university performance – including academic and employer reputation, faculty/student ratio and research citations

- The Institute of Directors has released **figures** from its monthly Directors' Economic Confidence Index. It shows confidence slid to its lowest level since October 2020 at -45, down from -36 in April. This has been attributed to rising inflation (41%) and difficulties in trading with the EU (20%). 40% cited Global economic conditions.
- The latest **report** as part of the Economy 2030 Inquiry, from the Resolution Foundation, looks at The UK corporate sector's recovery from Covid-19. Findings show that despite the economy overall rising to 0.7% above pre-pandemic levels in Q1 2022, business investment remains 9.1% below. Corporate debt as a share of GDP rose only slightly during the pandemic and remains 15 percentage points below the financial crisis peak.
- 68% of SMEs in Scotland are expecting to see revenues rise this quarter, compared to the same period last year according to the latest quarterly **Barclays SME Barometer**. However, 79% reported that rising living costs, energy bills and inflation are a long-term concern for their business.
- Findings from the ICAEW quarterly **Business Confidence Monitor** shows Scottish businesses are the least confident across the four nations of the UK. In a survey of 1,000 chartered accountants, it found confidence in Scotland was at 12 on its index in Q2 2022. Sales growth is up but cost pressures and staff shortages are hampering a positive outlook.
- **Research** commissioned by Co-operative Development Scotland has found there are currently 195 employee-owned businesses (EOBs) operating in Scotland, comprised of 146 Scottish-registered EOBs and 49 non-Scottish-registered EOBs. The 146 Scottish-registered EOBs have a combined turnover of £691m, employing over 5,350 people.
- The Scottish Retail Consortium has released **findings** which show retail sales in Scotland fell by 1.1% in real terms last month when compared with the same period in 2021. As consumers cut back spending amid the rising cost of living, food sales fell by 2.5% in real terms due to higher input costs which have been exacerbated by the conflict in Ukraine.
- New reports from the Diffley Partnership, as part of the Understanding Scotland series, looks at Society and the Economy. The **first** takes the pulse of the Scottish public as we emerge from the pandemic and inflation begins to bite. The **second** report takes a closer look at economic sentiment and the ongoing cost of living crisis, with some very sobering findings – it suggests that most people are feeling markedly worse off and are pessimistic about the economic and financial outlook, with evident concern over rising prices.