

Scotland's National Strategy for Economic Transformation

Analysis of Stakeholder Engagement: Key Findings

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1. Stakeholder Engagement: Overview

Transforming our economy has to be a national endeavour and in order to help inform the development of the Scotland's National Strategy for Economic Transformation we invited views from a range of stakeholders including business, workers, third sector, public sector and the wider public.

- We carried out a nine-week programme of public consultation, with members of the public and stakeholders invited to submit views directly to a mailbox.
- No set questions were asked, it was an open invitation to submit views.
- This closed 3 September 2021 with ongoing informal stakeholder engagement continuing until the middle of January 2022.

Responses

- A total of 265 responses were received, spread across wider public, private sector, third sector and public sector, of which:
 - 77 (29%) from Wider Public,
 - 81 (30% from Private Sector (includes Industry Leadership Groups and organisations representing businesses),
 - 73 (28%) from Third Sector, and
 - 34 (13%) from Public Sector.
- Given the open invitation to contribute, individuals were not asked to provide information on their characteristics and so it is not possible to determine how representative of the wider public the individual responses received are.

Distilling key themes

- An analysis of the full set of responses follows, focusing on the views by each group of respondents on:
 - Challenges,
 - Opportunities / priorities, and
 - Their ideas to transform the economy.

2. Views from wider public

2.1 Challenges

- Cluttered Public Sector Landscape: Delivery cluttered and could be reformed. Enterprise agencies could increase rural and remote voices, tailor support more and maximise value and the impact of public spending.
- Low National Productivity: Scotland's productivity rate is poor. Scotland as a nation is highly skilled, but lags behind OECD nations and skill shortages are a problem.
- Super-fast broadband/5G connectivity: Digital connectivity across mainland Scotland and the Islands needs to be improved as public services shift to new digital ways of working.
- Ageing housing stock a barrier to sustainable living.
- Better understanding of, and support for, rural community needs.
- Spending decisions: a better understanding of the Government spending multiplier on a sectoral basis to better direct spending and investment.

- Constitution: The constraints of devolution and lack of full fiscal and monetary autonomy restricts the ability for the Government to raise investment and direct spending.
- Advisory Council representation: Some concerns noted about lack of diversity of the Council and a lack of specialist expertise in Council on Climate Change, SME's, Transport, Youth, and the Islands.

2.2 Opportunities / priorities

- Wellbeing economy measures: Transition to person centred measures of progress and success, e.g. happiness as a measure.
- Role for women's entrepreneurship in a wellbeing economy. Better childcare, particularly at pre-3 year old stage, more financial support, more training and coaching.
- Public sector modernisation: A modern, digital public sector which is able to divert headcount from back office to front line could improve social outcomes.
- Focus on delivery and recognise the role of the private sector as a partner in delivery. Tailored support for rural businesses.
- Refocus business support with greater financial help for small industries/businesses rather than focusing investment on large companies.
- Incentives for migrants to come to Scotland: Start-ups, entrepreneurs and skilled migrants must be incentivised to making Scotland their home.
- Taxation: Non-domestic rates could be simplified.
- Business mentoring: Grants and funding for start-ups and entrepreneurs could be combined with mentoring, expertise and support.
- Digital upskilling: In order to avoid any generation from being left behind, continual funding and lifelong education and learning must be supported.

2.3 Examples of ideas to transform the economy

- Wealth Creation: Encourage risk taking to act as a vehicle for wealth creation.
- Public sector sharing services: Relating to productivity, it was highlighted that with a country as small as Scotland, public sector organisations could benefit from sharing corporate services and functions
- Decentralise civil service jobs and make them location neutral.
- 20 minute neighbourhoods: Invest in the concept of 20 minute neighbourhoods and regeneration of city centres.
- Joint focus on STEM subjects and creative arts to support entrepreneurship and creativity.
- Local transformation: Local solutions not just national solutions. Tailor support to meet local challenges.

3. Views from private sector

3.1 Challenges

- Net Zero and nature loss: Twin challenge of nature biodiversity loss combined with climate warming. How to go about the transition to net zero and a just transition to support jobs and communities most at risk. A need to better identify the key drivers of green growth. Timing is a challenge ensure talent is there once net zero technologies reach scale. Need to address barriers to scaling up low carbon projects in all sections of the community.

- Inequalities remain and more could be done to promote social capital. Digital divide in more deprived areas. Lack of diversity in the workforce.
- Skills gaps and labour shortages in many sectors and regions of the Scottish economy are impediments to growth. Ageing population.
- Sector specific challenges: Many arising from COVID-19 which has accelerated many of the trends that were underway. Short term shortages of materials in some sectors.
- Infrastructure: Better digital and physical infrastructure including housing and connectivity. Improved tourism infrastructure.
- Commercialisation of innovation. Commercialising or attracting large-scale manufacturing of innovations is weak.
- Regional variation: City centres and businesses and retail in city centres suffering from loss of footfall.
- Regulation: Other countries are more efficient and quicker, in some sectors.
- Governance and role of public sector: A complex economic development structure with duplication. Scotland's public sector continues to grow and accounts for an increasing share of employment.

3.2 Opportunities / priorities

- Net Zero: Achieve green economic recovery and jobs for the future, a just transition, and deliver net-zero targets. Work closely with businesses to achieve net zero ambitions by setting clear direction to allow businesses to invest. Net zero solutions by building on Scotland's strengths and investing in them through fiscal measures including carbon pricing. Role for social enterprises in the energy transition. Maximise the potential offered by the marine energy and green hydrogen sectors in Scotland Potential to generate high quality, highly skilled jobs across Scotland, particularly in maritime and peripheral regions. Enhancing our natural ecosystems will bring resilience against climate change.
- Circular economy: Consume less and produce less waste. Opportunities for sustainability and sustainable product lifecycles and to improve traceability through supply chain. Scope to include Scottish health and social care procurement agencies to take a whole life approach to decision making about products. Digital solutions can also help rebuild our natural capital.
- Entrepreneurship, innovation and different ownership models: Innovation roadmap to drive entrepreneurial economy. Raise awareness of different business models such as employee ownership. Third sector and social enterprise structure important. Smarter and more efficient processes for new start-ups by young entrepreneurs. Build on resilience of businesses to adapt and reinvent their business models during pandemic. Support small-scale, local business that provides local, secure jobs and community benefits. Community bank model providing support to SMEs in or with a connection to its geographic area.
- Data and Digital: Become a leader in digital technology. Foundational talent pipeline. Support cloud infrastructure and platforms to support remote workforces. Promote digitising supply chains.
- Infrastructure: A portfolio of infrastructure investment to promote green projects.

- Regional/places: Decentralisation to enable regions to maximise their potential. Renewed focus on local procurement and local supply chains. Recovery programme for Scotland's high streets. Invest in and future proof Scotland town and city centres.
- Reshape the nature of our economy to deliver a Wellbeing Economy.
- Internationalisation and inward investment: Public/private partnerships to increase number of Scottish exporters. Opportunities for strengthening attractiveness for companies to locate beyond the Central Belt. Seek a review of UK Government relocation tax threshold. Scotland must constantly reassess its attractiveness for investors, notable opportunity in Pharma. Dedicated Customs Academy to support knowledge and requirements post EU exit.
- R&D: Increase government spending on R&D to match advanced economies and boost productivity and innovation. Support for clinical research and development in optimising the setting up and running of more clinical trials in Scotland.
- Job, skills and education: A renewed focus on the workforce of the future. Develop youth workforce and female business leaders. Bring in global talent (in sectors such as digital skills). Skills passports for lifelong learning. Promote renewables skills. Bite-size learning opportunities, especially for SMEs and the not-for-profit sector. Transform workplaces with a focus on fair work and address employee mental health. Involve industrial and economic expertise in developing curriculum. Embrace diversity. Key role for our world leading universities and colleges.
- Governance: Good governance will drive transformation. Review remit of agencies and NDPBs so that they champion net zero.
- Funding and other levers: Funding with conditionality on net zero, waste. Create specific scale up funding opportunities and have as a criterion for access to funding. Ring-fenced funding package to promote diversity. Consider Non Domestic Rates relief. Property taxation system to incentivise investment. Continue to promote better regulation. Social investment tools and models.
- Finance institutions: Finance institutions to work alongside businesses and take longer term view on debt. Ensure scale ups receive the funding they need.
- Planning and consents: Effective planning and associated consenting systems to deliver net zero and support the delivery of new homes of all tenures, to help deliver a green economy and attract the private sector investment necessary.

3.3 Examples of ideas to transform the economy

- Energy Transition. Become a leader in exportable net zero solutions. Scotland's green hydrogen sector offers opportunities for the creation of new secure jobs. A Green Boards strategy to support company Directors to adopt Net Zero. Enhance connections between industry and academia. Using AI cloud and data science for robust emissions measurement. Provide support to foster a strong manufacturing base within Scotland. Deployment of renewables through the intelligent use of battery storage. Include communities in the conversation on just transition that supports them and the local communities in which they live and work.

- Data, Digital and Tech: Become a leader in digital technology. Better data availability means better services. Good data important to recovery. Opportunity in Health and social care data. Invest in cloud computing skills. Women in technology. Cities as a hub for data science and AI.
- Diversity: Focus on providing the right incentives and support businesses who invest in the skills and diversity of their workforce. Set targets for diversity in the business leadership teams. Provide targeted support for women's groups. Purpose-build diversity into management teams to change their culture and deliver growth by embracing diversity of thought and perspectives.
- Nature based solutions to climate change and the green economy to build resilience of the economy.
- Foster a thriving clinical research environment: Put research at the heart of all NHS Scotland does, in line with the ambition of making the Scotland the destination of choice for clinical research.
- Brand Scotland. Opportunity to make much more of Scotland's brand. Take advantage of the positive pre-disposition that people around the world have to working with Scotland, buying Scottish products, engaging with Scottish people.
- Government as an exemplar: Decentralisation of civil service jobs. Digitisation of public services. Create a separate company to manage Government investments.

4. Views from third sector

4.1 Challenges

- Scotland has high proportion of people on benefits and low productivity. Entrepreneurship is generally not sufficiently supported or recognised.
- Greater need for interventions to encourage gender equality – for example childcare needs limit women's ability to enter the labour market and access development opportunities, the gender pay gap has yet to be addressed and many jobs at risk of future automation are carried out predominantly by women.
- Disability employment gap and not enough entry level jobs for young people.
- COVID-19 has amplified existing inequalities – particularly around fair work and for certain groups (e.g. young people).
- Issues around education. There is a general mismatch between education and needs of industry. This causes issues with recruitment and may harm entrepreneurship – some perceived a gap between number of young people who wanted to start a business, and those who have skills to do so.
- Underuse of skills.
- Net zero presents challenges and opportunities. Current lack of public understanding on climate change.
- Good quality housing plays a large role in economic transformation – but availability of good quality housing is an issue.
- Scottish business owners may lack ambition to expand companies – selling businesses on means Scotland loses R&D and assets.
- There are regional disparities in public sector funding.
- Fiscal framework – lack of borrowing powers limits capacity of SG to realise economic policy objectives.

4.2 Opportunities / priorities

- New ways of working – e.g. more flexible jobs, renewed focus on fair work, etc. but needs action to maintain these benefits. For example improved digital connectivity, local job hubs, actions to protect town centres etc.
- The third sector's role in providing or complementing the public and private sector should be recognised and capitalised on.
- Planning – a more strategic approach is needed to meet the needs of various sectors and encourage job growth. Close working with unions, investors and infrastructure providers is needed to develop place-based solutions.
- Education sector – sector has a key role in meeting future job needs – closer working between government and industry needed.
- Embedding entrepreneurship in education and the curriculum.
- Digital connectivity is key for economic transformation post-COVID. Some of the positives of COVID-19 (e.g. remote working) should be retained and there is need for investment to support this.
- Net zero presents many opportunities e.g. circular economy, including circular economy supply chains, greater use of renewable energy, development of new jobs. But also presents challenges in terms of transition and support needs for workers in affected industries.
- Climate emergency – involve all citizens in the decisions on responding to climate emergency.
- Opportunity to renew and enhance role of wellbeing economy – e.g. by giving wellbeing measures parity with GDP.

4.3 Examples of Ideas to transform the economy

- Targeted skills programmes should be developed to identify and assist marginalised groups (such as woman and the young). The Youth Guarantee and Developing Young Workforce Programmes Scotland's colleges and universities were seen to be well placed to assist with this due to strong links with industry.
- Invest in child and social care to promote women's labour market equality.
- Create a ladder of entrepreneurship in school education through primary and secondary education.
- New ways of working – common suggestion was move towards a 4 day working week (with no loss of pay) and the creation of local job hubs to allow for more flexible working.
- Some suggested greater devolution of power, from Holyrood to local authorities.
- Respondents suggested various strategies that should be consulted (e.g. Social Renewal Advisory Board, A Fairer Scotland for Woman, etc.)
- Trial of universal basic income.
- Reform agricultural payments to ensure better alignment with climate change and land use goals.
- Deliver innovation-based City Deals 2.
- Creation of a National Infrastructure Company to ensure a strategic and sustainable approach to construction.

5. Views from public sector

5.1 Challenges

- Changes in population and demographics, particularly in rural Scotland – itself symptomatic of:
 - the need for more and better quality housing;
 - digital connectivity;
 - and improved transport links
- How to reconcile tensions between economic goals such as improved productivity and competitiveness versus concepts such as fair work, just transition, wellbeing.
- The need to clearly articulate SG position on growth, particularly for the business audience.
- Care needed around the timing of the transition to net zero, recognising that sectors will transition at different speeds and need differing levels of support. Crucial to ensure we don't lose supply chains by moving too quickly. Net zero not zero emissions.
- COVID-19 exacerbating problems of under-investment and fragmented structures in culture sector.
- Designing the economy we want to shape such that it delivers on reducing inequalities and tackles the profound population health challenges we face.
- Providing quality local jobs which meet the skill levels of our residents in order to develop a stronger local economy (view from local government).
- Employers offer too many jobs that are low paid and too few opportunities for low paid workers to progress to higher paid employment. Not only is this economically inefficient, it entrenches social and economic inequality
- The need for a clear strategy to focus the entirety of the system on a smaller number of priority outcomes with clear ownership and clear measures of success.

5.2 Opportunities / priorities

- A stable policy context shaped by a high-quality business environment, the ability to respond to strategic shifts/shocks, and sustained investment in human capital and innovation.
- Natural capital - used to provide green power to Scotland; developed to support new industries e.g. Blue Economy, Green Hydrogen and Offshore Wind.
 - Carbon capture and storage, hydrogen, wave and tidal, subsea cables and pipelines and aquaculture all present distinct economic opportunities in Scotland, often supporting remote and fragile economies.
 - But opportunities here not widely understood - must do more to raise awareness of sustainable commercial/economic potential.
- A just, net zero transition should be at the heart of the new strategy.
 - Greening the economy and transport network is crucial
- Use the strategy as a means of achieving a wide range of societal outcomes, including those relating to climate, inequalities, poverty, health and work.
- Place investment - new and innovative ways of supporting regeneration, community ownership and wealth building.

- Delivering a whole systems approach to exploit synergies between Scotland's ambitions to become a Fair Work Nation, to transition to net zero, to address child poverty and to become a wellbeing economy.
- Prioritise innovation as a driver for local, place-based economic growth. Protect discovery research and harness the power of innovation to amplify the contributions of research and development to economic development and transformation.
- Transition current skills investment profile to more responsive portfolio including (1) Traditional academic pathways; but also (2) expanded work based pathways; (3) rapid industry led retraining (for unemployed); (4) Upskilling of existing workers.

5.3 Examples of ideas to transform the economy

- Capitalise on Scotland's early recognition of the importance of Fair Work and Workplace Innovation. A focus on how businesses are run and the importance of high quality workplace practices is essential to addressing poor productivity performance, and to create ambitious businesses with the right leadership to encourage investment, innovation and high levels of skills utilisation. This should include improving Fair Work conditionality alongside support for business.
- Facilitate enhanced role for private sector networks & peer-to-peer knowledge transfer. Many businesses need advice not funding.
- Support and fund acceleration of Business Support Partnership – necessary vehicle for streamlining and joining up business support and other economic development activity - reduces duplication, enhances system thinking, collaboration and ensures we learn from partners across Scotland – importantly incorporates sharing of data to aid much more effective understanding of system wide activity and evidence about “what works”.
- Develop & implement integrated national/regional skills investment strategies to support ambitions of Climate Emergency Skills Action Plan (CESAP) & the Scottish Technology Ecosystem Review (STER) as two of the most significant cross sector, transformational programmes.
- Multi-year funding cycles for capital and revenue funding programmes that support Just Transition, fair work, No One Left Behind and inclusive economic growth.
- Address income and health inequalities through UK corporation tax changes to limit excessive profits and mandatory employee representation on boards. Break up monopolies, ensure competition, increase community owned businesses and regulate financial sector to limit "wealth extracting financial engineering".
- Establish Scotland as a world leading 'responsible' nature-based tourism destination
- New, Good and Green Jobs - supporting sectors of the future but helping existing sectors transition - creating supply of new jobs in Scotland alongside potential to develop saleable expertise, practices and technologies.
- Digital tools to support up-take of innovations in technology and working practices.

6. Summary

- The semi-formal consultation yielded a good response across the wider public, private sector, third sector and public sector.
- The responses have been analysed by each of the four different groups to explore similarities and differences across these groups. The analysis has also found commonality across the groups in terms of challenges and opportunities. These are summarised below.

6.1 Challenges

- Economy: Weak productivity, skills shortages, demographic challenges, regional variation, inequalities exacerbated by COVID-19 (both for individuals, specific groups and some sectors).
- Infrastructure: Digital, transport and housing infrastructure could be improved.
- Public sector landscape: Cluttered and complex.

6.2 Opportunities

- To build a wellbeing economy and report a wider set of wellbeing measures and enhance fair work.
- To promote the just transition to net zero, green economic opportunities and improve green skills.
- To improve the diversity of the workforce and embrace diversity of thought and perspectives.
- To embed entrepreneurship in education and to transition the current skills investment profile.
- To improve digital infrastructure, promote digital skills and the role of data.
- To build a circular economy and invest in our natural capital.
- To enhance the attractiveness of Scotland to investors.
- To review the delivery landscape, consider tailored public support with local solutions and multiyear funding.



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Any enquiries regarding this publication should be sent to us at

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