



The CBI/KPMG Scottish Productivity Index 2020

Building resilience through long-lasting productivity gains

December 2020
Regional Growth

Sponsored by





Contents

Foreword by KPMG	4
Executive summary	6
Dashboard	16
Chapters	
1. Reflections in 2020: Where are we a year from now?	20
2. Reflections from the 2019 Scottish Productivity Index	26
3. Business practices	28
4. Skills and training	38
5. Health and wellbeing	46
6. Infrastructure and connectivity	52
A note on the Business Advisory Group	60
Source data for the Dashboard	61
Appendix	62
References	66
About the CBI	70

Foreword KPMG

In 2019, KPMG and the CBI launched our inaugural Scottish Productivity Index. We were motivated to take action and offer solutions, driven by a growing recognition that, while some progress was being made, Scotland's chronic productivity challenge was one of the biggest obstacles holding back further economic growth.

At the time of last year's report, none of us could have foreseen the dramatic change COVID-19 would deliver. The global pandemic has hit some sectors harder than others, but no industry has been left completely untouched.

While COVID-19 has created an unprecedented degree of uncertainty and challenge, it shouldn't distract the business community from the desire to deliver sustainable, long-term growth. Indeed, now more than ever, issues like productivity are being brought into even sharper focus as political and business leaders look to ensure that a post-COVID-19 Scotland has the ability to regain lost ground quickly.

In last year's report, we highlighted just how much productivity matters. The ONS estimates that, if productivity hadn't stalled in recent years, the average private sector worker in Scotland could have earned, on average, £5,000 more per year. Meanwhile, a modest 1% improvement in productivity could deliver a £2.3bn boost to Scottish GDP.

While uncertainty continues throughout the pandemic, there's a growing acceptance, not just here in Scotland, but across the UK, that productivity is one of the key challenges we must face head-on. In October, a new Productivity Institute was launched at the University of Manchester, backed by more than £32m of UK Government support. Working alongside the London School of Economics, a team of experts has been tasked with looking exclusively at the productivity puzzle and offering solutions for a post-COVID-19 Britain.

Productivity is about so much more than simply 'generating more'. Our focus in the last two years has been on building resilience and implementing proven strategies and solutions that will not only help Scotland recover economically, but ensure the country thrives in the new reality.

This year, as part of our research with the Fraser of Allander Institute, in addition to measuring progress on the KPIs we identified in our inaugural report, we also explored the challenges COVID-19 has created and used discussions with the Business Advisory Group to ensure our data truly reflected the issues and opportunities in the Scottish economy and could be implemented to deliver real change.

Despite this year's challenges, what's striking is how relevant our 2019 recommendations are today. Despite the backdrop of a public health emergency and political uncertainty, our analysis is both realistic and optimistic.

While good progress has been made on almost all our key areas of focus, there remains substantial work to do to deliver a genuinely more productive society in Scotland. Our findings suggest the country has the highest proportion of employees with a higher education in the UK, and we rate strongly on the global stage. However, in-work skills training remains poor and has steadily decreased over the last 15 years, with Scotland now ranked below England and Wales. On the innovation front, there remains short to medium-term challenges to overcome with Scotland lagging all UK nations and experiencing the largest percentage point drop in innovation-active businesses between 2014 and 2018. There are some positive indicators – despite lagging the UK, Scotland's R&D spending increased by 8% in nominal terms (2017-2018) which exceeded growth across all UK nations.

A key recommendation last year focused on investment in digital skills. We suggested the country should aim for 100% basic digital skills by 2025 and focus on the value and potential of technology adoption and flexible working patterns. While progress was being made by businesses, the pandemic has arguably taken much of those decisions out of our hands. The focus now should be on capturing the most effective practices, embracing hybrid working models and creating even more ambitious goals to build a truly innovative, digital economy backed by strong infrastructure and a focus on wellbeing and growth.

Tackling the productivity conundrum is a long-term ambition for Scotland. In the last year, the challenges we've faced have demonstrated that the country's workforce is entrepreneurial, innovative and flexible. Meanwhile, business leaders have demonstrated incredible engagement and an ability to adapt and manage profound change. While the country grapples with the COVID-19 pandemic, underlying challenges and complexities can often be pushed down the agenda. But, the business community has shown that it is ready to start tackling head-on the issues that have slowed the success of our economy.

At KPMG we're focused on playing our part in assisting with the UK's 'levelling-up' strategy. We all acknowledge that the next year will present obstacles to growth on an unprecedented scale, but by working together, for better, and recognising that the challenges are universal, we can tackle both the short-term and long-term issues head-on – from building back from COVID to boosting productivity, and addressing climate risk with clearer, bolder ESG strategies. In 2021, we have an opportunity to deliver more productive growth built on a strategy centred on wellbeing, skills and equity.



Catherine Burnet

Scotland Regional Chair, KPMG LLP



Executive summary

2020 has undoubtedly been a challenging year with events that very few, if any, of us could have predicted. Despite this, many businesses have risen to the challenge. By adapting work environments and work patterns to protect employees and customers, workforces emerging as key workers, or pivoting business models to provide the NHS with critical supplies. However, lockdowns and restrictions have limited businesses' ability to trade or even be open for business. With uncertainty about the evolution of the pandemic still high, some businesses will be going through an unimaginably difficult winter and worrying if they will survive.

It is understandable that the last thing on some firms' minds will be productivity. Yet while we live through a period of great change and uncertainty, businesses that adapt or pivot in the face of this crisis will help build the resilience needed to grow in the long-term (**see case study 1**). That is the focus of the Scottish Productivity Index – providing evidence and insights to help drive long-term improvement across crucial areas for productivity such as innovation, skills, exporting and investment.

In 2019, CBI Scotland and KPMG came together with research partners the Fraser of Allander Institute and Diffley Partnership to create an annual Scottish Productivity Index. The aim is to provide analysis, tracking productivity in Scotland over time – allowing us to make evidence-based recommendations, while also tracking progress with the goal of improving jobs and livelihoods. The project focus is on productivity improvements that boost output and increase high-value work.

As productivity is often considered an abstract concept talked about in macroeconomic terms, the Index set out to break down productivity into a number areas more familiar to businesses, that are assessed within a dashboard of productivity indicators (**see page 18**). The dashboard tracks performance across 15 indicators, based on annual public data, supplemented by qualitative, real world insights and expertise gathered from a Business Advisory Group (BAG), firms operating across Scotland and experts from mental health to flexible working.

This year the Scottish Productivity Index attempts to keep focus on the long-term trends whilst acknowledging the immediate impact of the COVID-19 pandemic that continues to affect many people's lives and livelihoods. The Index is a long-term project, tracking progress over time, so we continue to focus on the 15 indicators and how incremental improvements can be made. However, the pandemic will lead to longer-term shifts in some areas and we have reflected on what those changes may be, for example with regards to reskilling and commuting.

It is important to recognise the UK and Scotland's poor productivity record over several decades and consider how to break down the challenge in more achievable chunks. That is why the 2020 Index builds on recommendations made last year, to show the direction of travel over time, and thereby maintain a focus on the practical improvements that can be made to Scotland's productivity.

While there are important recommendations for Scottish and UK policymakers, a critical part of how productivity improvements can be made is through what firms can do – benefitting themselves, their employees and the country as a whole. The themes and recommendations are summarised in the main findings.

Case study 1: Keela - How the pandemic brought us all together around a common goal

As the COVID-19 crisis developed and the seriousness and loss of life became very real, we at Keela felt the need to do our part for the country, like many companies and organisations. As a technical garment manufacturer, we work closely with emergency services as one of our main customer groups, so we knew they would be badly affected.

We also knew we were uniquely situated as a manufacturer based in Scotland, as we could not only produce garments but also had the critical machines required to make the PPE so desperately needed at the time.

Medical gowns were identified as an immediate requirement, so we offered our technical manufacturing know-how and production capacity to the NHS. To meet the demands on the contract awarded to supply the health service, we collaborated with three other manufacturing companies.

However, we had to further increase capacity due to demand, coupled with the 2m social distancing rule, so we purchased, refurbished, and refitted a new factory within a couple of weeks during lockdown. We were only able to do that through the hard work of the team and overwhelming help from local industry and people. Former staff came back to lend a hand, a local company offered us extra space, and another gave us portable heaters while we got the new factory up and running.

Alongside the new factory, we also recruited 50 additional new employees from a variety of backgrounds, from tour bus drivers on furlough to youngsters looking for their first job. Throughout it all our existing employees from across the business continued to deliver – from the design team pushing forward with the development of an approved gown design, to others physically setting up the new factory, as well as working to create and then streamline the process for manufacturing the gowns.

Everyone within the company – new starts or existing members – were 100% engaged to make this unimaginable pivot happen. Innovation, teamwork, a lot of grit and determination made this a success.

"2020 for us will be a year that we will never forget. A year that isolated families and friends, but also brought together so many people with a common goal."

April Hazell, Marketing & Development Manager, Keela

Main findings

The broad themes of the 2020 CBI/KPMG Scottish Productivity Index are unchanged from a year ago, focussing on four main areas:

- Business practices
- Skills and training
- Health and wellbeing
- Infrastructure and connectivity

A common theme running through all four of these areas in this year's report is the need to find solutions that help build resilience. Resilience to make it through the COVID-19 pandemic and drive an economic recovery, as well as resilience to thrive in an uncertain and fast-changing future.

Improving Scotland's productivity performance remains a long-term problem and the significant challenges Scotland has faced over the last year as a result of the pandemic make the need to address these issues even more important. While many of the metrics in our dashboard of productivity indicators do not yet reflect the impact of the pandemic on productivity performance, they continue to show that against the majority of indicators, both in the short-term and long-term, Scotland compares unfavourably to benchmark countries.

The pandemic hasn't in so much created new issues, but instead it has shone an even greater spotlight on many of the challenges highlighted in our previous research, including the need for the UK and Scotland to improve digital connectivity and use, value and invest in lifelong learning and increase exports if Scotland wants to shift the dial on productivity.¹

Business practices

Agility, adaptation and innovation are essential for businesses to compete and grow. There are countless stories this year of companies moving large parts of their operations to digital platforms at pace – sometimes overnight or within days or weeks. There remains some uncertainty whether the appetite and momentum for change will endure and how firms can best be supported to stay innovative, invest, and become more resilient and productive in the long run. The calls for a green recovery have also grown louder over the last year. In this, both the Scottish and UK governments have a pivotal role in setting out a clear roadmap for green infrastructure commitments so business can put supportive plans into action.

Skills and training

The potential long-term impact of large-scale job losses are front of mind and the effects of this may be reflected in some of the indicators the Index tracks in the future. What is already clear is the importance of lifelong learning. Making sure the workforce can upskill and adapt to future job requirements, including the adoption of new and enhanced technology, cannot be overstated. More immediately, the retraining challenge for those facing redundancy needs to be met with a coordinated response from government and business. Scotland already has existing structures within its skills system that can be better directed towards supporting lifelong learning.

Health and wellbeing

The pandemic and the impact of restrictions are taking their toll on people's health and wellbeing. The shift to more home working, social distancing measures, and the financial uncertainty felt by many are difficult issues for employers and their employees. The importance of good mental health and wellbeing to productivity was firmly stated in the 2019 Index and focussing efforts on this, as well as individuals' physical health, is now even more critical.

Infrastructure and connectivity

Digital infrastructure has been key to connecting us all through this pandemic, but it remains under pressure to speed up and expand. Meanwhile, the use of public transport has seen a huge drop in demand as commuters have stayed at home. Once the pandemic is over, public transport infrastructure and use will have a big part to play in the future of Scotland's towns and cities; contributing to net zero emissions targets, while needing to adapt to future trends in commuting. For this to succeed, solutions such as flexible, digital ticketing will be critical.



Key recommendations for Scottish and UK policymakers

The economic crisis of the pandemic presents an opportunity to ‘build back better’ and drive incremental improvements across the indicators tracked in the Scottish Productivity Index. However, it is important for policymakers to break down what such a vision means in practice, including how businesses can contribute to it, drawing on experience from past policies to better understand what works.

Business practices

In our 2019 report, measures to increase business investment were highlighted as a crucial element for improving productivity, including through the positive spill-over impacts that could be generated in terms of skills and pace of innovation. Improving export performance was also a focus. This year’s recommendations build on those and focus on the partnership needed with government for a green recovery, alongside further practical solutions to increase investment in intangible assets and support business exports. This year we also recommend that action is taken to help more businesses with innovation adoption.

2020	Set out detail behind green infrastructure commitments so a pipeline of projects can emerge to stimulate business investment and contribute to a green recovery	Commit to UK SME tax credit on training to support continued investment in intangible assets like skills and management	Expand digital export support services, with particular emphasis on helping services exports reach new international digital markets	Establish Accelerate UK as a business-facing focal point to support more businesses in Scotland and across the UK to continue innovation adoption
2019	Examine tax incentives to stimulate productivity investment, including in non-tangible assets like training	Track export strategy and adjust action accordingly	Work with UK trade agencies to leverage opportunities and simplify the exporting landscape for businesses	

Skills and training

The skills and training indicators within the dashboard point to the potential mismatch between workers’ educational qualifications and the skills sought by business. They also illustrate the challenge Scotland has around maintaining skills development and education throughout people’s careers. Our 2019 report called for lifelong learning to be placed at the core of a responsive and flexible skills system, alongside measures to deliver a step change in basic digital skills. The 2020 recommendations build on these important goals with more emphasis on how existing structures can be used to drive a move towards a system with lifelong learning at its centre.

2020	Scale-up the Flexible Workforce Development Fund into a scheme with government-employer matched investment in upskilling	Expand the Individual Training Account model, with a long-term aim of ensuring everyone has access to funding, through grants or loans, for training when they need it	Get the National Transition Training Fund up and running and, working with business to identify skills gaps, provide support to align people with the growth sectors
2019	Lifelong learning at core of responsive, flexible skills system		Target 100% of workforce with basic digital skills by 2025

Health and wellbeing

Our 2019 Index highlighted the need for investment in mental health to be prioritised given its crucial importance to the nation's overall wellbeing and productivity. This remains the case and this year's recommendations focus on the need to address the backlog in the health system as well as analysing the impact of the pandemic on people's long-term mental and physical health to shape future health policy.

2020	Prioritise the mental health backlog within the health system alongside physical health as experts warn of ticking timebomb of mental health challenges	Dedicate resource to examine the long-term impact of the pandemic on people's mental and physical health to understand future needs
2019	Prioritise investment in mental health	

Infrastructure and connectivity

The indicators in the Index dashboard focus on the availability and use of key types of infrastructure that directly impact productivity – digital connectivity and transport infrastructure for commuting. The 2019 recommendations focused on the need for government to better join up its infrastructure strategies and in 2020 this is more important than ever as the dates by which ambitious carbon emission reduction targets should be met are moving ever closer. Public transport will have a big part to play in contributing to net zero emissions targets, and the infrastructure also needs to adapt to changing trends in commuting, which is why more flexible, digital solutions will be critical.

2020	Join up plans across Scottish and UK governments on green infrastructure and transport to make sure carbon reduction targets are met in the most effective way	Scottish Government and others should contribute to the Gigabit Take-Up Advisory Group to help understand and remove the barriers to digital adoption	UK Government should commit funding to support high-capacity digital ticketing systems roll-out across UK public transport and work with the Scottish Government to open up more flexible fares structures
2019	Join-up infrastructure strategies across transport, housing and digital with productivity lens		UKG increase in Gigabit Broadband Voucher Scheme

Key recommendations for firms

The forced changes to ways of working, management practices, business travel and technology adoption brought about by the pandemic have shown what is possible. The BAG, KPMG and CBI Scotland members all agree that businesses should leverage these changes instead of reverting to what was 'business as usual'.

Business practices

Innovation and technology adoption play a big role in driving productivity improvements and will to some degree rely on investment, but also on leadership and management quality. In light of the severe challenges some sectors are experiencing as a result of the pandemic and trading restrictions, the 2020 recommendations focus on encouraging businesses to use all available support to drive productivity improvements – be that financial (see case study 2), export advisers, or support available through initiatives like Be the Business that specialises in helping firms innovate through peer networks.

2020 Test the resilience of your financial strategy and supply chain and identify opportunities for investment and innovation to improve business performance, using external advisers if necessary	Use the range of trade expertise on offer from SDI and DIT, including the new UK Trade Hub in Scotland, to identify and grow export opportunities	Take advantage of available support,* including insights from peers, to translate innovation during the pandemic into more permanent changes
2019 Seek out existing technology to aid business productivity using sector league tables to identify top performers	Forge better links with other UK exporters and universities to improve own export prospects	

Skills and training

Supporting people's lifelong learning and skills development is a joint effort, with both government and employers playing crucial roles. The 2019 report recommended mapping workforce skills to understand future needs, and in 2020 this continues to be a priority. This year, our recommendations take this one step further suggesting firms include their entire workforce in that mapping exercise to assess upskilling opportunities across the whole organisation, rather than take the traditional approach of more exclusive talent management.

2020 Map the skills of the entire workforce to identify upskilling opportunities that will benefit both the business and individuals, giving particular consideration to digital skills	Firms and sectors with future skills gaps should proactively engage with the Transition Training Fund to help inform where opportunities for retraining will be	Engage with and support government schemes set up to help young people find opportunities to build their future careers
2019 Map current workforce skills, training and tools and what's needed in the future		

*To note: Please find list with examples of support in Appendix



Health and wellbeing

The Scottish Government has emphasised the goal of improving wellbeing to be on par with economic development.² Our index focuses on the virtuous cycle where improved wellbeing can make workers and firms more productive and better-off.

Evidence we have reflected on shows that Scotland is potentially facing an uphill struggle with regards to mental health following the pandemic.³ Recommendations for 2020 point to how the spotlight on mental health in the 2019 report is burning brighter than before.

2020	Continue to build business mental health awareness and support services and reach out to potential partners in other sectors that can provide additional expertise to support your staff	Consider different ways of providing flexibility to the workforce and recognise individual needs
2019	Put mental health on equal footing with physical health and build support structures accordingly	

Infrastructure and connectivity

The 2019 report pointed to the need to give employees more autonomy through mobile and digital technology. As more and more firms are making that shift, it is crucial that they also reflect on whether the organisation has the capacity and capability to use the technology already acquired.

More broadly, businesses will need to consider how their actions to drive improvements across digital and physical operations can contribute to reaching net zero emissions targets and respond to the trends developing around the changing ways of working.

2020	Consider your business' future physical and technology needs, in light of changing trends around ways of working, and assess whether the current set-up meets both employee and market needs	Use the data your business owns to pinpoint areas with innovation potential and improve the use of existing tech within the business	Develop an overview of company-wide commuting journeys to identify opportunities with staff to reduce carbon emissions and improve productivity
2019	Give people autonomy through more use of mobile technology		Make maximum use of available broadband infrastructure

Case study 2: The role of financial advisers in a global pandemic

ACCA (the Association of Chartered Certified Accountants) recognised that the COVID-19 pandemic was a global challenge which would change their ways of working, interacting and living. They set out to support their employees, students, ACCA members and their clients through the uncertain times.

Through their markets in China and Singapore, where the pandemic struck earliest, they quickly learned about the major issues and areas where their support would be most beneficial to employees and businesses.


To help finance professionals support their own practices and clients' businesses amid unprecedented challenges, ACCA created a COVID-19 hub to offer a single destination bringing together curated resources from them and their partners to help organisations deal with the impact and plot their recovery from the pandemic.

The hub brings together information and guidance from across the world of business, including relevant health and travel guidance and policies to offer finance professionals and their clients technical and practical support. It also covered professional advice on financial reporting and audit issues stemming from the pandemic and its economic effects

ACCA found that finance professionals also valued guidance on good remote management and wellbeing, advice on managing vendors in a Covid world and webinars on the global economic outlook and the path to recovery.

"The last eight months has clearly demonstrated the value that accountants can bring to business. We are equipping our members with the tools they need to add value in the businesses they support, such as practical advice on liquidity, practical steps on technical issues and practical advice to support wellbeing for them, and their teams."

Craig Vickery, Head of ACCA Scotland

The background of the slide features a green-tinted photograph of three individuals in silhouette, wearing baseball caps. They are positioned around a tablet held by the person in the center, appearing to be in a collaborative discussion. The entire image is overlaid with a semi-transparent green filter.

"While good progress has been made on almost all our key areas of focus, there remains substantial work to do to deliver a genuinely more productive society in Scotland."

Catherine Burnet, KPMG

Dashboard

CBI Scotland and KPMG developed the Scottish Productivity Index Dashboard in 2019 to track progress across key indicators linked to productivity, together with on the ground experience from the BAG and expert insight and analysis from the Fraser of Allander Institute (FAI).

The Dashboard draws on publicly available statistics and published work by FAI. These indicators are updated as part of the annual publication of the CBI/KPMG Scottish Productivity Index, starting from its launch in September 2019.

The three RAG (Red-Amber-Green) ratings shown for each of the indicators in the Dashboard are designed to capture:

- the comparison with other parts of the UK and internationally, where comparators are available (*How does Scotland compare?*)
- the change relative to the last data point (*Are we improving in the short term?*)
- the change over time (*Are we improving in the long term?*)

Methodology

The findings and recommendations outlined in this report are informed by the quantitative data outlined in the dashboard and the qualitative insights from the BAG and the Fraser of Allander Institute and one-to-one conversations with businesses and organisations. It is supplemented by desktop research and broader CBI policy development in areas related to productivity.



Productivity Dashboard		Latest Performance	How does Scotland compare? Benchmark	Are we improving? Short term trend	Are we improving? Long term trend
Business practices					
1. Business Investment as a % of GDP	8.0%				
2. Exports as a % of GDP	20%				
3. Business R&D spend as a % of GDP	0.8%				
4. % of innovation-active businesses	33%				
5. Total early-stage entrepreneurship activity ⁴	6.3%				
Skills and training					
6. % of working age population with Higher Education Certificate or above	45%				
7. % of workforce in job-related training in past 3 months	24%				
8. % of employers with skill shortage vacancies ⁵	6%				
9. % of employers with underutilised staff ⁶	35%				
Health and wellbeing					
10. % of hours lost due to sickness absence	2.4%				
11. % of economic inactivity due to long-term ill health	28%				
Infrastructure and connectivity					
12. Average internet speeds in Scotland	Mean download & upload (38.1 & 8.4 Mbps)				
13. % of premises with access to full fibre broadband	10%				
14. 4G Mobile coverage	43%				
15. Travel to work time	26.5 mins				

Business practices
Scotland significantly lags the UK in latest data and % is lower than two decades ago. At the same time the UK compares poorly internationally.
Scotland lags both the UK and international export comparators in terms of exporting as % of GDP. There has been little change in this measure in the past few years.
Despite lagging the UK, Scotland's % of business R&D spend increased by 8% in nominal terms (2017-2018) which exceeded growth across all UK nations.
Scotland lags all UK nations and experienced the largest percentage point drop (12 p.p.) between 2014/16 and 2016/18.
Scotland lags slightly behind all UK nations in the latest year (2018) and activity has declined by 0.4 percentage points since 2017. However, the long-term trend remains positive.
Skills and training
Data shows Scotland has the highest rate of higher education among the countries of the UK. It also compares well internationally and has improved over the long term.
Deterioration over the last 15 years, despite a rise of 1.1 percentage points in the latest year (2018-2019). Scotland still has the third lowest rate of job-related training in the UK - with England and Wales ahead.
No difference to the UK rate. Northern Ireland's employers have the lowest rate of skill shortage vacancies (5%). No long-term trends can be deduced.
Increase of 3 percentage points in Scotland since 2015. Slightly higher rate than the UK as a whole, but lower than Northern Ireland (37%) and Wales (36%). No long-term trends can be deduced.
Health and wellbeing
Scotland has the joint highest (with Wales) rate in the UK (as of 2018). Improved over time despite a slight rise of 0.3 percentage points in the latest year.
The latest data (2019) highlights rate for Scotland is much higher than the UK average (driven by England's low rate).
Infrastructure and connectivity
Q1 2020 data for Scotland shows an 11-fold and 20- fold increase respectively for average download and upload speeds. Scotland has seen slower, but consistent growth compared to the UK since 2016.
Ofcom data for start of 2020 highlights an improvement on January 2019 (5%) but Scotland still lags behind the rest of the UK, particularly Northern Ireland (40% access).
Ofcom data for start of 2020 shows an improvement of 3 percentage points since January 2019. Much lower coverage than the UK (67%) with Scotland dragging down the UK average.
Latest data (2018) shows Scotland has a quicker travel to work time than the GB average (skewed by London). Commute time in Scotland has barely changed since 2017 (5 seconds decrease).

Reflections in 2020: Where are we a year from now?

The global view

The year 2020 could well be a watershed moment for the world as well as the Scottish economy. Significant changes in the way we work and spend our leisure time brought on by the pandemic could have a permanent impact on the structure of our economy. Adapting to these changes will be key to securing sustainable improvements to productivity and living standards.

Assuming a vaccine is rolled out over four months, we could see the end of social distancing and the economy returning to some form of normality by May. What this new normal would look like after the pandemic will have huge implications for growth and productivity going forward.

Home working could form a bigger part of working arrangements after the pandemic, which may also include less business travel, as we have all adapted to virtual meetings. This could mean less days of commuting and less time wasted on business travel. It could make it feasible for some to move outside of the traditional commuter belt. This will mean that more spending will take place outside of the traditional city centres, and there will be less demand for traditional transport services. And with retail shifting en masse to online channel during the pandemic, high streets' future will depend on the experiences rather than shopping outlets they can offer.

While city centres are likely to remain the heart of their regions, businesses are likely to forge a new role for offices, as collaborative spaces where people can exchange ideas, rather than hosting rows of working desks. These new ways of working and living could make businesses more productive and increase quality of life. But they may also see a period of adjustment by businesses to new customers and locations that will at least temporarily put downward pressure on productivity.



The pandemic has demonstrated the larger role the state needs to play at times to protect the economy from acute shocks. But going forwards there is further need for government investment to support the changes to business environment the UK will face. In particular, investment in digital infrastructure and skills which have become so important during the pandemic. More investment too will be need in making for a greener recovery.

In 2021 we will also be taking stock of how businesses are coping with the challenges of Brexit. The abrupt change to trading relationship will take time to work its way through the economy. The changes to supplier relationships, access to markets and talent could transform the business environment across a wide range of sectors.

A year from now, as we leave the shadow of Covid behind us, we should look forward to a more sustainable and steady improvement in living standards. For this, productivity rightly remains a key focus and the factors identified as key drivers by the index in this report are just as relevant as before.

A stylized, handwritten signature in black ink, appearing to read 'Yael Selfin'.

Yael Selfin

Chief Economist, KPMG in the UK



The UK view

The full extent of the hit to the economy from measures to contain COVID-19 is now clearer. UK GDP fell by 22% in the first half of 2020, making it the worst-hit economy in the G7. However, a recovery appears to be underway: the economy recovered some of its Covid-induced loss in output over the third quarter, growing by 16%. But with GDP still 8% lower than pre-pandemic levels, the recovery still has some way to go.

CBI members point to heightened concern over near-term prospects, with the continued prevalence of coronavirus hitting demand in some sectors, and more widely hampering operational capacity within businesses. This has been exacerbated by the imposition of a second lockdown in England, and tighter restrictions in the devolved nations: in particular, it's clear that the hospitality and wider consumer services sector remain in bad shape.

The combination of hits to both demand and supply is contributing to finance constraints within firms. Many companies are incurring higher costs from making workplaces Covid-secure or from greater use of Personal Protection Equipment (PPE), which is biting hard at a time of subdued underlying demand. In addition, many firms have lost income from Q3 to pay for their fixed costs further ahead, and a reduced pipeline of new work/orders is creating further uncertainty around income streams over the medium-term.

Large-scale support from fiscal and monetary policy has gone a long way towards staving off an even deeper downturn. The Job Retention Scheme (JRS) in particular has been a huge lifeline for businesses, with data from the ONS showing that 8.9 million employees were furloughed at its peak usage in early May. While subsequent extensions of the scheme have been welcome in the face of renewed restrictions, it's clear that the impact on the labour market from the pandemic is being felt – part-time employees and the self-employed have been hit hard, and redundancies have spiked. As a result, we're likely to see unemployment rise significantly over the first half of next year. Reduced employment and hits to wage growth will weigh further on consumer fundamentals, thus dragging further on the pace of economic recovery.



Of course, this is all occurring against the backdrop of the COVID-19 pandemic still at large. Effective containment of the virus is essential for an economic recovery, particularly in giving households the confidence to venture out and spend, and for businesses to resume operations fully. It underlies the importance of mass testing and having a seamless process for any local lockdowns. Although promising signs in the development of a vaccine do offer some cause for hope.

As a result, after a big hit to GDP this year, the extent of any rebound is still uncertain. It is also now widely expected that the economy will see some longer-term “scarring” from this crisis – for example, if people remain out of work for long periods of time, or if otherwise viable businesses cease operations. Against this backdrop, having a long-term plan to boost productivity in a post-Covid economy – alongside short-term measures to support activity and prevent joblessness – is vital.

Alpesh Paleja

Lead Economist, CBI



The Scottish view

The ensuing economic crisis from the pandemic has been severe: the Scottish economy shrunk by nearly a fifth between April and June. Unemployment is starting to rise with a significant number of redundancies in the pipeline.

The recovery began tentatively over the Summer months. The high frequency of business activity and mobility data that we track were all showing a pick-up in activity in all our major centres. Over 96% of businesses in Scotland were back working by September. The re-opening of schools has enabled more families to get back to work. University and college students have returned to campuses for the first time since March.

However, economic activity remains well below pre-pandemic levels. Unprecedented government financial support – including bounce-back loans and the furlough scheme – has enabled many businesses to hang on with little in the way of revenue. Once these schemes are wound down, the full cost of the economic crisis will hit home.

Activity was always going to bounce back to some extent when our economy opened back-up again. And for all the talk of growth returning, the reality is that our economy is still around 10% smaller than before COVID-19 hit. The average forecast for the UK economy as a whole is for it to be well into 2022 before we fully make up the ground lost this year.

We have therefore reached a crucial inflection point in our recovery from the crisis.

What happens next will depend on the evolution of the pandemic, measures taken to protect public health, and how governments, households and businesses respond to these factors. All of these remain hugely unclear.

A major challenge facing businesses in the coming months is simply coping with a such an uncertain environment. Consumer and business behaviours will drive much of the recovery.

On the one hand, there are reasons to be optimistic. Our economy has shown that it can be remarkably resilient. Many businesses have also found ways to adapt to restrictions, whether that be the switch to home working or an expansion into digital marketplaces. Many of these changes will lead to improvements in productivity that will endure.



But the recovery will be slow. And it will feel like we're in a recession for some time yet, even if the growth numbers are suggesting things are getting better.

At the time of writing, the virus remains far from contained. Social distancing is likely to remain in place for the foreseeable future with cases increasing and significant restrictions reintroduced as a result. A resurgence in cases – and the imposition of even tougher restrictions – are the greatest near-term risks to the economic recovery.

We cannot lose sight that the long-term challenges facing the Scottish economy have not gone away. One of these is the productivity challenge. There are no easy answers to this challenge, and of course the pandemic and associated economic crisis may exacerbate the poor performance of some of the drivers of productivity. But this will need to be a key feature of policy making in designing the recovery to ensure the economy can prosper in the future.

Mairi Spowage

Deputy Director, The Fraser of Allander Institute



Reflections from the 2019 Scottish Productivity Index

Last year's report highlighted several issues that remain vitally important today and have become more prominent in light of the crisis brought by the pandemic. The 2019 recommendation for Scottish policymakers to set a target of 100% of the workforce having basic digital skills by 2025 at the time seemed ambitious, however, now that we have seen what is required, and the speed of change needed, it might not be ambitious enough to target only basic digital skills.

Last year's Index report drew firms' attention to the value and potential of technology adoption and flexible working patterns to improve productivity. Upon reflection a year later, many of these changes became forced necessities as large parts of the economy were temporarily shut down and many workers were required to stay at home.

The importance of wellbeing and good mental health for productivity was recognised in the 2019 report and it is another of the 2019 themes that continues to be a key feature this year. It was already clear from the BAG last year that employers recognised their responsibility in supporting the health and wellbeing of their employees and the need for equal focus on mental health and physical health. The impact of remote working, social isolation and health anxiety has taken a toll on many people and is becoming a well-documented concern that needs action.⁷

Throughout the 2019 report was a focus on the potential of data use and solutions to drive productivity improvements – from company benchmarking to more targeted business-school engagement to pinpoint where the needs for industry engagement were greatest. The 2019 report also put forward the proposal for a Productivity Data Bank to promote a culture of active data use.

More focus is being put on data by both governments. The UK Government launched a consultation on its National Data Strategy⁸ in September this year and the Scottish Government's consultation with COSLA on a new Digital Strategy for Scotland is closing at the end of the year.⁹ The work of the Scottish Government Planning and Architecture team on unlocking the value of digital planning points to a promising shift in government's approach to data. (see case study 3)

The pandemic and the response to it reiterated the importance of data, especially in being able to track real-time economic and social outcomes to shape more effective policy responses. Strides should be made to build on the work already underway across government and to better harness the power of data.

Case study 3: Unlocking the value of digital planning in Scotland

In November 2020 the Scottish Government published '**Transforming Places Together: Scotland's Digital Strategy for Planning**'* outlining its vision for Scotland to have a world leading digital planning system that helps connect people with their places to deliver a prosperous, green and fair country.

The Strategy is the next part of the package of planning reform initiated by the independent review of the Scottish planning system in May 2016, and sets out the Scottish Government's £35 million commitment towards a five-year programme to deliver transformation of the planning system.

It outlines five key missions centered around a number of key themes: data, technologies and services, ways of working, people, and innovation. Importantly, it also sets out opportunities for delivering positive impacts, outcomes and benefits not just for the planning sector, but for Scotland as a whole. Benefits such as achieving a more consistent, streamlined and coordinated planning process, making data more accessible to all, and enabling location-based data to identify suitable sites for development and inform decision-making.

The strategy has been supported by development of a suite of prototypes, created to show what the future of planning in Scotland could look like; prototypes that explore how data and technology could be used to transform the Scottish planning system. These explore how geospatial data could be used to improve the Scottish planning system; for example, to make it easier to find sites, apply for planning permission, assess applications, and ultimately invest in Scotland. The team are also exploring how use of data can lead to more effective policy-making and how geospatial data can be used to inform delivery of strategic and national outcomes, supporting the development of data-driven policy across the Scottish Government.

The launch of the digital transformation programme follows in Spring 2021, outlining next steps and providing more information on how the Government will work with partners across the planning and technology sectors to deliver on their vision for planning.

"Creating an end-to-end digital planning service experience will provide easy access to high quality planning and place data across public, private and academic sectors in Scotland. A shared data ecosystem will drive innovation and the digital economy, as well as providing planners the right data they need to plan effectively and collaboratively, and ultimately supporting more inclusive, sustainable economic growth."

Liz Pringle, Head of Digital Planning, Scottish Government

*To note: '**Transforming Places Together: Scotland's Digital Strategy for Planning**' was launched in November 2020 by Kevin Stewart MSP, Minister for Planning. The strategy outlines the Scottish Government's vision for digital transformation of the planning sectors, including delivery of new services and ways of working which support the wider package of planning reform being taken forward.

Business practices

1. Business Investment as a % of GDP	●	●	●
2. Exports as a % of GDP	●	●	●
3. Business R&D spend as a % of GDP	●	●	●
4. % of innovation-active businesses	●	●	●
5. Total early-stage entrepreneurship activity ¹⁰	●	●	●

The indicators in the dashboard rely on data from sources that are generally only updated annually so it has been important to complement the dashboard with insights from the BAG and other business leaders to provide a real-time perspective on productivity performance.

The dashboard shows that, even before the pandemic, Scotland continued to lag the rest of the UK in terms of business investment, and the UK itself lags international competitors like France, Germany and the US. The short-term and long-term trends of this indicator are also concerning.

Scotland also performs poorly against benchmark countries on the other productivity indicators in the business practices area. While exports and business R&D spending as a proportion of GDP remain largely unchanged from the figures reported last year the measures do not yet reflect the effects of the pandemic. The proportion of businesses identifying themselves as innovation-active¹¹ has seen a significant decline from 2014/16 to 2016/18 and Scotland is behind all other UK nations with only a third of businesses being 'innovation active'. More promisingly, anecdotal evidence indicates that many businesses have adopted new technologies due to the pandemic and have innovated to pivot their business models. However, it will take time to see which practices stick, if innovation activity is sustained, as well as how markets in the UK, and export markets, recover.

When the recovery from the pandemic gathers pace, and high-level strategies, are developed and put in place for a green recovery and 'building back better', businesses will be looking at how government intends to move from vision into implementation.^{12, 13} The commitment to sustainability and achieving ambitious net zero emissions targets is broadly shared across industries and sectors. However, businesses need a roadmap of government actions on which to base their own future planning and activities.



Protecting business investment to keep focus on the future

Last year's report emphasised that getting investment incentives right would have a positive knock-on effect on productivity and many of the indicators tracked in the dashboard. Business feedback suggests this remains the case and is even more crucial now as the country works to recover from one of the deepest recessions in modern history.

The pace of the recovery is uncertain and is by no means guaranteed by reopening businesses that have been shut. Growth will be heavily dependent on effective containment of the pandemic and measures to support recovery. On the consumer side, this means the ability to move and spend freely, which is particularly important for areas of "social consumption"; and on the business side, to resume longer-term investment projects, which are vital for the economy's productive potential.

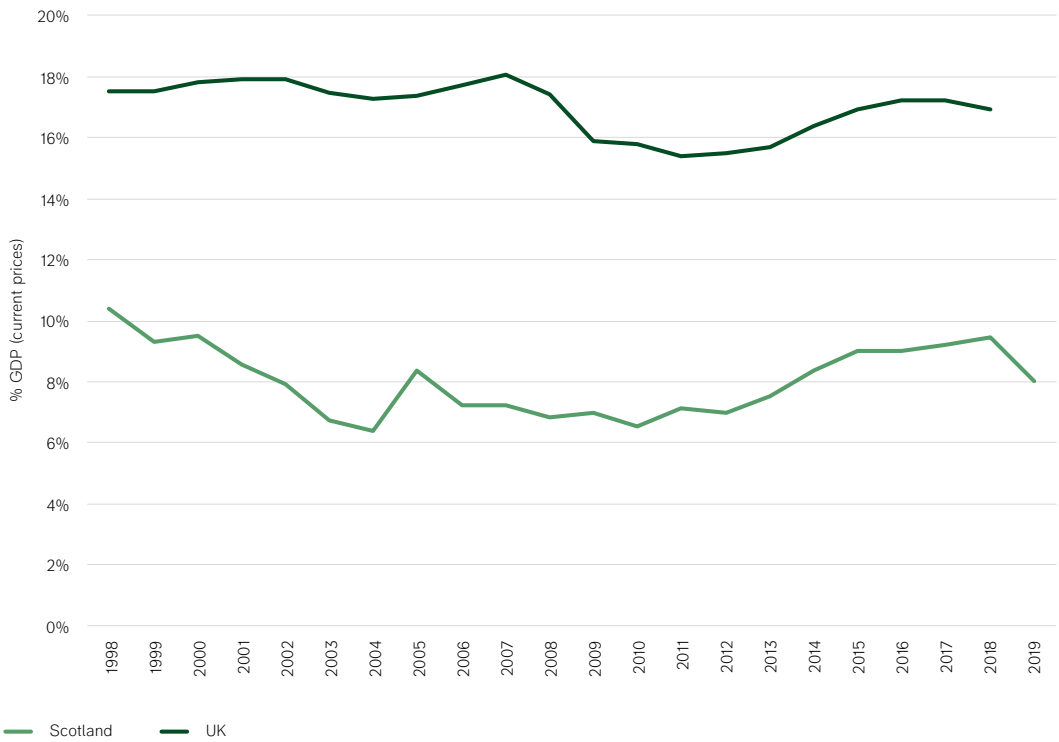
Business feedback has indicated that investment plans may have been paused at the beginning of the year as the pandemic hit the UK. Since then, some firms have decided to progress with parts or all of their growth plans.

"Either you believe in your business or you don't, so we have made the decision to go ahead with significant capital investment plans. The biggest thing government can do now is help firms remain competitive in a challenging international marketplace."

Managing director, manufacturing business

Support schemes are important in the immediate and short-term as many firms are still battling for survival.¹⁴ However, as this report focuses on long-term productivity, the concern is how to shift the trend of stubbornly low levels of business investment in Scotland (**see Exhibit 1**) and what business and government respectively can do about it. There are practical examples of how clearer and longer-term commitments to infrastructure, often at no extra cost to government, can address this.¹⁵

Exhibit 1 Business investment as % of GDP



Source: Scottish Government/Fraser of Allander Institute

The Scottish and UK governments have a critical role to play in taking decisions, especially across infrastructure, that can inform business investment plans and give confidence for businesses to make long-term commitments. Setting out the detail and implementation steps that sit behind the broader commitments associated with a green recovery will provide businesses with the roadmap they need to see a pipeline of projects emerge and commit investments in their own growth plans. It is only through investment and business growth that the required jobs recovery can happen. While the Infrastructure Commission for Scotland has set out a vital long-term vision and commitment,¹⁶ the crisis associated with the pandemic continues to unfold and the message from business is one of urgency to lock in infrastructure investment intentions now.

Last year's report highlighted the importance of business investment in productivity-enhancing intangible assets, for example management practice, and how the tax system could better incentivise work-based training. This remains a vital part of the package of measures that can help solve the long-term objective of driving improvement across the indicators in the dashboard.

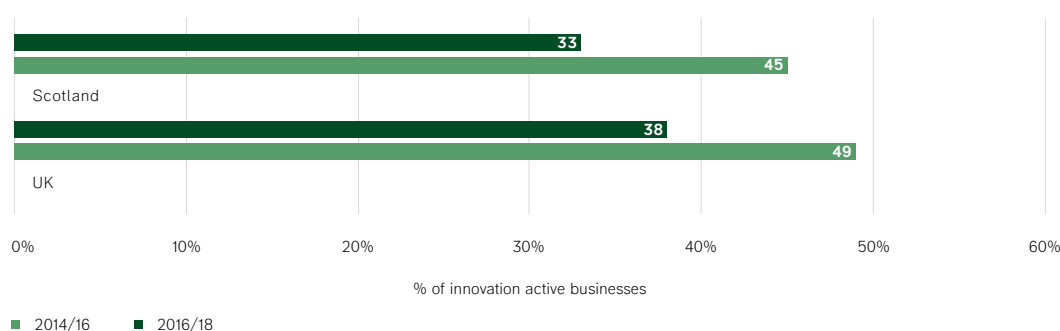
Evidence suggests that small and medium-sized employers (SMEs) have found it particularly difficult to invest in training. For example, 43% of micro and small businesses did not provide any training in 2018, compared to 4% of organisations with 250 or more workers.¹⁷ CBI research has found that one way government can support investment in training among SMEs is through training tax credits.¹⁸ This can be modelled on existing initiatives like the SME R&D tax relief or the R&D Expenditure Credit (RDEC) – adapted and simplified to be appropriate to SME training budgets.

Maintaining pace of new-to-firm innovation adoption

In this report, ‘innovation adoption’ is used as a broad term covering better management practices and operational processes and ‘technology adoption’ is used as a sub-set of that, referring to adoption of technology specifically to support a new or improved product or work process. The dashboard points to a concerning trend in innovation-activity among firms with a 12-percentage point drop in firms in Scotland reporting they are engaged in any form of innovation,¹⁹ from 45% to 33%, in the latest surveys (**see Exhibit 2**).

Yet evidence about the rate of technology adoption over the last six months has pointed to the pandemic being a catalyst for businesses’ ability to realise what is possible (see case study 4). The Business research shows that three years’ worth of innovation happened in just three months, with 66% of UK firms having adopted new technology or actively considering its adoption.²⁰ Meanwhile, estimates from a recent survey suggested that consumers and businesses leapt five years ahead in digital adoption within a space of eight weeks.²¹

Exhibit 2 Comparison of percentage of innovation-active businesses in UK and Scotland



Source: UK Innovation Survey, BEIS

Discussions among the BAG pointed to how short-term decisions made during the pandemic will impact the long-term trajectory of businesses. The group also pointed to 'innovation' as a potentially undervalued aspect of business resilience, when considered alongside other indicators captured within the dashboard. Through the pandemic there have been examples of how embracing innovation has had a positive impact on business success and survival, often linked to the ability to adapt the business model alongside adoption of new technology.²²

Case study 4: Online exam transformation at scale in weeks, rather than years

Due to the pandemic, the University of Glasgow had six weeks to move examinations and course assessment online. Assessment is scrutinised extensively internally and externally, so exam integrity is key to the reputation of universities. At the same time, it was recognised that, for students, assessment is often stressful and final year exams determine degree classifications and influence future employment.

The University had to pivot exams from an on-campus, in-person, invigilated exam hall experience, to a fully online experience, without the opportunity to pilot test the approach. The entire assessment management process was also moved online from marking, reporting grades, calculating final degree outcomes, and conducting examination boards with external assessors.

Change took place across several interdependent areas of policy, practice, business processes and systems at the same time and at a pace never normally contemplated. It affected around 1,500 members of staff and 15,000 students who were distributed around the world.

Using new, cross-organisational teams, the result was more than 1,000 exams with over 40,000 completed and graded online assessments in May, alongside an online assessment management process completed in time for graduation in July.

The experience catapulted the University to online assessment, which was a committed direction of travel already, but one that would ordinarily have taken years, not weeks to achieve. It could not have been achieved without the considerable, collaborative efforts of many staff across the University, student representatives and volunteers.

"This crisis has been an inflection point and the mother of invention. As a large retailer, we are now having a technology-led conversation with skills to follow, rather than the other way around."

Retail executive

The BAG also highlighted how the move to more digital platforms through remote working has started to level the playing field. Between small businesses based in one location, and big businesses with an international footprint, for example in consultancy services. As it allows smaller players to reach new customers through virtual channels, removing the need for travel.

The challenge in the longer term is to use the momentum and encourage businesses, particularly small businesses, to move up the digital curve in a way that improves the productivity of the firm overall and the individuals who work there (see case study 5). A manufacturer described the current moment as an "automation arms race" and pointed to the importance of upskilling the workforce alongside the adoption of new technologies. The aim being to simplify business processes and free up time, so people are able to focus on 'value-add' activities.

Case study 5: Major drive to support Scotland's small businesses through boosting connectivity and confidence

Using its position as one of the country's prime telecoms companies, BT is developing a broad package of support to help small businesses get better positioned for recovery and growth in response to the global pandemic.

Based on survey data of small businesses, BT identified a need to support firms with connectivity, cashflow and confidence as 70% were expecting another lockdown in 2020 and 53% did not feel confident in the future of their business.

Focused on increasing adoption and use of digital connectivity, BT extended the UK Government's Gigabit Broadband Voucher Scheme, which closed in May 2020, by subsidising small businesses with £2,500 towards setting up ultrafast broadband connections. BT is also launching a new digital payment solution, to help more businesses move to cashless transactions which has accelerated because of the pandemic.

To maximise the impact of digital connectivity, businesses also need the skills to make the most of the technology. BT has therefore put together a suite of support and advice that can help small businesses move up the digital curve, as 46% expect to increase their use of digital tools following the pandemic.

The Skills for Tomorrow programme is part of how BT aims to reach 1 million small business owners and their employees with digital skills by 2025, with free online learning on how to prevent cyber-attacks and using social media to reach new customers. Free online toolkits and webinars focused on maintaining wellbeing and boosting mental and physical health are also part of the offer.

"With small businesses accounting for more than 99 per cent of all businesses in Scotland, they are the beating heart of our economy, high streets and communities. They deserve the support of each and every one of us to help them thrive into the future."

Alan Lees, Director, BT Enterprise business, Scotland

The fact that the pandemic has accelerated technology adoption should be seen as a positive. CBI research has found that encouraging broader adoption of technology among firms could add £100bn to UK GVA.²³ It is therefore important to address how more businesses can be supported to adopt technology. Continued progress on technology adoption is not guaranteed, especially as firms face cash constraints and huge uncertainties, and it will require support from government to seize the moment and help business to invest in innovation.

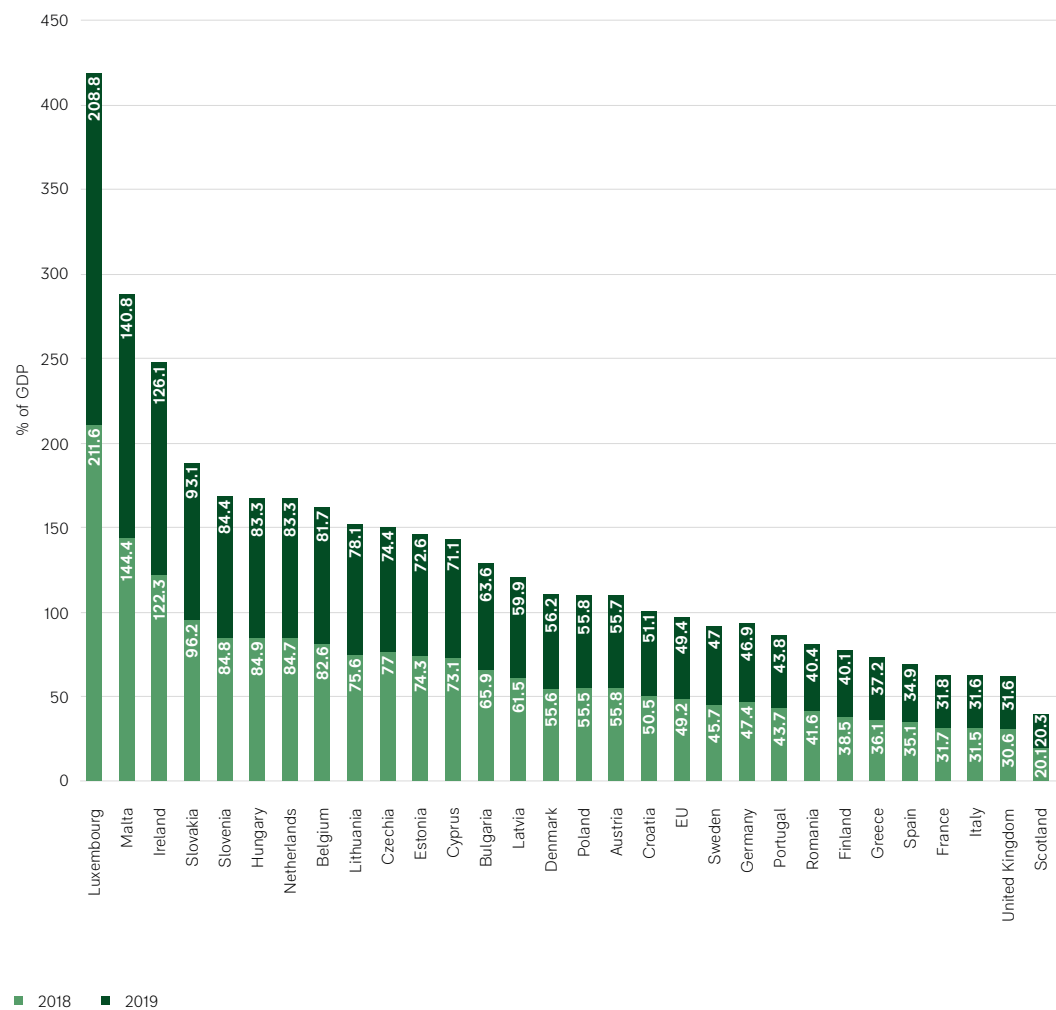
Existing support for innovation adoption is fragmented and the innovation support landscape can therefore be hard to navigate, especially for smaller businesses. Considering the scale of innovation adoption required to build business resilience, it is important to find a way to signal the importance of adoption and address what could be described as a policy blind spot.

To provide a clear entrance point for business to adopt new-to-firm technology and innovation, the UK government should establish Accelerate UK, which would be a new UK Research and Innovation (UKRI) council with strategic responsibility for innovation adoption. It would become the home for innovation adoption and sit alongside Innovate UK as a business-facing arm of UKRI. Accelerate UK would be tasked with joining up existing initiatives, like Be the Business and Made Smarter, especially benefitting companies lagging behind the technology curve.²⁴ It would be a way for the UK to offer an end-to-end research and innovation system that supports all businesses, not just those operating at the cutting-edge of R&D.

Grasping future export opportunities in uncertain times

Exporting performance is one of the key reasons for the vast regional productivity differences that exist across Scotland. In general, companies that export are more competitive, more profitable, more innovative and more productive, which is why it is so important to support more firms to go international.²⁵ While the economic crisis caused by the pandemic will impact exports in the immediate term, it is important to not lose focus on the future, especially at a time when the UK's trading relationships are changing. **Exhibit 3** shows that Scotland has significantly lower exports as a proportion of GDP than many European countries which suggests that there is untapped potential and points to a need for businesses to find ways to adapt to a changing international trading environment.

Exhibit 3 Exports as a percentage of GDP



Source: Scottish Government/Fraser of Allander Institute



While Scotland has a proud history of exporting, it is concentrated among relatively few sectors and companies.²⁶ The significance of Scotch whisky, salmon and higher education in the Scottish exporting story is plain to see, for example whisky accounts for 75% of Scottish food and drink exports.²⁷ The sector has experienced a double-hit in the last year with US tariffs and a huge drop in sales as hospitality closed and travel stopped due to the restrictions associated with the pandemic.

Whisky will continue to be one of Scotland's prime exports, but the current challenges faced by the sector also shows how important it is for Scotland to broaden its exporting footprint across more businesses and sectors of the economy. Services account for 47% of UK exports, compared to 35% in France and 34% in the United States.²⁸ If more firms adopt digital technologies to reach customers abroad, as mentioned in the previous section, that can contribute further to the UK's overall strength in services exports.

CBI Scotland has been working with the Scottish Government and Scottish Development International to set up a mentoring scheme for Scottish exporters to help more firms expand the global reach of their products and services.²⁹ This is in support of the Scottish Government's Trading Nation strategy, which set out a clear ambition to reach the right companies to support them to increase their exports.³⁰

The UK's future trading relationships are changing as the UK leaves the European Union. The CBI has been clear that the majority of businesses in Scotland and around the UK want to see a deal with the EU at the end of the transition period in January 2021.³¹ Ending years of division and delay by securing an agreement with the EU will help the Scottish economy as it recovers from the impact of the pandemic. What the majority of firms want is a good deal and to work closely with both the UK and Scottish governments to help forge a path back to prosperity.

Beyond the EU, the UK's trade agenda provides opportunities for businesses to break into new markets and attract inward investment. It will be vital that Scottish business and government perspectives are represented as the UK negotiates new trade agreements around the world, which is why the CBI has recommended that the Scottish Government and business experts must form part of the UK trade negotiation architecture.³² This will allow the expertise in Scotland to be utilised, and create a more joined up approach to maximise the benefits of the post-Brexit trade agenda in Scotland and across the whole of the UK.

Key recommendations

For Scottish and UK policymakers:

The pandemic and the impact of restrictions are taking their toll on people's health and wellbeing. The shift to more home working, social distancing measures, and the financial uncertainty felt by many are difficult issues for employers and their employees. The importance of good mental health and wellbeing to productivity was firmly stated in the 2019 Index and focussing efforts on this, as well as individuals' physical health, is now even more critical.

2019	Examine tax incentives to stimulate productivity investment, including in non-tangible assets like training	Track export strategy and adjust action accordingly	Work with UK trade agencies to leverage opportunities and simplify the exporting landscape for businesses
2020	Set out detail behind green infrastructure commitments so a pipeline of projects can emerge to stimulate business investment and contribute to a green recovery	Commit to UK SME tax credit on training to support continued investment in intangible assets like skills and management	Expand digital export support services, with particular emphasis on helping services exports reach new international digital markets
			Establish Accelerate UK as a business-facing focal point to support more businesses in Scotland and across the UK to continue innovation adoption

For firms:

2019	Seek out existing technology to aid business productivity using sector league tables to identify top performers	Forge better links with other UK exporters and universities to improve own export prospects
2020	Test the resilience of your financial strategy and supply chain and identify opportunities for investment and innovation to improve business performance, using external advisers if necessary	Use the range of trade expertise on offer from SDI and DIT, including the new UK Trade Hub in Scotland, to identify and grow export opportunities
		Take advantage of available support, ³³ including insights from peers, to translate innovation during the pandemic into more permanent changes



Skills and training



Scotland has the highest proportion of the population with Higher Education qualifications in the UK and compares well internationally, as tracked in the dashboard. However, there has been a deterioration in workforce participation in job-related training over the last 15 years, with Scotland lagging England and Wales. The Scottish indicators for skills shortages and staff underutilisation are broadly on a par with the UK average. Long-term trends cannot yet to be deduced given that the survey has only been conducted twice since launching in 2011, however the short-term trends remain concerning.³⁶

All the skills and training indicators point to a potential mismatch between education qualifications and the skills sought by business, which has been highlighted in the BAG's discussions. They also illustrate the challenge Scotland, and many other countries, have in maintaining skills development and education throughout people's careers.

The BAG discussed how most of the skills and training indicators will be indirectly impacted by job losses resulting from the global pandemic. For example, higher education is often pursued by young people to defer entry into a struggling labour market, while job-related training tends to be cut as businesses look for ways to keep costs down. However, it was also noted that some firms are using the crisis as an opportunity to pivot their business, often towards more digital technologies, and at the same time provide workforce skills training to ensure maximum effectiveness.

"We saw a period of around six months where we had more staff than we have work for, so we decided to use this unique opportunity to upskill our whole workforce. Almost everyone will get training or be involved in improvement projects that develops their skills, helps improve our business processes and in many cases, this will also put them on route to Modern Apprenticeships. Our business is SQA approved and therefore able to meet the challenge and guarantee our people the MA places we need. It has given us a sense of mission at a time when so much is uncertain."

Simon Cotton, Chief Executive, Johnstons of Elgin

While the impact of job losses will vary by sector, BAG discussions pointed to the potential of a surplus of highly qualified candidates in the immediate term, however, their skills would not necessarily correlate to the demand in the labour market now or in the future. The BAG also discussed the importance of businesses not losing focus on the future talent pipeline and not repeating mistakes seen in the 2008 financial crisis, when hiring freezes particularly impacted entry-level recruitment.^{37, 38}

Upskilling people as automation speeds up

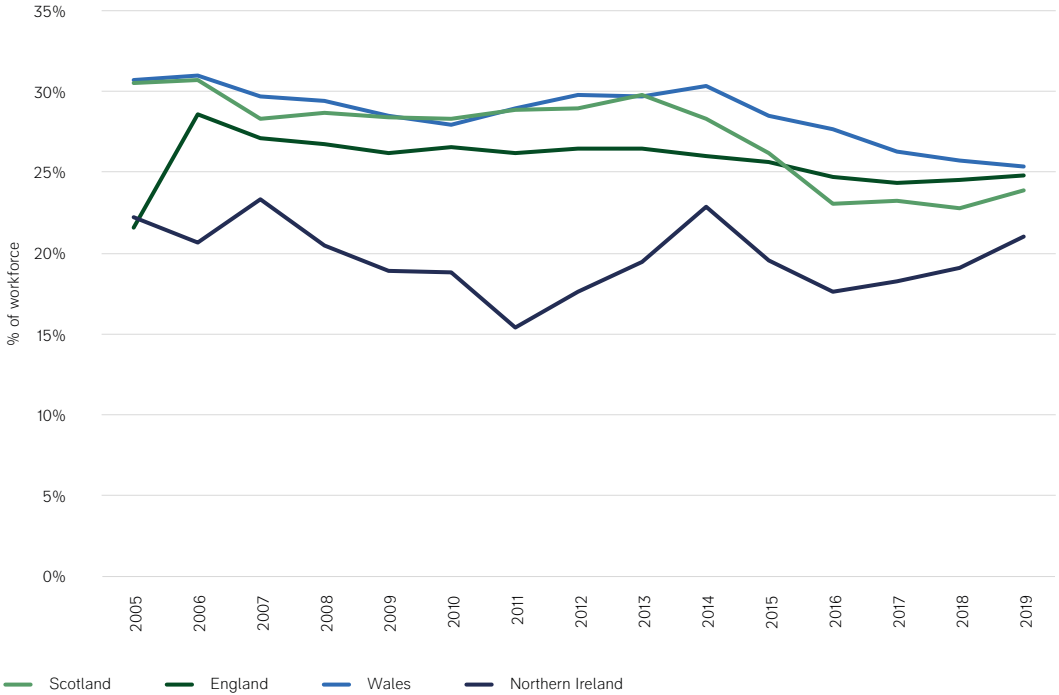
Even prior to the pandemic, it was clear that the world of work would look considerably different a decade from now. Tasks and jobs are set to transform, as technology changes how we work and drives up demand for new and higher skills. Adult learning is becoming one of the defining challenges of the century and countries that get it right will have a clear competitive advantage as the global economy recovers.

Research by CBI and McKinsey into skills gaps showed that nine in ten workers will need some form of reskilling by 2030.³⁹ That means 26 million workers across the UK may need upskilling as their current roles evolve and 5 million workers may need retraining because their jobs could fundamentally change. Despite this, figures show participation in job-related training is on the decline. The share of workers accessing job-related training fell from 31% in 2005 to 24% in 2019 **(see Exhibit 4)**.

Access to training is not provided on an equal basis. On average, participation in training for those in lower-skilled jobs (and potentially most at risk of automation) is 40% lower than that for high-skilled workers across all OECD countries.⁴⁰ Meanwhile, half of adults in the lowest socioeconomic group in the UK have received no training since leaving school.⁴¹

If productivity is going to be improved over the long term, it will be vital to reach people currently unable to participate in, or unaware of the value of, job-related training. There is a correlation between salary levels and skills development opportunities – improving exponentially towards the higher end of the salary scale⁴² – which was highlighted in the 2019 Index and informed the report’s recommendation on mapping workforce skills.

Exhibit 4 Comparison of percentage of workforce accessing job-related training



Source: ONS (NOMIS)

In Scotland, CIPD recently found that only 29% of employees believe their job offered good prospects for career advancement, and 55% said their job offered good opportunities to develop their skills.⁴³ To help address this, businesses should look at the whole of their existing workforce and map the upskilling opportunities that will benefit both individuals and the business, recognising the productivity benefits of investing in upskilling those at the lower end of the salary and skill scale, not just those at the top.

The 2019 Index recommended a target of achieving 100% of the workforce with basic digital skills by 2025. While that target has not yet been adopted by the Scottish Government, there are strides employers can take now to support the development of their employees’ digital skills. There are a range of resources available for practical upskilling, for example CodeClan, an award-winning digital skills academy in Scotland (see box 1).

Box 1: CodeClan – upskilling offer to business from Scotland’s digital skills academy

Many industries and businesses have known for a while that they need adapt to increasing digital ways of working. At Scotland’s digital skills academy, CodeClan, they specialise in meeting the needs of business for training and upskilling to help bridge the digital skills gap.

CodeClan offers training to individuals and companies to both build a long-term pipeline of future candidates, and to help upskill organisations’ current workforce, supporting retention of people who already know the business and can continue to contribute by learning new skills. Upskilling management through short training courses can also help ensure better use of adopted technology and understanding of where the opportunities are.

Training is built around:

- Instructors with industry experience, technical expertise and a passion for teaching
- A learning experience that is focused on practice – through paired programming, projects and ‘code-alongs’
- Training through projects to give focus and consolidate learning
- Inclusion of soft skills as they are essential alongside up-to-date technical skills.

The academy offers short courses and immersive 6-week courses in data analysis and software development, as well as bespoke training to upskill teams in any industry.

In addition to practical training offers like CodeClan, it is also necessary to look at the existing programmes supporting skills development. The 2019 Index report set out the overall objective for Scotland to have a flexible skills system with lifelong learning at its core. Building on existing structures and scaling up current initiatives is the fastest and most efficient way to address the challenges of low rates of job-related training and employers with underutilised staff.

The Flexible Workforce Development Fund has been widely recognised as a model that can increase collaboration between industry and the college sector and support employers to invest in their workforce. However, it needs to be radically enhanced if it is to help meet the scale of the upskilling challenge Scotland faces and counter the impact the pandemic is likely to have on firms’ ability to invest in skills development and training.

Developing a scheme where the government matches or contributes to an employer's investment in upskilling their staff – where that training will ensure the individual remains employed for the medium-term – would be beneficial. Such a scheme should take into account the level of contribution made by the employer through the UK Apprenticeship Levy. Not only would such a scheme support the continuation of employment for individuals, it would also encourage greater investment in training and support employers to take steps that start to reverse the trends shown in the dashboard. The scheme could also have a particular focus on areas that would generate productivity benefits, such as digital skills or leadership and management training.

A bold, parallel measure that also should be considered is developing the Individual Training Account model⁴⁴ into a wider and more comprehensive package of support. The aim should be to allow everyone to access financial support for training at whatever time in their life is most appropriate for them. This is something others have also highlighted in recent years^{45, 46} including most recently IPPR Scotland.⁴⁷

Scotland has a huge opportunity to address a long-running gap in adult training. If it is missed, the results are likely to be greater skills mismatches, unemployment, and growing inequality. Scotland's path will in large part be determined by how successfully it increases investment and participation in adult education to build a skills system with lifelong learning at its core.

Building a broad skills base for the future

The impact of recessions on young people's job opportunities and career trajectory is a clear concern. Considering the economic crisis the country is in, it is vital to avoid long-term term scarring.

Progress is being made to help young people identify where future employment opportunities lie and ensure they can make informed choices about their learning – notably through the myworldofwork website. But more needs to be done to develop a truly demand-led approach to learning and skills provision. It needs to be informed by timely intelligence and evidence from employers, which reflects the future skills needs of the economy. This will be crucial in supporting individuals and businesses to succeed.

Evidence from employers highlights the importance of a broad and balanced education system that equips students with the character, knowledge, and skills needed to adapt to the changing nature of work. Individuals' character, behaviours and attributes are reported by businesses to be the most important considerations when recruiting school and college leavers, with 'work-readiness' remaining a priority.⁴⁸

Many businesses agree with the Scottish Government's broad ambitions in initiatives like the Young Person's Guarantee.⁴⁹ Yet they want to see action at speed and scale that supports employers to create opportunities for young people, during a time when businesses are faced with extremely challenging economic circumstance.

Responding to the retraining challenge through collaboration

Providing training support is important not only for young people but also for those experienced employees in the workforce, including those that are facing redundancy or have already suffered job losses.

In some cases, individuals will need support to get back into the labour market – often through some form of retraining. The expectation over the next decade is that demand for digital, STEM and interpersonal skills will rise, while the jobs most likely to shrink in volume are those with the lowest rates of training and the lowest wages.⁵⁰

There are some examples of businesses supporting retraining while working through redundancy programmes with care (**see case study 6**).

Case study 6: John Lewis Partnership – dealing with redundancy during the pandemic

Following the announcement on 9th July that eight John Lewis shops would not reopen following the UK-wide forced closure of non-essential retailers in March, the John Lewis Partnership set out to boost their support for those Partners at risk of redundancy in order to help as many Partners as possible to find new work and ensure they were fully supported during a challenging transition:

- JLP worked to move and redeploy Partners, where possible, between brands by opening up opportunities within Waitrose for internal applicants, and guaranteeing interviews, before going externally.
- Partners across the business at risk of redundancy could apply for a relocation support payment of £1,471 (equivalent to £1,000 net for a basic rate taxpayer) towards the cost of moving to secure a redeployment opportunity.
- Access to a unique Retraining Fund, available to all Partners with 2 years' service (previously 5 years), to contribute up to £3,000 towards a recognised qualification or course, for up to two years, to support in seeking future employment.
- Outplacement support – help to navigate the labour market and find new jobs – offered to all Partners. Previously this was provided by Job Centre Plus, but that was no longer possible due to COVID-19 and is now provided by the Partnership.
- Partners with under one year's service benefitted from a payment as they would not be eligible for Partnership or statutory redundancy.

At the same time, understanding the impact that the closures, and the uncertainty caused by the pandemic, would have on the wider business, the Partnership strengthened its communication with Partners directly affected by the redundancy programme. This included development courses for people managers on supporting Partner wellbeing plus accessible advice, guidance, and tools to support mental wellbeing.



With skills availability a key consideration for firms when deciding where to invest in expansion and innovation, Scotland can feed its homegrown businesses and attract inward investment, by creating a more extensive pool of talent.

The recent review into the Scottish technology ecosystem by Mark Logan set out a compelling case for why a focus on digital skills, and particularly software development, need to be part of the core curriculum and have a career-long focus.⁵¹ It argued that the focus needs to be on building foundation skills in computer science, software programming and product engineering skills in schools through to leadership, strategy, and internet economy operations further along the education chain. This way the competencies are built first, because without them, there will not be anyone to build tech businesses to invest in. These skills are also critical to sectors beyond tech – from the creative industries through to financial services and construction.

Responding to the immediate retraining challenge, the Scottish Government has announced the development of a National Transition Training Fund (TTF) to provide support to 10,000 people facing redundancy and unemployment. The TTF has a crucial role to play in tackling the immediate issues resulting from the pandemic. It must be up and running on the ground as quickly as possible to help people develop the new skills they need to re-enter the labour market without delay.

However, TTF should also be seen as an opportunity to form part of the foundations for a flexible lifelong learning system and provide people in roles at risk of redundancy with training opportunities that set them on course for careers for the long-term in growth sectors.

This will require a strong steer from industries and employers, supported by clear channels of information sharing with government. It will also depend on a refocusing of further and higher education provision to place greater emphasis on short, sharp, demand-led courses that support people to rapidly reskill and return to the labour market as quickly as possible.

Key recommendations

For Scottish and UK policymakers:

2020 Scale-up the Flexible Workforce Development Fund into a scheme with government-employer matched investment in upskilling	Expand the Individual Training Account model, with a long-term aim of ensuring everyone has access to funding, through grants or loans, for training when they need it	Get the National Transition Training Fund up and running and, working with business to identify skills gaps, provide support to align people with the growth sectors
2019 Lifelong learning at core of responsive, flexible skills system	Target 100% of workforce with basic digital skills by 2025	

For firms:

2020 Map the skills of the entire workforce to identify upskilling opportunities that will benefit both the business and individuals, giving particular consideration to digital skills	Firms and sectors with future skills gaps should proactively engage with the Transition Training Fund to help inform where opportunities for retraining will be	Engage with and support government schemes set up to help young people find opportunities to build their future careers
2019 Map current workforce skills, training and tools and what's needed in the future		



Health and wellbeing

10. % of hours lost due to **sickness absence**



11. % of economic inactivity due to **long-term ill health**



Scotland continues to have the highest rate of sickness absence in the UK, alongside Wales. While the rate has been improving over time, there has been a 0.3 percentage point increase in sickness absence in the latest year of data, which does not yet cover the COVID-19 pandemic. The rate of economic inactivity due to long-term ill health is also much higher in Scotland than England and Wales. This year, the BAG discussion highlighted that sickness absence may be higher than will be reported in the data because absence may go unrecorded while people are on furlough from their jobs or working remotely.

Making the business case for wellbeing

The business case for focusing on health and wellbeing is well established. The Stephenson/Farmer review into workplace mental health for the UK Government in 2017 found the annual cost to employers due to presenteeism, sickness absence and staff turnover was between £33bn and £43bn.⁵² Updated figures by Deloitte two years later found that had increased by 16%, costing up to £45bn.⁵³ The same research also found that investment in proactive mental health awareness and support by employers could deliver an average £5 return for every £1 spent.

More businesses are reporting having dedicated mental health awareness programmes and support. A CIPD survey in March 2020 found that two thirds of private sector respondents had seen an increase in common mental health conditions, such as anxiety and depression, among their employees in the last 12 months.⁵⁴ Since the lockdown in March, businesses have continued to raise concerns about the mental health impact on their staff with CBI Scotland and report actively trying to help alleviate this. Some are seeing the ability to reopen offices as an important way to help those struggling with the isolation of remote working, others are looking for ways to make sure workers are connected and engaged with the organisation while preferring to work from home.

The CIPD *Working Lives Scotland* report provides an insight into the state of job quality in Scotland, just before the pandemic. It reported that 30% of employees feel their work negatively impacts on their mental health and 25% say it has a negative impact on their physical health. While the Index dashboard tracks indicators for absenteeism and long-term ill health, the CIPD report also provided Scottish figures for 'presenteeism'. 55% of employees reported going to work despite not feeling well enough.⁵⁵ Meanwhile, a study from Deloitte points to an increasing trend of 'leaveism' where people continue to work despite being on holiday or having a day off, or use annual leave in order to work.⁵⁶

Even before the pandemic, the need for active employee engagement and for managers to play a role in supporting people's wellbeing and productivity was well established.⁵⁷ The CBI's *Great Job* report last year found that firms in the highest quartile for employee engagement saw 41% lower absenteeism and 22% higher profits than those in the lowest quartile. And CBI research found that more investment in management training across UK firms had the potential to add a massive £110bn to the economy.⁵⁸

Building health resilience through prevention

There is more awareness among businesses about the importance of mental health and wellbeing at work and there is a recognition that the employer has a vital responsibility in practically supporting people to live healthy lives.

While skills gaps and technology adoption are important parts of the productivity puzzle, so is the wellbeing of the people carrying out the work. There are actions employers can take to build a focus on wellbeing into the jobs people do. By redesigning the roles and tasks people carry out in their work, more can be done to improve productivity and people's sense of wellbeing and purpose at work, for example by introducing digital solutions to mundane tasks and building in more opportunities to bring ideas and make decisions into roles at all levels.

Better job design includes ensuring development opportunities within the job, providing a greater level of autonomy, and making sure employees have a high level of positive engagement with the organisation and their line manager.⁵⁹

The BAG reflected on the current situation of the pandemic and how it is impacting people's mental and physical health. There was agreement that many of the levers in terms of prevention sit with employers. By raising awareness and being open about mental health in particular, there are more chances of spotting warning signs among employees who may be struggling. However, it was also recognised that widespread remote working and workers being furloughed made that harder during the crisis.

"We've had employees struggling with their mental health who have been told they are on an 8-month waiting list for counselling. That is terrifying. How are employers supposed to fill the gap in the meantime?"

Senior executive, creative industries

As the country and the health service continues to battle COVID-19 and tackle the knock-on effects on health and social care services, it will be vital to ensure that mental health is given proper focus. Experts are warning of a ticking timebomb as people wait for professional help. Employers have a responsibility to contribute to prevention through prioritising people's health and wellbeing at work. Businesses report actively looking for ways to provide support services that can 'plug the gap' at a time when waiting lists for professional help are growing, for example through partnering with mental health charities.

Getting flexible working right in the new reality

Research shows that offering flexible working has a positive impact on both talent attraction and retention with 75% of employers reporting that flexible working helps retention and 73% saying it has a positive effect on staff motivation.⁶⁰ Similarly, the CIPD Working Lives Scotland report draws a correlation between flexible work and job satisfaction.⁶¹ There is also some evidence that women's career prospects in particular tend to suffer from a lack of sustainable flexible working opportunities, which contributes to the gender pay gap.⁶²

The pandemic and the associated lockdown resulted in numerous examples of employees continuing to work productively from home. The BAG emphasised that this experience had opened the eyes of many employers to people being able to perform work duties away from the office, where in the past they may have been sceptical of this. So, like technology adoption, the pandemic has provided momentum to change long-overdue practices and ideas about how people can be productive.

Businesses are continuing to adapt to the swift change in ways of working forced by the pandemic and, where it is feasible for their business to operate in this way, many are reporting that the 'new normal' will combine home and office working. While the pandemic is still affecting everyday life, the exact form such a blended model should take will depend on the businesses themselves, their employees, and the restrictions set by government, but there are approaches to flexible working that can help both individuals and the business to get it right long-term.

The challenge is to continue to embrace flexible working but do it in a way that benefits both the employer and the individual. It is important to consider the different forms flexible working can take, as **case study 7** sets out. The social business Timewise advocates more use of flexible working and has developed a guide for how to do it in a way that is effective and sustainable. The flexibility needs of each employee will vary based on their individual circumstances, which is why getting flexible working right will depend on speaking with each member of staff to understand how their own needs and the needs of the business can best be met.

Key recommendations

For Scottish and UK policymakers:

2020	Prioritise the mental health backlog within the health system alongside physical health as experts warn of ticking timebomb of mental health challenges	Dedicate resource to examine the long-term impact of the pandemic on people's mental and physical health to understand future needs
------	---	---

2019 Prioritise investment in mental health

For firms:

2020	Continue to build business mental health awareness and support services and reach out to potential partners in other sectors that can provide additional expertise to support your staff	Consider different ways of providing flexibility to the workforce and recognise individual needs
------	--	--

2019 Put mental health on equal footing with physical health and build support structures accordingly



Case study 7: Making flexibility work for the organisation and the individual

As a result of the pandemic, a lot of people have found themselves working flexibly by default as most office workers relocated home during the lockdown. Since then, Timewise has collected evidence that suggest leaders are increasingly of the view that giving employees greater control over how they work can benefit everyone involved. And employees are grasping the opportunity to prove that flexibility and productivity can be achieved together.

While remote working forced by the pandemic is a short-term measure, the expectation is that many businesses will not go back to 'normal' but pursue some form of blended model. Timewise specialises in making flexible working achievable for any organisation by helping them think through the short- and long-term implications of becoming more flexible and put structures and processes in place to deliver future-fit workplaces.

The challenge is to make sure that the measures an organisation takes are implemented correctly, to support sustainable flexible working. That means designing roles to maximise performance and to fit with the specific working patterns that people want or need.

At the heart of the job design process is one key principle: finding a working pattern that works for both the organisation and the individual.

Timewise provide guidance to managers to help work through three elements of flexible working: where people work, when people work and how much people work. Inserting flexibility in each of these elements require practical conversations about performance expectations and work demands, tools and technology needed, ensuring opportunities for collaboration, and preserving health and wellbeing.

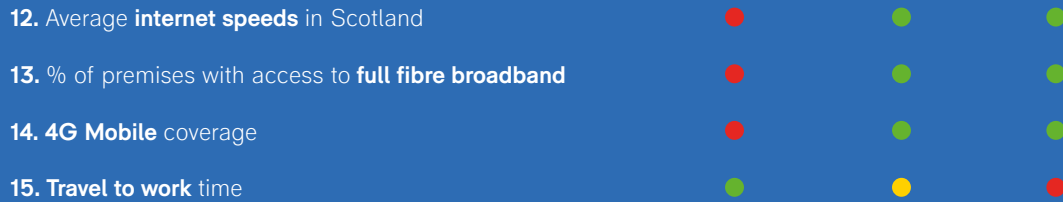
The role of the manager is critical to make flexibility work in practice through leading by example, trusting people to do their jobs and rewarding and recognising people for the outcomes they are achieving, not for hours worked or being available.

A man with a beard and a child are sitting on a patterned rug, playing with small toy cars. The man is wearing a suit and a watch, and the child is wearing a striped shirt. The background is a plain wall. The entire image has a green overlay.

"We are seeing more businesses looking to pursue a blended model of office and home working in the future, which is very welcome. It is important that employers and employees take time to work out mutually beneficial arrangements for flexible working to make sure they are sustainable."

Emma Stewart, Chief Executive, Timewise

Infrastructure and connectivity



The performance indicators for Scottish digital connectivity reflect the geographically sparse population of the country, which raises the cost of infrastructure provision. However, the pace of change over the last decade, with download speeds improving up to 20-fold, is impressive.

Another infrastructure and connectivity indicator tracked in the dashboard relates to commuting. The time it takes to travel to work in Scotland is on average shorter than elsewhere in the UK, yet it has barely changed since 2017. The car still dominates people's commute. Two-thirds of commutes in Scotland were by car or van according to the latest figures (2018), while 10% were by bus and 6% by train.⁶³ There is an important push towards more active travel by foot or bicycle – to work or otherwise – together they make up 15% of commutes.

The impact of the pandemic on the indicators will likely tell two very different stories. The demand for digital connectivity shot up as people were asked to work from home where possible, shield or temporarily stop socialising outside of their household. At the same time, commuting largely stopped and the demand for public transport fell for the same reasons. As restrictions on movement eased over the summer this year, statistics on transport usage showed car use recovering much quicker than any mode of public transport.⁶⁴

Maintaining a long-term perspective and considering the opportunity to build resilience for future productivity improvement means considering how to help more businesses make the most of digital connectivity. However, it also means thinking about commuting requirements beyond the current stasis and how more people can be encouraged to use public transport when restrictions on movement lift. This is particularly the case as both the Scottish and UK governments have set ambitious net zero emissions goals with a range of intermediate targets aimed at making transport and housing greener. To translate such ambitions into effective action across the country, it will be important to work together, across governments and with business, and join up infrastructure and investment plans where collaboration can bring about results more quickly.

For example, expanding the electric charging network and the take-up of electric vehicles is one necessary part of the puzzle. Initiatives like PACE, aimed at strengthening Scotland's electric vehicle charging network⁶⁵ alongside incentivisation of EV consumer demand, need to continue and expand.

Turning digital demand into action

The dashboard tracks a range of indicators that capture the state of Scotland's digital connectivity. Discussions with the BAG and wider businesses pointed to the need to not only consider infrastructure roll-out but also the reliability of Scotland's digital infrastructure and its rate of use.

It is estimated that full fibre broadband roll-out in the UK will boost productivity by £59bn⁶⁶ and create 1.2 million extra jobs by 2025.⁶⁷ Gigabit-capable networks will also help address wider issues such as cutting carbon emissions by reducing the need to travel by car, which will contribute to a green economic recovery.⁶⁸ Access to digital connectivity is also vital for economic, social and financial inclusion – from online banking to job searches and flexible working. For businesses, fast, reliable digital connectivity supports their increased reliance on cloud services and video calling and opens up new possibilities to reach greater numbers of customers and markets, increasing sales and export opportunities. All of this is underpinned by technologies like full fibre or fixed wireless that offer gigabit speeds and greater reliability.

Alongside the roll-out of gigabit networks, there is the need for greater adoption of the services they enable – to support both the business case for investment in gigabit networks,⁶⁹ but also crucially to ensure that businesses can harness the potential benefits they can deliver, from greater resilience to productivity improvements. Investing in gigabit networks is a long and risky undertaking because it is necessary to build these networks ahead of demand. Early interest is therefore necessary, where a strong uptake in the first cities, towns and villages can significantly improve the ongoing business case, lowering the risk and speeding up rollout elsewhere.

The pandemic has shown how much can be achieved through digital adoption. A survey by Be the Business showed that more than a fifth of businesses surveyed started selling online for the first time during the March lockdown.⁷⁰ The rate of digital adoption among businesses this year presents an opportunity for further expansion to ensure the benefits of digital adoption are widespread across Scotland's people and its 350,000 plus businesses.⁷¹

However, below optimal adoption of digital technology and services among business can be driven by a range of issues such as low awareness of the potential returns it can deliver, lack of senior buy-in and cost. These are issues that can – and must – be overcome as more and more organisations see the value that tried-and-tested digital technologies like CRM and cloud computing can bring to their operations (**see case study 8**). Digital capacity and capability within a business can open doors to innovations and productivity improvements, and more firms can, for example, regularly collect, analyse and use the data they already own – for example on sales, operations, customer communication – to help pinpoint where the opportunities are.

To address barriers to digital adoption, CBI, Which? and FSB have come together in collaboration with the UK Department for Digital, Culture, Media and Sport (DCMS) to create the 'Gigabit Take-Up Advisory Group'. The Group will advise on how to spur business and consumer take-up of gigabit networks. It will need to draw on a range of perspectives – from rural businesses to representatives of vulnerable groups – both to understand the key barriers and to shape practical and effective recommendations to boost take-up. It will be important that Scottish perspectives are represented and the Scottish Government, businesses and the third sector are encouraged to contribute and shape the work of the Group.

Case study 8: Cloud-based solutions are a first step on the digital journey

The pandemic and the resulting lockdown in March spurred a range of examples of rapid innovation and collaboration. Social Security Scotland, an Executive Agency of the Scottish Government with responsibility for a number of devolved benefits, had to switch from an office-based contact centre to enable staff to provide the same services from home. At a time of national crisis and huge economic and public health uncertainty, it was critical to make sure people were still able to get support and information about devolved benefits, including Funeral Support payment, Carers Allowance Supplement and Young Carers' Grant.

The Agency had already commenced their digital innovation journey by adopting cloud-based solutions built on Amazon Web Services (AWS). This provided staff with highly secure, remote access to internal corporate systems, and meant that the Agency had the skills and agility to continue building on their digital capabilities to benefit clients depending on their support.

When the lockdown came into force, as a short-term workaround so that citizens could still access services, the Agency and Chief Digital Office, with support from the Scottish Government Digital Directorate put in place a web enquiry page offering a call-back service from staff working from home. Meanwhile, the Agency worked with AWS to expand the existing cloud-based solution to include a cloud contact centre, Amazon Connect, allowing staff to work from anywhere and handle webchats and calls seamlessly.

Within two weeks the cloud contact services had been implemented and deployed. No new hardware or phone lines were required. With Amazon Connect, people can easily connect, via an instant live chat with call centre staff at the Agency, to get real time advice and support about their benefit payments without delay.

Cloud-based solutions are often the first step on many organisations' digital journey. Social Security Scotland and AWS show that cloud systems open a range of capabilities that can be deployed rapidly and improve services.

"As the Chief Digital Officer for Social Security Scotland it was great to see the collective thinking and innovation come together at pace during extremely challenging times whilst everyone was working remotely. The collective desire from all parties ensured that planning, decision-making and the establishment of the interim service was completed rapidly and stood up with remote staff."

"The solution has been operational now for a number of months and has allowed the necessary remote working arrangements to continue whilst delivering a service to our clients."

Andy McClintock, Chief Digital Officer, Social Security Scotland





Transport connectivity will continue to be important for productivity by improving businesses' ability to access skills, customers, and supply chains. Public transport infrastructure will have a vital role to play in people's travel and commute in the future to reduce congestion, cut emissions and enhance social mobility. For example, as Mark Logan's review on growing the Scottish technology industry highlights, the hiring radius in Scotland becomes restricted as inter-city travel costs are prohibitively high, with the Edinburgh-Glasgow route among the most expensive rail journeys per mile in Europe.⁷²

Current indications from businesses are that, where they operate in a sector that makes it feasible, many are planning a blended model of home and office working going forward. So, the role of the commute and the office will remain a feature of working lives. There is an opportunity to take strides that improve the public transport offer to customers and commuters and make sure the future commute is more affordable, reliable, and environmentally sustainable. Encouraging a shift to greener travel by commuters requires a joint effort with government as, for example, government holds the key to injecting more flexibility into rail fare structures.

CBI and KPMG are undertaking a comprehensive study of the future of commuting

"Scotland's Railway is focusing on making the rail experience safe and reliable for all our customers and we look forward to welcoming them back when the time is right. In the coming months, it will be important to ensure we are meeting the fares and ticketing needs of customers so we can encourage more to use greener transport which gives them a seamless, affordable journey."

Alex Hynes, Managing Director, Scotland's Railway

in the UK, analysing the longer-term trends impacting journeys to work and recognising the need to design transport systems that help the transition to a better connected, decarbonised and rebalanced transport offering.⁷³

The public transport offering is in urgent need of modernisation to better meet future demand and customer expectations. There is a long overdue digital ticketing revolution needed in Scotland with multi-modal fare options to help give customers a better experience and encourage more people to choose greener modes of transport.⁷⁴ However, the move to high capacity digital ticketing systems on rail services, for example, requires both the UK and Scottish Governments to act and show flexibility. As a starting point, there is a need for government funding to support the roll-out of digital ticketing systems on public transport across the country. The CBI/KPMG work on commuting includes the proposal to create a one-off fund of £90 million to support the roll-out of high capacity digital ticketing systems for all modes of public transport, starting with rail services. This would assist in the delivery of trials of more flexible purchasing options, which will have long-term benefits for customers, but would depend on collaboration across both UK and Scottish governments to open up more flexible rail fare structures.

Employers themselves also have an important role to play in working with employees to develop an overview of their commuting journey in order to build an understanding of the time spent travelling to and from work and to consider changes that can be made to better contribute to each employee's sense of wellbeing, business productivity and to support the delivery of net zero emissions goals. However, businesses are increasingly pointing to video calls as being unable to match face-to-face conversations in terms of spurring ideas and creativity and expanding one's external network. Also, home working is not feasible in all sectors, such as large parts of retail, hospitality, manufacturing and construction, so transport connectivity remains critical to productivity.

Unlocking inclusive regional growth

Improving productivity is not simply an economic imperative to raise overall economic growth. It must translate into improved household incomes and living standards across the country. The Scottish Government have centred their policy vision around 'inclusive growth'⁷⁵ and a 'wellbeing economy',⁷⁶ while the UK Government are developing what they refer to as a 'levelling up'⁷⁷ agenda.

The Scottish Productivity Index is built on the understanding that improving productivity necessarily relies on also improving social outcomes in health and wellbeing, as reflected in the dashboard indicators in this area. It is also based on analysis by CBI Scotland in 2017 into the regional productivity differences across Scotland that shows the drivers of such differences include skills, connectivity; management practices and exports.⁷⁸ Unlocking the economic potential of different parts of Scotland will mean addressing areas of inequality like education outcomes, access to training, transport links and business presence.



While the pandemic and the associated economic restrictions have impacted all individuals, regions, and businesses, some have been harder hit than others. For example, businesses in or connected to retail, hospitality, and tourism, which rely on face-to-face interaction and travel, have been particularly impacted by social distancing measures. And people in the lowest earnings decile were seven times more likely than the highest decile to work in the sectors that were shut down in March.⁷⁹

The recommendations set out in this report aim to strengthen the ability of people and businesses to adapt to the longer-term challenges made worse by the pandemic. How well individual businesses can adapt to change is likely to be an important determinant of economic growth within regions and that will in part rely on firm-level factors like management practices and propensity to export.⁸⁰

As businesses continue to adapt, for those with the option of working from home, it is clear from our discussions with the BAG that the new way of working is likely to combine remote and office working. Research conducted by the corporate property firm JLL found that the purpose of offices is being redefined as 'social hubs' where people come together, socialise, get inspired and share ideas. The survey found 44% of people said the top reason for missing the office was the social connections.⁸¹ It could be that more 'hub and spokes' models of office working develop in the future, with local towns and areas playing more of a role in bringing employees together, not just the big office buildings in the main cities.

For other businesses where remote working is less practical or unfeasible, adaptation will necessarily involve an element of technological adoption. In 2019, the Index report recommended that firms give employees more autonomy by using mobile technology that allows them more control over how they work. This year, the recommendation to firms is to build on and broaden that thinking, considering future physical and technology business needs, in light of changing trends around ways of working and employee and customer requirements.

Key recommendations

For Scottish and UK policymakers:

<p>2020</p> <p>Join up plans across Scottish and UK governments on green infrastructure and transport to make sure carbon reduction targets are met in the most effective way</p>	<p>Scottish Government and others should contribute to the Gigabit Take-Up Advisory Group to help understand and remove the barriers to digital adoption</p>	<p>UK Government should commit funding to support high-capacity digital ticketing systems roll-out across UK public transport and work with the Scottish Government to open up more flexible fares structures</p>
<p>2019</p> <p>Join-up infrastructure strategies across transport, housing and digital with productivity lens</p>	<p>UKG increase in Gigabit Broadband Voucher Scheme</p>	

For firms:

<p>2020</p> <p>Consider your business' future physical and technology needs, in light of changing trends around ways of working, and assess whether the current set-up meets both employee and market needs</p>	<p>Use the data your business owns to pinpoint areas with innovation potential and improve the use of existing tech within the business</p>	<p>Develop an overview of company-wide commuting journeys to identify opportunities with staff to reduce carbon emissions and improve productivity</p>
<p>2019</p> <p>Give people autonomy through more use of mobile technology</p>	<p>Make maximum use of available broadband infrastructure</p>	



A note on the Business Advisory Group

The advisory group was made up of senior representatives of organisations from across a range of sectors of the Scottish economy. A full list is included below.

The group met virtually on 13th August and 27th August 2020. The first meeting included a presentation of the updated 2020 productivity index dashboard with reflections on changes on the previous year. The advisory group specifically reflected on the impact of the pandemic on the dashboard indicators, with a focus on challenges and solutions related to the business practices theme. The second meeting focused on challenges and solutions related to the remaining three themes.

CBI Scotland and KPMG would like to thank the Business Advisory Group for giving up their time and for sharing their insights and experience. CBI Scotland would also like to thank the many members who offered their business insights, Heather Sharp and Dennis Tatarkov at KPMG and Be the Business, the Behaviour Insight Team, CIPD Scotland and Scottish Association for Mental Health for sharing their expertise.

Business Advisory Group

- Suzanne Burns, STV
- Derek Brownlee, The Royal Bank of Scotland
- Myrtle Dawes, Oil and Gas Technology Centre
- Bonnie Dean, University of Glasgow
- Patricia Findlay, Strathclyde University
- Roger Hunt, AGS Airports
- Fionna Kell, Homes for Scotland
- Robin MacGeachy, Peak Scientific
- Willie Macleod, UK Hospitality
- Pamela Scott, Pax & Iris
- Emma Stewart, Timewise
- Hubert Wu, The Behavioural Insights Team (*observer*)
- Richard Appell, Be the Business (*observer*)

Research partners

- Tracy Black, CBI Scotland (chair)
- Catherine Burnet, KPMG LLP
- Mark Diffley, Mark Diffley Research and Consultancy
- Mairi Spowage, Fraser of Allander Institute

Source data for the Dashboard

1	Business Investment as a % of GDP	Scottish Government/FAI	2019
2	Exports as a % of GDP	Scottish Government/FAI	2019
3	Business R&D spend as a % of GDP	ONS	2018
4	% of innovation-active businesses	UK Innovation Survey, BEIS	2016-18
5	Total early-stage entrepreneurship activity	NatWest Global Entrepreneurship Monitor	2018
6	% of working age population with Higher Education Certificate or above	ONS / Eurostat	2019
7	% of workforce in job-related training in past 3 months	ONS (NOMIS)	2019
8	% of employers with skill shortage vacancies	Department for Education Employer Skills Survey	2017
9	% of employers with underutilised staff	Department for Education Employer Skills Survey	2017
10	% of hours lost due to sickness absence	ONS	2018
11	% of economic inactivity due to long-term ill health	ONS	2019
12	Average internet speeds in Scotland	Think Broadband	Q1 2020
13	% of premises with access to full fibre broadband	Ofcom	Jan 2020
14	4G Mobile coverage	Ofcom	Jan 2020
15	Travel to work time	Dept. for Transport	2018

Appendix

Examples of available support

Innovation

Be the Business

Be the Business is a business-led and government supported independent charity created to close the UK's productivity gap. Chaired by Sir Charlie Mayfield, former chairman of the John Lewis Partnership, Be the Business is leading a business-led drive to help companies across the UK improve their performance. Their range of free resources, mentoring programmes, leadership courses and tech adoption support help ambitious leaders build more competitive, successful, growing businesses.

Programmes to help rebuild during pandemic:

<https://www.bethebusiness.com/programmes/>

Free advice for SMEs on getting the most out of technology:

<https://bethebusiness.tools/>

CodeClan

A not-for-profit organisation that was set up to bridge the digital skills gap for job-seekers and business. Offers hiring opportunities through virtual networking, project showcases and matchmaking, as well as retraining courses for existing workforce.

Contact 0131 290 2600 or email info@codeclan.com for more information.

<https://codeclan.com/>

Digital Boost

Businesses can access free digital consultants, online training and a wide range of support to help their business adapt and change. They offer a free digital health check to help businesses find out where technology can improve performance, profits and people.

Contact 0300 013 4753 for more information.

<https://www.bgateway.com/resources/digitalboost>

Interface

Free and impartial service that facilitate collaborative partnerships between all industry sectors, connecting businesses to academics. They have access to off-the-shelf technologies available to develop to fast-track the business' R&D. Interface administers Scottish Funding Council Innovation Vouchers and can help identify funding opportunities.

Contact 0845 609 6611 or email info@bgateway.com for more information.

<https://www.interface-online.org.uk/>

SCDI Productivity Clubs

Funded by the Scottish Government, SCDI manages Productivity Club Scotland which is a business network focused on doing things better and with emphasis on peer learning. The Club activities are all online, free, and open to all.

<https://www.productivity.scot/>

Export

SDI Export Champions Programme

The Export Champions programme is a business mentoring scheme that mobilises the vast experience of Scotland's exporters to support businesses who are either starting their international journey or have a specific exporting challenge. The programme is delivered by Scottish Development International.

Contact SDI on 0300 013 3385

<https://www.scottish-enterprise.com/support-for-businesses/exports-and-international-markets/export-champions-programme>

UK Trade Hub

A new Edinburgh trade hub was launched by the Department for Trade Renewables in September 2020 at Queen Elizabeth House. The hub will provide ease of access for businesses in Scotland to DIT networks, expertise and UK Export Finance representatives.

Export Finance Manager Alistair McMillan focuses on the renewables and clean tech sectors and can be contacted on 07880 479858 or email alistair.mcmillan@ukexportfinance.gov.uk

Scotland Senior Export Finance Manager Jon Boyce can be contacted on 07990 887 852 or email jon.boyce@ukexportfinance.gov.uk

Health and wellbeing

Flexibility Works

Scotland-based social business that supports employers to develop more flexible workplaces. As a social organisation, part of their mission is to add value for employers free of charge, supporting lower income workers to secure the flexibility they need to balance their work and home life.

Contact on 0141 378 8330 or email hello@flexibilityworks.org for more information

Scottish Association for Mental Health (SAMH)

SAMH represents the voice of people most affected by mental health issues in Scotland, through campaigning, influencing public policy and legislation as well providing mental health social care, employability and training support across the country. Increasingly SAMH also provide mental health and related wellbeing services in the workplace as employers recognise the critical need to support their people from the perspectives of both social responsibility and economic productivity.

If SAMH can help address this issue in your organisation please contact - training@samh.org.uk

Timewise

Timewise is the UK's leading flexible working consultancy specialising in flexibility as a positive talent strategy. We help employers design innovative solutions that attract talented, loyal people and create fair workplaces. They can help businesses with their flexible working strategy or advertise a role on the Timewise jobs board.

Contact 020 7633 4444 or info@timewise.co.uk for more information

Skills and training

BT Skills for tomorrow

Platform of online learning for people and businesses with a range of free online or face-to-face courses aimed to make people feel more confident online. Courses included skills for home life and for work life, including a range of courses to help grow one's business and free webinars particularly focused on navigating the impacts of the pandemic.

<https://www.bt.com/skillsfortomorrow/work-life>

National Transition Training Fund

Fund managed by Skills Development Scotland for those currently under threat of redundancy or have been made redundant at any time from the 1st March 2020 and are aged 25 or over to access an industry recognised qualification to help gain employment.

Contact SDS helpline on 0800 917 8000 for more information.

<https://www.myworldofwork.co.uk/national-transition-training-fund>

References

1. CBI Scotland, 'Pursuing Prosperity: Why regional productivity matters for Scotland's future', June 2017
2. <https://www.gov.scot/news/health-and-wellbeing-as-fundamental-as-gdp/>, 22 January 2020
3. SAMH study in September 2020 found 43% of people with mental health problems in Scotland felt they did not get care or treatment because of the pandemic and 58% agreed opportunities to discuss their care or treatment had worsened since the COVID-19 lockdown in March 2020.
4. Total early-stage entrepreneurship (TEA) = sum of nascent entrepreneurial rate and new business ownership-manager rate, without double counting, NatWest Global Entrepreneurship Model. TEA rate higher than 10yrs ago, despite small declines in last two years – i.e. long-term positive trend.
5. This survey was first published in August 2018 so no long-term trends can be deduced.
6. This survey was first published in August 2018 so no long-term trends can be deduced.
7. The Lancet, 'Mental health before and during the COVID-19 pandemic: a longitudinal probability sample survey of the UK population', July 2020
8. <https://www.gov.uk/guidance/national-data-strategy>
9. <https://consult.gov.scot/digital-directorate/digital-strategy-for-scotland/>
10. Total early-stage entrepreneurship (TEA) = sum of nascent entrepreneurial rate and new business ownership-manager rate, without double counting, NatWest Global Entrepreneurship Model. TEA rate higher than 10yrs ago, despite small declines in last two years – i.e. long-term positive trend.
11. '**Innovation active**': the definition includes any of these activities; 1. The introduction of a new or significantly improved product (good or service) or process; 2. Engagement in innovation projects not yet complete, scaled back, or abandoned; 3. New and significantly improved forms of organisation, business structures or practices, and marketing concepts or strategies; 4. Investment activities in areas such as internal research and development, training, acquisition of external knowledge or machinery and equipment linked to innovation activities.
12. Scottish Government: "[We]... support an economic recovery which is underpinned by our ambitions for a wellbeing economy one that is environmentally sustainable; supports local communities; and enables businesses to thrive and innovate.", 'Addressing the labour market emergency: The Scottish Government's response to the Report by the Enterprise & Skills Strategic Board sub-group on measures to mitigate the labour market impacts from COVID-19', August 2020
13. UK Government: "The UK was the first major economy to commit to net zero emissions by 2050 in law... We will continue to build on this even further and deliver a stronger, cleaner, more sustainable economy after this pandemic.", Speech, Prime Minister Boris Johnson MP, 30 June 2020
14. Letter to the First Minister from CBI Scotland Director and CBI Director-General, June 2020
15. ScottishPower, Unlocking Net Zero: 10 Practical Steps For A Green Recovery, June 2020

16. CBI Scotland has welcomed the Commission's recommendation to create a specialist, independent body that can provide strategic infrastructure advice to government to ensure Scotland takes a long-term approach to infrastructure investment, informed by the best possible evidence and advice. The focus on collaboration is also important as developing a genuine and effective partnership between business and government at all levels will be critical for delivery.
17. Small Business Survey, Department for Business, Energy & Industrial Strategy, 2018.
18. CBI, 'Learning for life: funding world class adult education', October 2020
19. Defined as any of these activities: introduction of a new/significantly improved product (good or service) or process; engagement in innovation projects not yet complete, scaled back or abandoned; new/improved forms of organisation, business structures of practices, marketing concepts or strategies; investment activity in internal R&D, training, acquisition of external knowledge or machinery/equipment linked to innovation.
20. Be the Business, 'A Third; A Third; A Third: different Firm positions on Recovery', June 2020
21. McKinsey, The COVID-19 recovery will be digital: a plan for the first 90 days, 2020.
22. <https://www.bethebusiness.com/rebuild-your-business/find-a-topic/technology-ecommerce-automation/>
23. CBI 'From Ostrich to Magpie: Increasing business take-up of proven ideas and technologies', 2017
24. Andrew G Haldane, 'The UK's Productivity Problem: Hub no Spokes', speech, June 2018
25. CBI Scotland, 'Pursuing Prosperity: Why Regional Productivity Growth Matters for Scotland's Future', June 2017
26. Scottish Government, 'Scotland's Trade and Investment Strategy 2016-2021': "In fact, just 15 businesses account for 30% of all international exports, 70 – 50% and 130 – 60%".
27. Scotch Whisky Association, Facts & Figures, 2018
28. CBI, 'Partnership for prosperity: Building a long-term UK trade strategy', October 2020
29. CBI Scotland, 'Winning worldwide: Making Scotland a bolder, bigger and better exporting nation', 2019
30. Scottish Government, 'A Trading Nation – helping Scottish businesses to export', 2019
31. CBI, Growth Indicator, September 2020: 77% of businesses said they wanted a deal to be agreed, while 4% say they prefer a no deal scenario.
32. CBI, 'Partnership for prosperity: Building a long-term UK trade strategy', October 2020
33. Please find list with examples of support in Appendix
34. This survey was first published in August 2018 so no long-term trends can be deduced.
35. This survey was first published in August 2018 so no long-term trends can be deduced.
36. The first Employer Skills Survey covered 2011 with data available for 2015 and 2017
37. Vaitilingam, Romesh, 'Recession Britain: Findings from economic and social research', ESRC, September 2009
38. Marcus, Rachel and Maja Gavrilovic, 'The impacts of the economic crisis on Youth: Review of Evidence', Overseas Development Institute, October 2010
39. CBI, 'Learning for life: funding world class adult education', October 2020
40. Adult Participation in Learning Survey, Learning & Work Institute, 2019

41. Social Mobility Commission, The adult skills gap: is falling investment in UK adults stalling social mobility?, 2019
42. CIPD, Working Lives Scotland, June 2020
43. CIPD, Working Lives Scotland, June 2020
44. <https://www.skillsdevelopmentscotland.co.uk/what-we-do/employability-skills/sds-individual-training-accounts/>
45. The Liberal Democrats have proposed a £10,000 UK Skills Wallet
46. SCDI have advocated 'universal and flexible Upskilling & Lifelong Learning Fund which empowers every Scottish adult to partly or wholly fund reskilling or upskilling opportunities at any stage of their life or career.'
47. IPPR Scotland has recommended enhanced individual training accounts carried over for up to three years (Better than before: A Scotland built on social, economic, and climate justice, September 2020)
48. 'Education and learning for the modern world: CBI/Pearson education and skills survey', Nov 2019
49. Begbie, Sandy 'Young Persons Guarantee: No-one Left Behind', initial report, September 2020
50. CBI, 'Learning for life: funding world class adult education', October 2020
51. Mark Logan, Independent Review into the Scottish Technology Ecosystem, August 2020
52. The Stevenson / Farmer review of mental health and employers, 'Thriving at work', October 2017
53. Deloitte, 'Mental health and employers: Refreshing the case for investment', January 2020: The report calculates that poor mental health costs UK employers at £42 – 45 billion a year, compared to £33 – £42 billion in 2017. The 16% rise is calculated from the mid-points between the two.
54. CIPD, Health and well-being at work, March 2020
55. CIPD, Working Lives Scotland, June 2020
56. Deloitte, 'Mental health and employers: Refreshing the case for investment', January 2020
57. CBI, Front of Mind: Prioritising Workplace Health and Wellbeing, September 2018
58. CBI, Great Job: Solving the productivity puzzle through the power of people, May 2019
59. CIPD, Factsheet: Job design, June 2020
60. Timewise, 'From Crisis to Opportunity: Redesigning the Workplace, A line manager's guide to supporting flexible working in your team', 2020
61. CIPD, Working Lives Scotland, June 2020
62. Timewise, 'From Crisis to Opportunity: Redesigning the Workplace, A line manager's guide to supporting flexible working in your team', 2020
63. Transport Scotland, 'Scottish Transport Statistics', No. 38, 2019 Edition
64. Department of Transport, 'Use of transport modes: Great Britain, since 1 March 2020' (last update 28 Oct 2020)
65. <https://www.spenergynetworks.co.uk/pages/pace.aspx>

66. Cebr & Openreach, Full Fibre Broadband: a platform for growth, 2019
67. Cebr, Using Digital to Revive the UK, 2020
68. Oxera, Gigabit broadband: what does it mean for consumers and society?, 2019 (Prepared for Liberty Global)
69. CBI, 'Building a World-Class Innovation and Digital Economy: Recommendations for an innovation and technology-led recovery', June 2020
70. Be the Business, 'A Third; A Third; A Third: different Firm positions on Recovery', June 2020
71. Scottish Government, Business statistics 2019
72. Mark Logan, Independent Review into the Scottish Technology Ecosystem, August 2020
73. CBI/KPMG, Commuting beyond the Coronavirus, July 2020
74. CBI Scotland, Connecting to the Future: The next generation of infrastructure priorities for Scotland, 2019
75. <https://www.gov.scot/policies/economic-growth/inclusive-growth/>
76. <https://www.gov.scot/groups/wellbeing-economy-governments-wego/>
77. <https://www.gov.uk/government/speeches/boris-johnsons-first-speech-as-prime-minister-24-july-2019>
78. CBI Scotland, 'Pursuing Prosperity: Why regional productivity matters for Scotland's future', June 2017
79. Institute for Fiscal Studies, "Sector Shutdowns during the Coronavirus Crisis: Which Workers Are Most Exposed?".
80. ONS, 'Understanding spatial labour productivity in the UK', article, May 2019
81. JLL, 'COVID-19 Impact: offices will find a new purpose. Workplace insights on human performance', July 2020

About the CBI

Founded by Royal Charter in 1965, the CBI is a non-profit business organisation that speaks on behalf of 190,000 UK businesses of all sizes and from across all sectors, employing nearly 7 million people between them. That's about one third of the private workforce. This number is made up of both direct members and our trade association members. We do this because we are a confederation and both classes of membership are equally important to us.

The CBI's mission is to promote the conditions in which businesses of all sizes and sectors in the UK can compete and prosper for the benefit of all. With offices around the UK (including in Scotland, Wales and Northern Ireland) and representation in Brussels, Washington, Beijing and Delhi, the CBI communicates the British business voice around the world.

Our mandate comes from our members who have a direct say in what we do and how we do it

The CBI receives its formal mandate from 9 Regional Councils, 3 National Councils from Scotland, Wales and Northern Ireland plus 16 sector based Standing Committees. These bodies are made up of members in that region, nation or sector who serve a term of office. The chair of each Standing Committee and Regional and National Council sit on the CBI's Chairs' Committee which is ultimately responsible for setting and steering CBI policy positions.

Each quarter this formal engagement process across the CBI Council reaches over 1,000 senior business leaders across 700 of our members who have a direct say in what the CBI do and how they do it, from refreshing their workplan to discussing the key business issues of the day and re-calibrating its influence. Over 80% of the businesses represented on the CBI Council are outside of the FTSE350 as the CBI represents a wide range of sizes and sectors from the UK business community. This formal governance process is supported by a wide range of working groups, roundtables, member meeting and events that makes the CBI unparalleled at listening to and representing British business.

CBI Council in numbers



1000+

Committee and Council representatives



28+

Regional and National Council and sector based
Standing Committees



50%

Representatives of the CBI Council at C-Suite level



80%

Of the CBI Council from non-FTSE 350 businesses

Produced by Mari Tunby and the **Regional Growth** team
To share your views on this topic or ask us a question, contact:



Mari Tunby
Head of Policy - Scotland
mari.tunby@cbi.org.uk