



Enterprise and Skills Strategic Board Annual Analysis 2019

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Purpose

The Enterprise and Skills Strategic Board set out their ambition in the Strategic Plan to review the performance of enterprise and skills activity in Scotland. In March 2019 the Board signed up to a six-part Performance Framework, of which the Annual Analysis is a key part.

The Annual Analysis aims to:

1. Analyse the Performance Framework indicators and demonstrate areas where Scotland's performance is strengthening or weakening;
2. Highlight recent analysis and evidence on topics that relate to the performance of these indicators and the impact of activities underway by the agencies, including the Missions; and
3. Use this analysis to recommend areas of focus for the Board in 2020, including to inform the Quarterly Deep Dives.

Summary

Performance

Scotland remains in the second quartile of OECD nations for productivity, with a ranking of 16th among the 36 OECD nations. This ranking has seen no change since 2002, apart from two years where Scotland's ranking rose to 15th (in 2004 and 2006). Scotland's GDP would need to increase by almost £33 billion to match the productivity of the top quartile.¹

The Board's Performance Framework identifies factors that the enterprise and skills system influences and which, in turn, affect productivity. The data shows:

- **Capital investment:** measured by Gross Fixed Capital Formation, investment has remained below UK and OECD averages since the mid-90's at around 17% of GDP. This places Scotland in the fourth quartile of OECD nations alongside the UK.
- **Human capital:** Scotland has a well-qualified labour force with high employment. Yet there has been a persistent decline in job-related training over the past 15 years. Adult skill levels are stable in the longer term but school pupil performance has fallen below the UK and OECD averages.
- **Innovation:** Scotland is in the first quartile of European countries for its share of innovation active companies in 2014-16, with a greater proportion of innovation active companies than in 2012-14.² However, based on a broader set of sectors, the proportion of innovation active companies in Scotland has declined from 50% to 45% over the same time period.
- **Exports:** despite the challenging global trading conditions, Scottish export growth has remained strong in the long term, though has levelled out in recent years.³ Scotland still ranks in the fourth quartile of OECD countries for exports as a percentage of GDP (this rises to the second quartile if exports to the rest of the UK are included).
- **Business creation:** the number of businesses per 10,000 adults in Scotland is growing and is at its highest level since the current time series began in 2000. The overall number of businesses has remained fairly steady since 2015.⁴

Scotland's labour market has been a key strength amidst a period of muted economic growth and heightened economic uncertainty. Record levels of employment were recorded during summer 2019 and unemployment was at a record low. However, economic growth continues to be weak and the overall productivity growth of the Scottish economy slowed during 2019. Indeed, output per hour worked

¹ An increase of 21% in 2017 figures, assuming no increase in labour input.

² The sectors omitted for the purpose of European comparison account for 64% of all of Scotland's businesses with 10 or more employees and are primarily service focussed

³ There are three main sources of data for Scottish exports. The NPF indicator uses Export Statistics Scotland which reports exports of goods and services (latest data 2017) excluding oil and gas.

⁴ Scottish Government, 2019. [Businesses in Scotland, headline figures.](#)

increased by 1.5% per year on average between 1998 to 2007 but since then has slowed to 1.0% per year.

Missions

The Strategic Plan identified four areas that affect productivity and that the enterprise and skills system can influence. The impact of these missions will occur over many years.

The Board has asked for information on the impact of the mission actions agreed in the Strategic Plan. However it is too soon to be able to measure impact from these actions, many of which are at very early stages of development and delivery. The Board has received regular and detailed updates on progress towards the missions and the table in section 2 summarises high level progress in 2019 alongside information available on how the impact of the actions will be evaluated in the future. Many of the mission actions are now being taken forward within other policy strategies, for example, the exporting actions are incorporated within A Trading Nation⁵ and the future skills actions within the Future Skills Action Plan.⁶ It is timely, therefore, to consider how the Board will retain oversight of the way in which the specific actions from the Strategic Plan are progressing.

There are significant evidence gaps on the causes of Scotland's productivity under-performance and on the impact of the agencies' activities. By the time of the next Annual Analysis the Board and others should have a much clearer understanding of at least three matters:

- the return on investment in post-school education and training, at £1.5bn per year, the largest single element of activity in the enterprise and skills system;
- the causes of the productivity gaps between Scotland and other countries and how these might best be closed; and
- the impact of investment in innovation.

Work is also underway to assess the strength of the evidence base of the range of activities undertaken by the agencies. Therefore, while this report sets out the best evidence available, the Board will have more and better evidence with which to work to set priorities in the future.

Implications for the Board

Taking account of national performance and a wider discussion of evidence in Annex A, the Analytical Unit recommends the following areas for Deep Dives in 2020: investment and infrastructure; international productivity comparisons; and skills alignment and the Education and Skills Impact Framework (ESIF) project.

In addition, two further topics for focus in 2020 are innovation and exporting. The Board will receive ongoing updates of the Analytical Unit's work on innovation and the plans to evaluate the Export Plan during the year.

⁵ Scottish Government, 2019. [Scotland: a trading nation.](#)

⁶ Scottish Government, 2019. [Scotland's Future Skills Action Plan](#)

1. The Performance Framework

1. The Performance Framework is best viewed in the wider context of the Scottish economy. The economy grew by 0.6% in the first three quarters of 2019 and 0.7% over the year from September 2018 (lower than the UK rate of 1%).⁷ The labour market has seen employment, unemployment and inactivity weaken since the middle of 2019, and worsen compared with the UK. However, overall the labour market remains strong, with record rates of employment being recorded during the summer and youth unemployment is low compared to historical levels at 8.6%. In relation to equality, fewer employees are earning less than the living wage (16.9% down 2.5 percentage points) but the Gender Pay Gap has increased to 7.1% in 2019 from 5.6% in 2018.⁸
2. Business activity was below the long term average in 2019 and business investment continues to be below the UK and EU averages. Consumer confidence has fallen over the past few years, and continued to fall in 2019.⁹ Expectations of the Scottish economy mirrored this. However, retail sales – often an early indication of consumer confidence – continues to perform within the long term average.
3. Against this backdrop, the following graphic shows progress against the Strategic Board Performance Framework indicators. The first column shows the short term trend and if there has been an improvement (green), performance is being maintained (orange), or, a worsening in performance (red) in the latest data. The second column shows the longer term trend measured as the change across five years with the same colour marking system (i.e. from 2014 if the recent data is 2019). The third column shows a short term international or UK comparison (the latter marked by a circle) and the number indicating the quartile in which Scotland ranks. For some comparisons, due to data limitations, a proxy indicator different from the NPF was used. Further detail can be found in Annex C.
4. At a regional level, the picture is more varied. The interactive dashboard, which the Analytical Unit has developed as part of the Performance Framework, does provide greater analysis at the sub-national level. This evidence will be used to inform the quarterly Deep Dives.

Performance Framework Graphic example:

Scotland was ranked 16th in terms of OECD productivity ranking (2nd quartile), showing no change from the last data release and no change over the long term.

⁷ More detail found in the Scottish Government [State of the Economy report](#); September 2019.

⁸ For full time employees.

⁹ Measured by expectations of household finance.

- ● Improvement
- ● No change
- ● Worsening
- ● Time series not available

Productivity

	Latest Scottish Data	Longer term trend	OECD / UK Comparison
Productivity (OECD rank)	16th	■	2
Economic Growth (vs previous 3 year avg.)	+0.5pp	■	4
International exporting (£m)	32,440	■	4
R&D spend (% GDP)	1.63%	■	3
High growth businesses (% of all)	1.1%	■	■
Number of businesses per 10,000 adults	396	■	2
Scotland's reputation (Anholt GfK-Roper Nation Brands Index)	62.7	■	2
Skills shortage vacancies (% of establishments)	6%	■	1
Young people's participation	91.6%	■	1
Economic participation (vs best performing other UK country)	-1.11pp	■	2
Educational Attainment (School leavers)	62.2%	■	2/3
Access to Broadband	92%	■	3
Entrepreneurialism	6.3%	■	4
Work place learning	22.5%	■	3
Innovation active bus.	45%	■	1
Skills under-utilisation (% of establishments)	35%	■	2
Skill profile of population (low/no qualifications)	11.6%	■	2

5. The Scottish economy continues to experience modest growth, albeit at a higher rate than the three year average.¹⁰ Scotland is 16th out of OECD countries for productivity, having seen no change since 2002 apart from two years at 15th place in 2004 and 2006. Since 2007, Scotland's productivity has grown at an average annual rate of 1.0% per year, compared to the UK average of 0.3% over that period. Therefore Scotland's productivity gap with the UK has reduced over

¹⁰ Economic Growth indicator: note that Scotland ranks in the 4th quartile alongside Germany. Low economic growth is currently a common feature of a stable economy.

the past decade from around 10% to around 2% despite its OECD ranking remaining unchanged.

6. Understanding the causes of this longer-term productivity gap with top performing OECD nations, and the extent to which the factors fall within the enterprise and skills system, is vital to inform future decisions of the Board. Research has been commissioned by the Analytical Unit to explore these factors and we recommend that the results inform a future Deep Dive.

Business related indicators

7. Overall, business indicators are performing better than skills indicators. The number of businesses per 10,000 adults in Scotland is growing despite business start-up rates being low compared to the UK level. However, the overall stock of businesses has remained broadly unchanged, with growth of less than 1% since 2015.¹¹ And internationally Scotland has performed worse in the latest data, though remains in the 2nd quartile. The proportion of high growth businesses is also rising however there is evidence that Scotland has been below the UK trend for high growth episodes since 2010.¹²
8. The two indicators performing worse for business are entrepreneurialism (ranking in the bottom quartile for UK nations) and innovation active businesses. On the latter, Scotland is in the first quartile of European countries for its share of innovation active companies in 2014-16, with a greater proportion of innovation active companies than in 2012-14. However, Scotland is in the 2nd quartile for product innovators and the 3rd quartile for process innovators. And, based on the broader set of sectors used in the UK innovation survey, the proportion of innovation active companies has declined from 50% in 2012-14 to 45% in the same time period.
9. The level of investment within an economy has a major impact on a country's productivity. Scotland's physical capital stock is significantly lower per worker than the most productive OECD countries¹³ and investment in this capital stock remains low, with Scotland in the bottom quartile of OECD nations alongside the UK. For Scotland to reach the top quartile would take a 42% increase (equivalent to around £39.3 billion in 2018 prices). It is recommended that the Board take a further look at the low levels of investment in the Scottish economy in a Deep Dive.
10. Although Scotland ranks in the bottom quartile of OECD countries for exports as a % of GDP, Scotland ranks in the 2nd quartile when adding in exports to the rest of the UK, alongside Austria, Germany and Denmark.¹⁴ International exports

¹¹ Scottish Government, 2019. [Businesses in Scotland, Table C.](#)

¹² Unpublished report from Enterprise Research Centre.

¹³ Hume Institute, 2018. [Scotland's Productivity Challenge](#)

¹⁴ World Bank, 2019. [Exports of goods and services \(% of GDP\)](#); Scottish Government, 2019. [Other Quarterly National Accounts Summary Tables](#)

outwith the UK remained strong until 2017. The most recent HMRC data shows that Scotland's goods exports (excluding oil and gas) were flat in the year to September 2019. However, some sectors have performed well including food and drink (a 10% increase).

11. Scotland's international reputation has maintained performance over the last 5 years. Although Scotland ranks in the 3rd quartile of OECD countries for R&D spend as a % of GDP alongside Canada, the UK and New Zealand, spend on R&D as % of GDP continues to rise.

Labour market and skills indicators

12. Scotland has a highly qualified labour force (see Annex E, Figure 6) with a growing proportion of the labour stock having high skills and medium-high skills. The stock of medium-low skills continues to fall year-on-year since 2007. In the shorter term, there are four labour market and skills indicators where performance is worsening though internationally Scotland performs well in three of the indicators. There has been an increase in skills under-utilisation at the same time as a decrease in work placed learning. Across the UK, Scotland is in the 3rd quartile for the latter. Although there are high levels of economic participation, this has also decreased in the longer term and compared to the UK nations. Scotland has similar levels of skills shortage vacancies to the rest of the UK.
13. An evaluation is underway on the return on investment in post-school education and training and it recommended that a Deep Dive considers the result from this evaluation alongside progress on the Skills Alignment project.

		Latest Scottish Data	Longer term trend	OECD / UK Comparison
Equality	Gender difference in employment rates	7.6pp		
	Gender pay gap	7.1%		
	Income inequality (Palma)	127%		
Wellbeing	Earning less than Living Wage	16.9%		
	Mental wellbeing (avg. score on WEMWBS)	49.4		
	Employee Voice	34.8%		
	Social Capital	95%		
Sustainability	Natural Capital Asset Index	101.9		
	Renewable sources	19.1%		
	Carbon Footprint (million tonnes CO2 equivalent)	76.5		
	Greenhouse gases (change from 1990)	-39.1%		

14. Scotland's performance in terms of equality has worsened slightly in the latest data, and in its position internationally. Over the longer term the gap between male and female employment rates has remained steady but the gap in income between the top 10% and the bottom 40% of the population has widened at the UK level. The latest data also showed an increase in the gender pay gap to 7.1% but in the longer term the pay gap has narrowed considerably from 18.4% in 1997 to 5.6% in 2018.

15. In terms of wellbeing measures, fewer workers are earning less than the National Living Wage, and mental wellbeing measures remain unchanged. Measures regarding employee voice have also are maintaining performance. Social capital – a new measure introduced to the NPF in 2019 consisting of Social Participation; Social Networks; Social Cohesions; Community Empowerment – has decreased.

16. Scotland performs well on sustainability measures, with increasing natural capital and energy from renewable sources. Scotland's carbon footprint and greenhouse gases have experienced little change over the most recent period, and carbon footprint has decreased over the past five years.

2. Update on Measuring the Impact of Strategic Board Missions

17. In 2018, the Strategic Board agreed on four Missions that linked directly with agency activity and sought to improve economic performance:

- Exporting;
- Business Models and Workplace Innovation;
- Skills for the Future; and
- Business Creation and Growth.

18. The Performance Framework reports on the long term progress of Scotland regarding enterprise and skills, but as impacts can take many years to materialise, reviewing and monitoring the Missions is vital. The table below summarises the actions underlying each mission, the future actions planned and emerging plans to measure the impact of the missions.

Actions	Progress Report	Measuring Impact
<p>Exporting</p> <p>This Mission is was officially closed following the publication of the Export Growth Plan ‘A Trading Nation’ (ATN) in May 2019. The Strategic Board agreed that the actions below will be integrated in the governance arrangements for ATN.</p>		
<p>Exp (A1): Co-ordinate a national exporting service - a one Scotland approach to export delivery organisations and services.</p>	<p>Work is underway to develop a single access point to enable businesses to reach public sector support as and when they need it.</p>	<p>Plans are underway to develop a monitoring and evaluation framework for Scotland’s Export Strategy ‘A Trading Nation’, in collaboration with agencies and partners.</p>
<p>Exp (A2): Explore a new public/private sector partnerships which will provide support to scale-up, and refresh export support resources.</p>	<p>The Scottish Government is working with Universities to establish an action plan to better target alumni events at Indonesian, Indian and Saltire Scholars. The working group plans to publish an alumni action plan by 2020.</p>	
<p>Exp (A3): Develop digital, sales and international language training programmes for exporters.</p>	<p>There are plans to increase the digital offer of training, advice and resources through the enterprise agencies’ new single access portal.</p>	
<p>Business Models and Workplace Innovation</p> <p>The different strands within the BMWI mission are at varying levels of maturity and this mission is still live.</p>		
<p>BMW (A1): Deliver an ‘Innovating Workplaces’ campaign.</p>	<p>A communications workstream has been established and has developed the core of a promotional campaign, incorporating agency priorities.</p>	<p>Evaluation activity specific to actions to be developed. However both SDS and SE continue to</p>

	Joint promotion of integrated Masterclasses and a joint event calendar has been developed.	gather customer feedback on the range of services on offer.
BMW I (A2): Data-led approach to proactively identify and support sectors and firms.	<p>The Data Led activity is being progressed within Scottish Enterprise as it will provide insight for a wider set of issues than just BMWI. It will inform activity within the Target Operating Model.</p> <p>Significant work by SDS to develop improved diagnostic tools for both on-line and face to face services incorporating the Fair Work First KPI's.</p> <p>Development activity being undertaken between SE & HIE on diagnostic assessments.</p> <p>Development is planned of on-line services offering access to skills, knowledge and support particularly around leadership and management development.</p> <p>Further customer research is required to scope the on-line development and we will liaise with the Business Organisations and Trade Bodies to inform the development activity.</p>	
BMW I (A3): Co-ordinate a programme of business models and workplace innovation activity.	The cross agency development team is completing their reviews and recommendations on current services and development proposals, taking into account the ambitions for increased reach and a consistency of service across Scotland.	
<p>Skills for the Future</p> <p>In September 2019 the Board also agreed that following the publication of the Future Skills Action Plan (FSAP), the Future Skill Needs Mission would close and the Board would focus its attention on supporting the implementation of the FSAP.</p>		
FS (A1): Implement Skills Alignment 5 state model	<p>A detailed programme of work is now being mobilised with an initial core team now in place, directly reporting to the new Director of Skills Alignment (Maggie Wightman).</p> <p>The Board received a detailed update on this workstream at their December meeting.</p>	<p>An Evaluation Plan for the Skills Alignment model is a key deliverable in 2020.</p> <p>A core part of that plan is the Education and Skills Impact Framework (ESIF)</p>

		investigating impact of post-school education and skills system. Initial outputs due Autumn 2020.
FS (A2): Define 'meta-skills'	<p>This has been integrated into the Future Skills Action Plan.</p> <p>A model to describe meta skills has been developed by SDS in response to Skills 4.0 in 2018. SFC facilitating links to Colleges and Universities, QAA and Education Scotland through the quality framework.</p> <p>SDS are running pilots in Graduate Apprenticeships and SCQF level 4/5 awards to test the current meta skills model.</p> <p>Developing new apprenticeship standards: for Modern and Technical Apprenticeships in 4 sectors: FinServ; EL&C ; Electrical Installation and IT and Telecoms.</p>	<p>The first evaluation outcomes of the Meta Skills pilots will be available from 2020 onwards.</p> <p>SDS will test the inclusion of meta skills as a core component of the apprenticeship standards during the development process to assess how well they are understood and valued by employers and apprentices.</p>
<p>Business Creation and Growth</p> <p>It was also agreed in September 2019 that the BCG mission was largely operational and it too should closed, with reporting by exception only.</p>		
BCG (A1): Establish a campaign to foster entrepreneurship and ambition across society, with particular focus on inclusivity (incl women, minority ethnic groups, rural considerations etc).	<p>An early prototype of the SEP, has been tested with customers since May 2019. The first public version, is now available and will be promoted to external audiences on Wednesday 22 January 2020.¹⁵ From the project's inception, almost 500 businesses have been, and continue to be engaged in research and testing.</p>	<p>Promotion of the prototype website using various and multiple stakeholder and comms channels and active engagement with businesses to seek feedback will continue –to directly inform the ongoing development of the public Beta site.</p>
BCG (A2): Creation of online entry point for support	<p>Focus on getting all public funded business support into one place online as soon as possible. A delivery roadmap for 'onboarding' partners is being developed for the next 12 months.</p>	
BCG (A3): Specialist support for overseas acquisitions	<p>Action paused and will be discussed as progress around the Scottish National Investment Bank (SNIB) progresses.</p>	

¹⁵ <https://findbusinesssupport.gov.scot/>

	<p>The agencies are engaging collaboratively on the creation of SNIB to ensure that its delivery meets the needs of the business base across the entire region.</p>	
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19. There are significant evidence gaps on the causes of Scotland's productivity under-performance and on the impact of the agencies' activities. By the 2020 Annual Analysis the Board and others should have a clearer understanding on these. Thus, while this report sets out the best evidence available, the Board will have a more robust evidence base to inform decisions and to set future priorities.
20. Work is also underway to assess the strength of the evidence base of the range of activities undertaken by the agencies. Therefore, while this report sets out the best evidence available, the Board will have more and better evidence with which to work to set priorities in the future. Further details can be found in **Annex B**.

Examples of recent or planned evaluation

21. In 2019, the Fraser of Allander Institute conducted analysis on behalf of Scottish Enterprise into the impact of grant support to businesses. While Regional Selective Assistance (RSA) is strongly associated with increased employment for companies which received it relative to those which did not, there was no evidence that firms in receipt of support experienced improved turnover or productivity. This was the case not only for RSA but also R&D grants, SMART grants and environmental aid and proof of concept training.
22. The Analytical Unit are launching a project investigating the causes of the longer-term productivity gap between Scotland and other advanced economies. This project will help inform the Board's thinking around areas of policy that could be applied in Scotland which would speed up productivity growth.
23. The Analytical Unit are also launching Stage 2 of the innovation project. This stage will identify approaches to address gaps in measuring long term impacts identified in Stage 1. In collaboration with the enterprise and skills agencies and relevant policy teams, a monitoring and evaluation framework is being developed with consistent metrics for each of the three areas of activity identified in the theory of change developed in stage one. In addition, work is being commissioned to identify the data and collection processes required by the agencies to allow for future evaluation in terms of the new framework.
24. A collaborative project between the Scottish Government, Skills Development Scotland and Scottish Funding Council was launched in 2019 looking into post-school education and skills. The Board will be updated on the Education and Skills Impact Framework project (ESIF) later in the year.
25. Scottish Enterprise are working with Enterprise Research Centre (ERC) on investigating high growth firms in Scotland, with a report due in 2020. Initial findings show that Scotland has been below the UK trend for high growth episodes since 2010.

3. Recommendations for Deep Dives in 2020

26. The preceding analysis has used the Performance Framework indicators to highlight areas where Scotland's performance is strengthening or weakening.
27. After consideration of recent and current analysis, this section of the report recommends areas of focus for the Board in 2020, and suggests topics for the Quarterly Deep Dives. Supporting evidence is found in Annex A. The Deep Dives should allow the Board to consider big topics in a strategic and structured way. A description of how the Deep Dives may operate is also made later in this section.
28. Based on a review of recent and current analysis, the Analytical Unit recommends three areas for the Strategic Board to focus the 2020 Deep Dives.

Deep Dives 2020

1. Investment

Consideration of how to boost investment which over the long-term has been low and will have a major impact on future productivity. Particular consideration should be given to regional inequalities and the importance of place.

2. International Productivity Comparisons

Exploration of the main causes of the productivity gap between Scotland and other countries and how these might best be closed, drawing on the findings from research currently out to tender.

3. Establishing the return on post-school education and skills

A look at the work and progress on the Skills Alignment project. As well as a closer look at the proposed outputs and use of the Education and Skills Impact Framework (ESIF) project on post-school education (a major cross-agency collaboration on impact evaluation).

29. In addition there are two further topics which should be an area of focus for the Board in 2020: innovation and exporting. While we do not propose that these topics should be full Deep Dives, the Board will receive ongoing updates of the Analytical Unit's work on innovation and the plans to evaluate the Export Plan. As new information becomes available it may be necessary to keep the topics for the Deep Dives under review. For example, towards the end of 2020 it is expected that there will be further details around the UK's future relationship with the European Union.

30. There are a number of items held over from previous Board meetings and it will take time to prepare for the Deep Dives appropriately. Our recommendation therefore is that the first Deep Dive happens at the Strategic Board meeting in June. We propose that the first Deep Dive should cover investment and the international productivity comparisons and the return on investment in post-school education and skills should follow in September and December respectively.

31. Where appropriate the Deep Dives will include:

- The commissioning of expert papers.
- Arranging relevant speakers for the pre-Board dinner.
- The Analytical Unit and agencies to collaborate on providing an overview of the evidence base.
- The agencies to lead on providing outline recommendations for activity – with a particular focus on cross-agency action.
- Equality aspects will be considered within each deep dive, such as the implications on regional inequality.

Annex A: Evidence to support 2020 Deep Dives

32. To ensure the Board continues to provide relevant and timely strategic direction, it is important to set out recent analysis of relevance to the Board's ambitions.

Below is presented a summary of evidence on:

- Theme 1: Productivity
- Theme 2: Future skills needs
- Theme 3: Innovation
- Theme 4: Exporting

Theme 1: Productivity growth

Summary

33. An ambition of the Scottish Government and the Board is to rank in the top quartile of OECD nations for productivity. Currently, Scotland remains in the second quartile, with a ranking of 16th among the 36 OECD nations. This ranking has seen no change since 2002, with only two years where Scotland's ranking rose to 15th (in 2004 and 2006). Scotland's GDP would need to increase by 21% (almost £33 billion in 2017) – with no increase in labour input – to match the productivity of the Netherlands in the top quartile. The project launched by the Analytical Unit which will investigate the causes of the longer-term productivity gap between Scotland and other advanced economies will help inform the Board's thinking around areas of policy. Therefore it is recommended that this is included in a Deep Dive.

34. Since 2007, Scotland's productivity has grown at an average annual rate of 1.0% per year, compared to the UK average of 0.3% over that period. Scotland's productivity gap with the UK has reduced over the past decade. Prior to 2008, Scotland's level of productivity was around 10% lower than the UK average. Latest data for 2017 show that the productivity gap is now around 2%.

Productivity growth and investment

35. The level of investment within an economy has a major impact on a country's productivity. Scotland's capital stock is significantly lower per worker than the most productive OECD countries¹⁶ and investment in Scotland's capital stock, measured by Gross Fixed Capital Formation as a % of GDP, has been low with Scotland ranked alongside the UK in the fourth quartile of OECD nations.

36. The gap between Scotland and the OECD average remains broadly unchanged since 2014. The top quartile average for Gross Fixed Capital Formation is around 24% of GDP compared to around 17% for Scotland. To reach the top quartile would take a 42% increase in Gross Fixed Capital Formation in Scotland which in

¹⁶ Hume Institute, 2018. [Scotland's Productivity Challenge](#)

2018 would amount to £39.3 billion.¹⁷ Therefore to investigate why investment is lower in Scotland, it is recommended that the board undertake a further look at investment in a Deep Dive.

37. In addition, there is a Scottish Government plan to increase expenditure on infrastructure by £1.5 billion by the end of the next Parliament.¹⁸ The Infrastructure Commission for Scotland published a report in January 2020¹⁹ which included work by the Fraser of Allander Institute into the link between infrastructure and growth.²⁰ Empirical evidence is weak on the link between inclusive economic growth and infrastructure although theory suggests many indirect links including improving the supply side of the economy. Trade-offs between pro-growth and pro-inequality infrastructure measures was highlighted by stakeholders.

Productivity growth and skills

38. Productivity relies on efficient use of available labour market skills and Scotland's workforce is more qualified than ever before. However there is a relatively high level of under-utilisation of graduate skills in Scotland, showing the potential of utilising available skills more efficiently. In 2018, 42.3% of employed graduates in Scotland were working in non-graduate roles five or more years after graduating. Scotland has performed consistently worse than the UK as a whole on these measures since 2012, when the time series began.²¹ In 2019, the Education and Skills Impact Framework (ESIF) on post-school education and skills provision was launched. The Board will receive a report on this in 2020 and it is recommended a Deep Dive considers the results from the evaluation alongside progress on the Skills Alignment project.

39. In addition, latest OECD survey results of school pupils show that Scotland's relative performance compared to other countries, including UK administrations, improved in reading in 2018 compared to 2015.²² However, Scotland's performance declined in maths when measured by the number of comparator countries that were above and below Scotland. Outperforming Scotland were 18 countries including Denmark, Finland and Sweden. In science, Scotland's relative position compared to OECD countries and UK administrations was similar to 2015. Over the longer term, Scotland consistently scored higher than the OECD average in Maths and Science until 2015. In the 2015 and 2018 results key comparator countries – including Sweden, France and Germany – scored higher in all three categories (see Figures 10-12 in Annex E). Therefore the data shows a marked change between the 2012 and 2015 scorings for Scotland.

¹⁷ All onshore.

¹⁸ Scottish Government, 2019. [Economic Action Plan: infrastructure investment](#)

¹⁹ Infrastructure Commission, 2020. [Phase 1: Key findings report. A Blueprint for Scotland.](#)

²⁰ Fraser of Allander Institute, 2019. [The relationships between infrastructure and inclusive economic growth: evidence review](#)

²¹ UK figure for 2018 was 36.3% for non-recent graduates. Source: ONS, 2019. [Percentage of total graduates working in non-graduate roles by country of birth in parts of the UK and London, 2012 to 2018](#)

²² Programme for International Student Assessment (PISA), 2018. [Highlights from Scotland's results.](#)

40. Further evidence at the UK level also shows that while a high number of individuals in the UK gain tertiary education, skill levels compared to comparator countries are fairly low.²³ (See Annex D for accompanying tables).
41. At the same time, the UK ranked the lowest in terms of continued formal education and training throughout careers and age group. Between 2004 and 2018 the UK, Scotland and the Scottish regions have fallen significantly down the rankings with none recorded in the top 10 ranking.²⁴ The low levels of training cuts across all industries.

Business productivity and business survival

42. In 2019, the UK Government published a review of business productivity which highlighted the importance of good management and the sources of business advice.²⁵ Making better use of data and evaluation is also highlighted. The two drivers of firm-level productivity tested concerned management practices and technology adoption. UK SMEs are less likely to use formal management practices, and internationally compare poorly on people management. As this is strongly correlated with productivity, it suggests an opportunity for firms to become more productive. In addition, adopting technologies can improve productivity but the level of adoption is significantly below EU top performers.
43. Furthermore, productivity growth requires both firm creation and firm destruction. As presented in the Performance Framework, the number of businesses per 10,000 adults is increasing. In 2017, Scotland's business birth rate was 11.1% the second lowest of UK regions.²⁶ The business death rate was 11.8%, slightly higher than the UK rate of 11.4% and 4th highest of the UK regions. The UK as a whole has consistently created firms at a higher rate²⁷ than EU comparators.²⁸

Productivity and equality

44. The Strategic Plan adopted a focus on inclusive growth and remains a focus of the Scottish Government. Both the OECD²⁹ and IMF³⁰ have commented on the detrimental impact of income inequality on economic growth.
45. There are large variations in labour market outcomes across regions of Scotland. In 2018 the gap between the highest (Orkney Islands) and lowest (Glasgow City) local authority employment rates was 23.3 percentage points. In every year since 2004, the lowest employment rate of any local authority in Scotland has either been Glasgow, Dundee or North Ayrshire.³¹

²³ Note: the study contains data from England and Northern Ireland only.

²⁴ Data from the Labour Force Survey.

²⁵ UK Government, 2019. [Business Productivity Review](#)

²⁶ ONS, 2018. [Business Births and Deaths](#).

²⁷ See Annex, Figure 15

²⁸ Categories are no employees, 1-4 employees, 5-9 employees and 10+ employees.

²⁹ OECD, 2015. [All Party Group on Inclusive Growth](#)

³⁰ IMF, 2018: [5 things you need to know about inequality](#)

³¹ Annual Population Survey, 2018.

46. There is a general consensus that a gender pay gap has a negative effect on productivity, on skills and training pipeline, and on society more broadly. The gender pay gap in Scotland has narrowed considerably from 18.4% in 1997 to 5.6% in 2018, the narrowest since the series began. Having increased over 2019 to 7.1%, however, the gap is now at its widest since 2015. The Scottish Government published the Gender Equality Action Plan in 2019.³²
47. Research published by Close the Gap in 2018 found four main factors contributing to Scotland's pay gap – these have worsened since the first iteration of the research in 2004. The four factors are:
- Bonus earnings: Women are less likely to receive a bonus, but when a woman does receive a bonus it is, on average, less than a man's.
 - Company size: Women in smaller companies are more likely to receive lower pay than women working in a medium or large sized organisation.
 - Occupational segregation: An occupation's gender composition affects the amount a worker can expect to be paid. Male-dominated sectors have higher pay. Female-dominated sectors have lower pay, such as the care sector.
 - The "gender residual": or penalty for being a women, is the most significant and is attributed to gender discrimination in the labour market, i.e. structural inequalities and systemic disadvantage experienced in entering and progressing in employment.
48. In addition, research by the Scottish Rural College (SRUC) provides new insights to the gender pay gap performance in rural regions in Scotland. The analysis finds that the largest decrease in the gender pay gap between 2012-2018 occurred in mainly rural local authorities to the point at which females were earning more than males in 2018. The picture for islands and remote rural is more volatile, although the gender pay gap has declined from 20% in 2016 to 4.5% in 2018. Further analysis is needed to understand the drivers behind this pattern and why this change does not appear to be affecting the national pay gap.

³² Scottish Government, 2019. [Gender Pay Gap Action Plan](#)

What this means for the Board:

- Success means ranking in the 1st quartile of OECD nations for productivity. As productivity rankings of OECD nations have remained stable over the longer term, it is important to consider when we would realistically expect to see Scotland narrow the gap with the top quartile of OECD nations.
- The level of investment will have a major impact on future productivity. Therefore a Deep Dive is recommended which would include consideration of how to boost investment which over the long-term has been low. Particular consideration will be given to regional inequalities and the importance of place.
- Evidence indicates that businesses only experience sporadic rather than prolonged periods of growth. Is there scope for business support to be more time-limited in order to best support periods of growth?
- With Scotland's business stock remaining low, to what extent can the Business Creation and Growth mission reverse this long term issue?
- The UK Government review of business productivity highlighted the importance of good management & sources of business advice. The Board should consider how this links in with the Missions on Business Models and Workplace Innovation and Business Creation and Growth.
- Long-term regional labour market inequalities persist despite a range of interventions across the enterprise and skills system. Future trade deals post-Brexit could make addressing these regional inequalities even more challenging.

Recommended Deep Dive: Investment and infrastructure; International productivity comparisons.

Theme 2: Future Skills Needs

Summary

49. Scotland has historically performed well compared to international peers in supplying a highly skilled labour force. However, many employers report problems related to skills availability and the impact of this on firm performance. In addition, a number of challenges and opportunities depend on the response to demographic change and technological advances.

Introduction

50. In recognition of skills levels as a driver of productivity, the Board selected Future Skills Needs as a strategic Mission. Subsequently, the Scottish Government published its Future Skills Action Plan in response.³³ The four themes within the Plan mirror the four recommendations set by the Board:

- Increasing system agility and employer responsiveness
- Enhancing access to upskilling and retraining opportunities
- Ensuring sustainability across the skill system
- Accelerating the implementation of the learner journey review

Skills Supply Challenges

51. In 2017, 6% of Scottish workplaces had a skill shortage vacancy (a steady rise from 3% in 2011) i.e. experiencing external recruitment difficulties due to low number of applicants with the required skills, qualifications or experience. Skill shortages can have widespread negative impacts through reduced productivity, increased operating costs, delays to new product/services development and difficulties introducing technological change. Just 3% of employers with skill shortages said they had no impact. The OECD has argued a key drag on labour productivity in the UK in recent years has been a misalignment of skills demand and supply – reflected in a high proportion of the UK workforce trained in a field of study not related to their job.

52. The proportion of Scottish workplaces with any skill gaps (i.e. they were judged by their employer to lack full proficiency) was 16% in 2017, representing around 5% of all Scottish employees. However, most skill gaps identified are temporary (because new employees have yet to complete training) and may also occur because of positive changes in the workplace (the introduction of new working practices, technologies or products). Workplaces most commonly respond to the identification of skill gaps by increasing training and, indeed, four in ten workplaces with skill gaps say they have no impact on their business.

53. Of greater concern are latent skill gaps which emerge where employers simply do not perceive that they have a problem, because they are not fully aware of skills that might be needed to optimise their companies' performance.

³³ Scottish Government, 2019. [Scotland's Future Skills Action Plan](#)

Demographic Challenges

54. Scotland's population is ageing and this is expected to become more pronounced and differ across regions. Between 2016-2041, Scotland's working age population is only expected to grow by 1% compared with 8% in the UK. Over the same period, Scotland's population of over 75's is expected to rise by 79%. This ageing of the population presents challenges to labour supply with further implications for fiscal sustainability. This is a particular challenge for rural Scotland where lower levels of population growth, higher levels of out-migration of young people, and a more dispersed population can exacerbate these challenges.
55. There has been a major structural shift in Scotland's labour market over the past 40 years as employment in traditional industries such as manufacturing, agriculture and mining has been replaced by increased employment in the service sectors.
56. In Scotland and the UK, there are also persistent gender, disability and ethnicity related gaps in labour market outcomes. These inequalities between regions and groups can originate long before people enter the labour market. In 2018, the gap between the employment rates of men and women was 7.7 percentage points, between disabled and non-disabled people it was 35.5 percentage points, and between white people and people from minority ethnic groups, it was 19.7 percentage points – the largest gap since the series began.

Future Challenges

57. The current and future impact of Brexit on the Scottish economy, labour market and skill profile is highly uncertain. However, sector specific analysis carried out by the Scottish Government highlighted Agriculture and Fishing, Construction and Manufacturing as the sectors where the negative impact of a no-deal Brexit in particular could be greatest. From a supply perspective, a fall in EU migration due to Brexit could exacerbate existing skills shortages in these sectors. The longer term impact of Brexit may create more need for redundant workers to upskill and to retrain if sector downturns lead to job losses.
58. Digital innovation and in particular, automation, machine learning and artificial intelligence, are anticipated to have an increasing impact on the global economy and labour market in future years. Periods of technological advances are not new, however, the pace of development of this current phase may set it apart.
59. Some analysis has focused on the potential for job losses through the replacement of human workers with technology. However, there is evidence which predicts that advances in technology will ultimately be job creating. Recent research has stressed that how digital innovation impacts on our economy is not pre-determined, and there is a choice around what, how and when technology is implemented. So to prevent skills depreciation and to manage the digital skills demand, a renewed focus on lifelong learning is required.

60. Through the introduction of a new Climate Change Bill the Scottish Government has committed to setting a new target date of 2045 for reaching net zero emissions; as part of a Just Transition. For Scotland to take advantage of new employment opportunities in emerging sectors aligned with a net zero emissions economy and also to mitigate potential job losses in sectors targeted as high carbon emitting, a more flexible skills system that encourages and enables job switching across all age groups will be required.
61. There is analysis that suggests transitioning to a net zero emissions economy may produce positive employment impacts for the UK as a whole.³⁴ This EU wide increase is expected to be concentrated in middle skilled and middle income jobs – mainly in the construction and service sectors. However, for the UK, job creation led by a net zero emissions economy is expected to be concentrated in lower skilled work.

What this means for the Board:

- Success in skills will mean stronger coordination between skills supply and skills demand and having a flexible skills system allowing for retraining and reskilling.
- For the Board, this means taking a closer look at the skills programme to date, and examining what areas of expected labour market change the agencies should focus on.
- Under-utilisation of skills was linked earlier to productivity, however skills gaps continue to be highlighted. Further investigation should be taken to understand skill supply – especially post-school in more specialised skills – and skills demand.
- The UK Government review of business productivity highlighted the importance of good management & sources of business advice. Consideration should be given to how this links in with the Missions on Business Models and Workplace Innovation and Business Creation and Growth.
- The Board will wish to see updates of the recently announced review of the Scottish education system.

Recommended Deep Dive: Establishing the return to investment in post-school education and skills.

³⁴ European Commission (2019), '[Employment and Social Developments in Europe 2019](#)'.

Theme 3: Innovation

Summary

62. There are over 90 programmes in operation across Scotland to boost innovation, with most funding supporting the early stages of innovation. Business expenditure on research and development (R&D) recently overtook higher education spending on R&D for the first time, increasing by 93% since 2007.
63. Recent evidence highlights the positive impacts on employment and turnover from UK Research Council R&D funding, although analysis of the impact of R&D grants in Scotland shows there is no statistically significant impact on employment or turnover from businesses in receipt of grants.

Introduction

64. Innovation is a key focus of the Board as it impacts productivity and two Missions: Business Models and Workplace Innovation, and Business Creation and Growth. At the December meeting the Board were updated on the project investigating innovation activity and evaluation of that activity across the agencies. This section presents analysis on the importance of considering innovation and new thinking in this area.

Current Innovation activity

65. Over 90 programmes have been identified as taking place in Scotland; this grows to 500 programmes when accounting for wider organisations e.g. the third sector, private sector and individual education institutions.³⁵ The programmes include grants, competitions, incubators and accelerators to support the birth and growth of innovative new companies. The table below shows the funding for the 90 programmes. The accompanying logic model is found in the Annex F.

Figure 1: Spend on innovation, 2018-19 by organisation and type.

	Programmes: R&D and Innovation Finance	Organisations: Capacity Building and Peer Support	Infrastructure and Facilities
Scottish Government	£401.8m	£2.5m	£10.2m
Enterprise and Skills Agencies	£56.8m	£2.8m	£18.6m
Total SG and E&S Agencies	£458.6m	£5.3m	£28.8m

Innovation trends

66. Innovation refers to new forms of economic activity including new goods and services and manufacturing methods. Innovation can generate new jobs and

³⁵ Research carried out by the Enterprise and Innovation Division of the Scottish Government.

facilitate entering new markets. Innovation can also mean using existing resources more efficiently, which is key for long term economic growth and productivity.³⁶ Innovation activity can also increase growth and productivity through accumulating knowledge based capital and improving capital stock.³⁷

67. Scotland's innovation performance is primarily assessed on i) expenditure on research and development, and ii) private sector innovation. Gross expenditure on research and development (GERD³⁸) as a percentage of GDP increased from 1.34% in 2001 to 1.63% in 2017 and in real terms from £1.5 billion to £2.5 billion.³⁹ Business expenditure on R&D increased over that time to be the largest component of GERD; overtaking higher education expenditure on R&D in 2016. The latter has increased in this time from £695m to £1.07bn).
68. Comparing internationally, Scotland's GERD as a percentage of GDP (1.63%) was lower than the EU (1.96%) and the OECD averages (2.37%). But from 2001-2017 grew quicker than the EU and OECD averages: growing 29% compared to 27% and 21% respectively.
69. In terms of Innovation Active companies – companies that report undertaking innovation – Scotland was in the first quartile of European countries for the share of innovation active companies for 2014-16 and slightly above the UK.⁴⁰ However, using the UK Innovation Survey which includes a wider range of industries and sectors, Scotland's share of innovation active companies falls from 50.4% to 45.0% for 2014-16 which is below the UK rate for that period (49.0%).⁴¹

Role of Innovation

70. Evidence shows that an improvement in innovation performance is not guaranteed through additional spending. Early models of the innovation process assumed increasing scientific research would result in increased applied research. Businesses would then adapt this and bring to market. More recent thinking emphasises the complexity of innovation systems: spill-overs flowing in multiple directions and randomly occurring barriers to innovation.⁴²
71. Programmes which aim to address such barriers include direct financial support for research and development. As mentioned previously, Scottish Enterprise (SE) commissioned analysis into the impact of grant support to businesses, conducted by the Fraser of Allander Institute. The analysis found that firms receiving grant support had higher employment compared to if they had not received the support.

³⁶ See Rosenberg, N. (2004) *'Innovation and Economic Growth'*

³⁷ Scottish Government, 2016. See [Council of Economic Advisers Annual Report 2015-16](#)

³⁸ GERD is made up expenditure on R&D by: business (BERD); higher education (HERD); government (GovERD); and, private non-profit (PNP).

³⁹ Expressed in 2017 prices.

⁴⁰ Innovation Active companies: companies that report engaging in the development of: new or significantly improved product (good or service) or process; new or significantly improved forms of organisation, business structures; practices or marketing concepts/strategies; and, innovation which is incomplete, reduced or abandoned. The EU wide innovation survey report on fewer sectors.

⁴¹ Scottish Government, 2019. [The UK Innovation Survey 2017-Results For Scotland](#)

⁴² Department for Business, Innovation and Skills (2014) *'The Case for Public Support of Innovation'*

The most significant effects related to Regional Selective Assistance. Evidence productivity and turnover links was not statistically significant. There was no evidence to indicate that R&D grants increased turnover or turnover per employee (which was used as a proxy for labour productivity).⁴³

72. In addition, the Enterprise and Research Centre (ERC) investigated the effects of UK Research Council R&D funding on business growth.⁴⁴ The study – in contract to the Scottish specific study – did find statistically significant impacts on employment and turnover. However, the results varied significantly on firm size, location and industry. The greatest effects were observed for the smallest, least productive firms in the regions and industries with the greatest amount of R&D activity.⁴⁵
73. Evidence is growing on the contribution to the economy of Higher Education Institutes research. In Scotland, Sir Anton Muscatelli conducted a review of the economic impact of Scotland’s Higher Education Institutions. Recommendations include considering refocusing the Research Excellence Grant and University Innovation Fund to maximise impact. The report also recommends the Analytical Unit estimate the returns on investment of current and future innovation spend. Finally, the review recommends that the Scottish Government develop a national innovation strategy in consultation with universities, SFC and the enterprise agencies.

What does this mean for the Board

- The Scottish Government has a commitment to double business R&D spend between 2015 and 2025.
- The innovation landscape is crowded with over 90 programmes in operation across Scotland. Therefore establishing a common monitoring and evaluation framework and the sharing of best practice will help inform the return from the investments undertaken on innovation across the enterprise and skills system. Furthermore, consideration should be given for greater collaboration between the different programmes and a potential role for the single portal.
- The vast majority of support from the enterprise and skills system goes to the early stages of innovation, with very little support for the commercialisation of innovation.
- Scotland performs well internationally for sectors most likely to innovate, however should there be greater focus on the impact of innovation support on the sectors which traditionally do not innovate?

⁴³ Unpublished report. The most significant of these employment impacts related to Regional Selective Assistance (RSA). However, it should be noted that the sub-set of grant supported companies reviewed for this study was however low (around 15% of all companies supported).

⁴⁴ The ERC study was much larger in scale than that commissioned by Scottish Enterprise and the sample sizes used were significantly larger due to the much greater number of beneficiaries of UK Research Council funding in comparison to the number of companies in receipt of HIE and SE grants. Other things being equal, a larger sample size should lead to a more accurate estimate of effects.

⁴⁵ Vanino et al (2019) *‘Knowledge to Money: Assessing the business performance effects of publicly-funded R&D grants’*

Theme 4: Exporting

Summary

74. Evidence highlights that successful exporting countries specialise in a limited range of goods and services and a limited number of countries. Scotland's new export strategy sets out the case for specialisation, focusing on our top 5 sectors which account for 69% of Scottish exports.

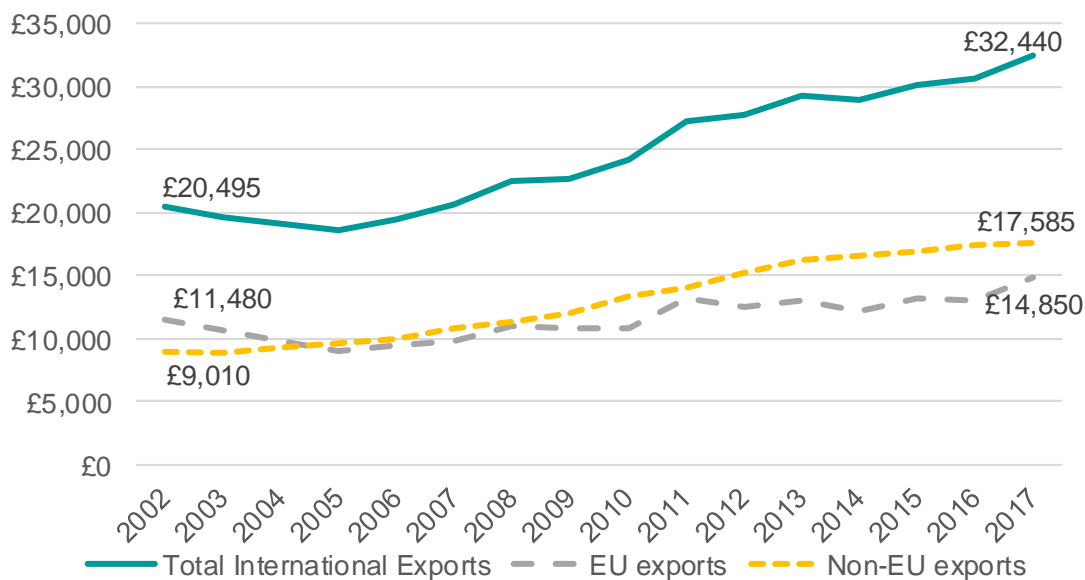
75. The strategy identifies that 68% of future export opportunities are in 15 countries, the top 4 priority countries being: USA, Germany, France and the Netherlands.

Introduction

76. Exporting is another Mission chosen by the Strategic Board. Of the £300m spent annually on businesses support by Scottish Enterprise and Highlands and Islands Enterprise, £85m is spent on international trade and investment promotion. Around £30m of this is for export support.

77. Scotland's export strategy, 'A Trading Nation: a plan to increase Scotland's exports', provides new analysis on Scotland's exports and business base, and also sets out a direction of travel. Evidence shows that internationally exporting businesses are more innovative, more productive and more competitive – therefore strengthening the case for investment in export support. International exports continue to increase and reached £32.4bn in 2017. Exports to rUK have also increased, rising to £48.9bn (60% of all exports). The graph below shows that the value of exports to the EU was overtaken 15 years ago by the value of exports to the rest of the world.

Figure 2: Scotland's International Exports (£m), 2002-2017.



Source: *Export Statistics Scotland, 2019.*

78. The Plan also set a target of increasing exports to 25% of Scottish GDP by 2029 (the UK Government has increased their target from 30% to 35%). Compared to other medium sized economies – Norway, Finland, Denmark and New Zealand – our performance lags substantially.

Business Base and Export Support

79. The export plan presented that of the 346,000 businesses in Scotland, 11,000 (increasing to 12,100 in 2019) export internationally.⁴⁶ Of those exporting businesses, 100 account for 60% of exports, and the next 400 businesses account for 20% of exports. Increasing the exports of those 500 businesses – that together account for 80% of exports – by 50% would increase overall exports by £13 billion. By comparison, increasing the exports of the other 11,500 businesses by 50% would increase total exports by £2.9 billion.

80. The ambition is to increase exports and to grow the business base. Gaining best value from our export support will mean tailoring business support by business type. Many of the top 100 will need little or no support, with over 70% being large businesses. ‘Economic diplomacy’ is mainly what is required, the form of political intelligence, introductions and advice to exploit opportunities in new markets. Many of these could even be able to support other firms through mentoring. The next 400 are predominantly SMEs and more likely to require intensive export support services. These are the solid performers which may have limited internal resources.

81. Next are the sleeping giants: strong sellers to Scottish and rUK, with products that could be in international demand and capacity to begin exporting. But as new exporters they will need support. Also present, are businesses which are internationally focused from the outset, or global by birth, e.g. those operating in the technology or creative sectors. Lastly are the potential performers. These are either exporting already at a small scale, or aspire to export. Existing business growth support services are in place, and should be supplemented by export support services delivered in a digital way, or through group events.

Location and Export Strengths

82. Evidence highlights the importance of economies of scale – the savings possible from scaling up production – and that successful exporting countries specialise in a limited range of goods and services, and a limited number of countries. For Scotland, 60% of all exports go to the rest of the UK. Of all international exports, five top destinations are buying 44% of our goods and services: USA, Germany, France, Netherlands, and Switzerland. The location of the export markets that should be targeted by businesses are based on current data and also estimates of the export value gap.⁴⁷ Therefore it is estimated that 68% of future opportunities are in 15 countries, the top 4 priority countries being: USA,

⁴⁶ ONS, 2019. [Exporters and importers by regional breakdown \(Annual Business Survey\)](#)

⁴⁷ The export value gap is defined as the difference in value between Scotland’s exports to a certain market and the exports of similar competitors to that same market.

Germany, France and the Netherlands. There are an additional 11 countries that are considered markets of interest including Japan and Australia.

83. Again there is an emphasis on tailoring export support to the particular situation, in this instance the market type. Priority markets will enjoy focused support including Trade Envoys and the expansion of GlobalScot.⁴⁸ Emerging markets will also benefit from these as well as specific support to development in-market presence.

What this means for the Board:

- Success looks like seeing a broader business base for exporting, as well as increasing overall exports. The Scottish Government has a target to increase international exports to 25% of Scottish GDP by 2029.
- The export plan places an emphasis on supporting the current best performing companies (Top 100) and recognising potential exporters. The Board should consider the implementation of this throughout 2020.
- Specialisation in sectors is also important, and the Board will wish to consider whether the enterprise and skills agencies are tailoring their support to reflect the sectors which are likely to be most affected by the UK's departure from the EU.

⁴⁸ GlobalScot is a volunteer business-to-business network that was introduced in 2001 to leverage the experience and connections of senior international business leaders that were Scottish, or had an affinity to Scotland. The network was created to support the ambitions of Scottish businesses looking to do business internationally. Unlike Trade Envoys, they do not represent the Scottish Government.