Scotland's National Strategy for Economic Transformation

Evidence from Industry Leadership Groups and Sector Groups

March 2022

Scottish Government
Riaghaltas na h-Alba
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Evidence from Industry Leadership Group and Sectors

Scotland's Industry Leadership Groups and other sector groups are already coordinating work to transform different segments of Scotland's economy. Ministers and officials engaged with them to gather evidence that has guided the development of National Strategy for Economic Transformation (NSET) actions. This paper provides summary evidence received from these groups, including on:

- recent industry or sector trends with respect to economic performance;
- sector and industry aspirations for the next decade;
- opportunities that they have identified for growth or transformation;
- challenges that are holding progress; and,
- ongoing or planned actions in response to challenges and opportunities that should enable the sector to realise its aspiration.

Evidence is presented for the following sectors represented by ILGs or other stakeholder groups:

- Aerospace and Defence Industry Leadership Group
- Aquaculture Industry Leadership Group
- Chemical Engineering Sector
- Creative Industries Sector
- Construction Industry Leadership Group
- Digital Technologies Sector
- Electronics/ Electrical Manufacturing Sector
- Financial Services Industry Leadership Group
- Food and Drink Industry Leadership Group
- Forestry and Timber Industry Leadership Group
- Life Sciences Industry Leadership Group
- Oil and Gas Industry Leadership Group
- Metal/ Machine Manufacturing Sector
- Paper Manufacturing Sector
- Photonics Scotland, a network of Technology Scotland
- Space Industry Leadership Group
- Textiles and Leather Industry Leadership Group
- Tourism Industry Leadership Group
- Retail sector

1. Aerospace and Defence Industry Leadership Group

Figure 1.1: Turnover and GVA of the Scottish Aerospace Sector[1]

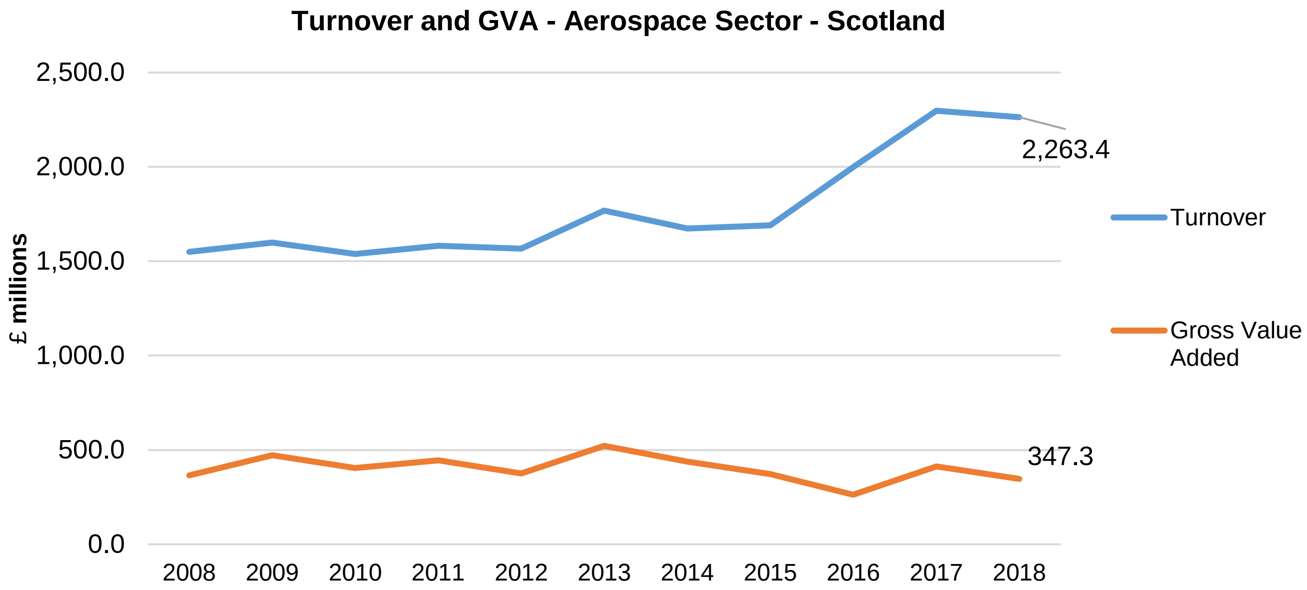


Figure 1.2: Employment in the Scottish Aerospace Sector[2]

Industry Aspirations to 2030

The industry's aspirations to 2030 are to:

- raise turnover by £38 million a year by 2025 – from £1.1 billion baseline, and to raise employment by 750 a year – from 14,125 in 2020 to target of 16,700 by 2035;
- position the UK aerospace industry to become a world leader in sustainable aircraft technology and to strengthen supply chains, create green jobs and develop skills around the UK;

[1] Source: Scottish Annual Business Statistics. Turnover & GVA are in current prices

[2] .Source: Business Register and Employment Survey, Office for National Statistics

- achieve at least a 15% reduction in net UK aviation emissions on 2019 levels;

Industry Opportunities

The industry sees opportunities:

- in capturing a large part of the ‘new aerospace and aviation net zero market’ through Scotland’s existing energy expertise, natural resources and associated energy ecosystem, industrial strength, academic support and investment in growth deals supporting regional strengths and ambitions;
- to deliver diverse projects across the country that could benefit from the Sustainable Aviation Test Environment initiative’s first low-carbon aviation test centre at Kirkwall and the Ayrshire Growth Deal’s ambition to deliver an aerospace decommissioning project. Scotland’s aerospace sector has both the structures and the experience to make rapid progress in the next decade; and,
- to grow new markets of Unmanned Air Vehicles (UAVs) for both urban and rural use, and the use of UAVs for sustainable monitoring, space activity and potentially in other areas.

Industry Challenges

The complex environment for the sector results in a diverse set of issues to be addressed. These include:

- having the leadership to clearly articulate and direct action;
- increasing uptake, breadth and exploitation of R&D. The aerospace and aviation sectors need to improve performance in this area and draw on innovation and best practice from neighbouring sectors;
- stronger supply chains;
- skills shortage, which is anticipated get worse with increasing demand for technical skills; and,.
- making growth of the sectors environmentally sustainable.

Ongoing and Planned Activity for Industry

The ILG has a number of initiatives in place, including: sectoral initiatives to address key drivers and enablers growth. For example, the National Aerospace Technology Exploitation Programme is specifically designed to encourage collaboration across organisations in the area of R&D and the Engineering Skills Leadership Group is addressing the sectors skills needs. Others include the Engineering Research Pooling, National Manufacturing Institute Scotland (NMIS) and much more:

- growing international investment, establising domestic leading companies and diverse supply chains to seize transformational economic opportunities that will deliver both jobs and environmental improvements; and
- accelerating the delivery of Jet Zero ambitions by developing a zero carbon emissions aircraft within a generation.

2. Aquaculture Industry Leadership Group

Figure 2.1 – Turnover and GVA of the Scottish Aquaculture Sector[3]

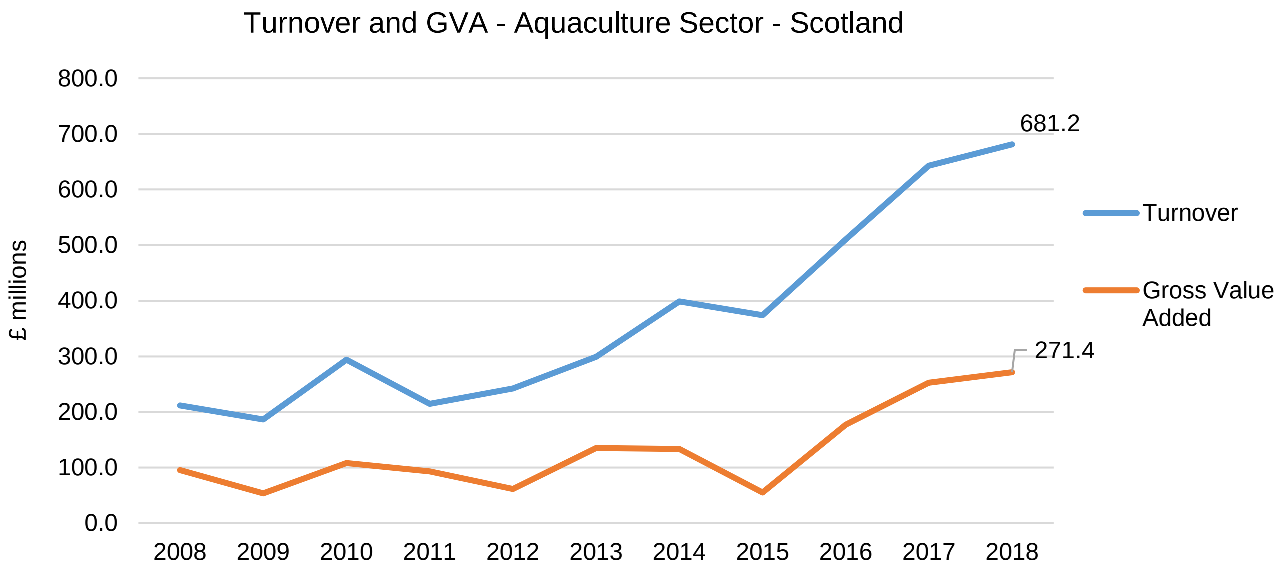
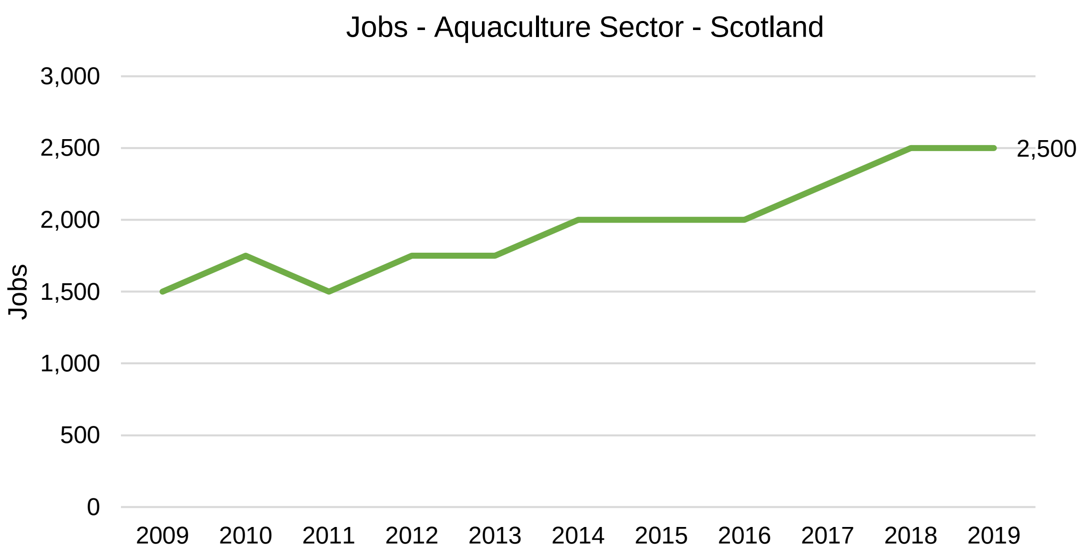


Figure 2.2 – Employment of the Scottish Aquaculture Sector[4]



Industry Aspirations to 2030

The industry has ambition to double the value of the sector from 2014-15 levels (£750 million to £1.5 billion). Individual companies will have corresponding targets.

Industry Opportunities

The industry has the opportunity to benefit from:

[3] Source: Scottish Annual Business Statistics. Turnover and GVA are in current prices.

[4] Source: Business Register and Employment Survey, Office for National Statistics

- sustained growth in demand for salmon. Scottish salmon is niche product in the market and Scotland's produce is in a position to capitalise on this. There are also opportunities for other species, e.g. – trout and shellfish;
- strong markets in the US, in China and the Middle East; and,
- the environment to grow production sustainably, with farms in Shetland, Orkney, Highland, Western Isles and Argyll and Bute continuing to benefit from ongoing investment and activity.

Industry Challenges

The main challenges for the aquaculture industry are:
- declining market share; since 2010 the Scottish share of the global salmon market has declined from 10 per cent to 6.5 per cent. Competitors are growing at several times the Scottish industry rate of growth. At current trends, Scotland's share of the global market could be as low as 3% by 2030;
- lack of affordable housing in areas where the industry has opportunities to establish and grow. Salmon farm companies have had to buy accommodation for their workers because of housing shortages; and,
- labour and skills shortages constraining both farm production and processing activities.

Ongoing and Planned Activity for Industry

The industry aims to work more closely with key education providers (e.g., Scotland's Rural College and University of Highlands and Islands) to develop and promote aquaculture qualifications and courses, which should encourage more young people to stay in the Highlands and Islands region to work.

3. Chemical Engineering Sector

Figure 3.1 – Turnover and GVA of the Scottish Chemical Engineering Sector[5]

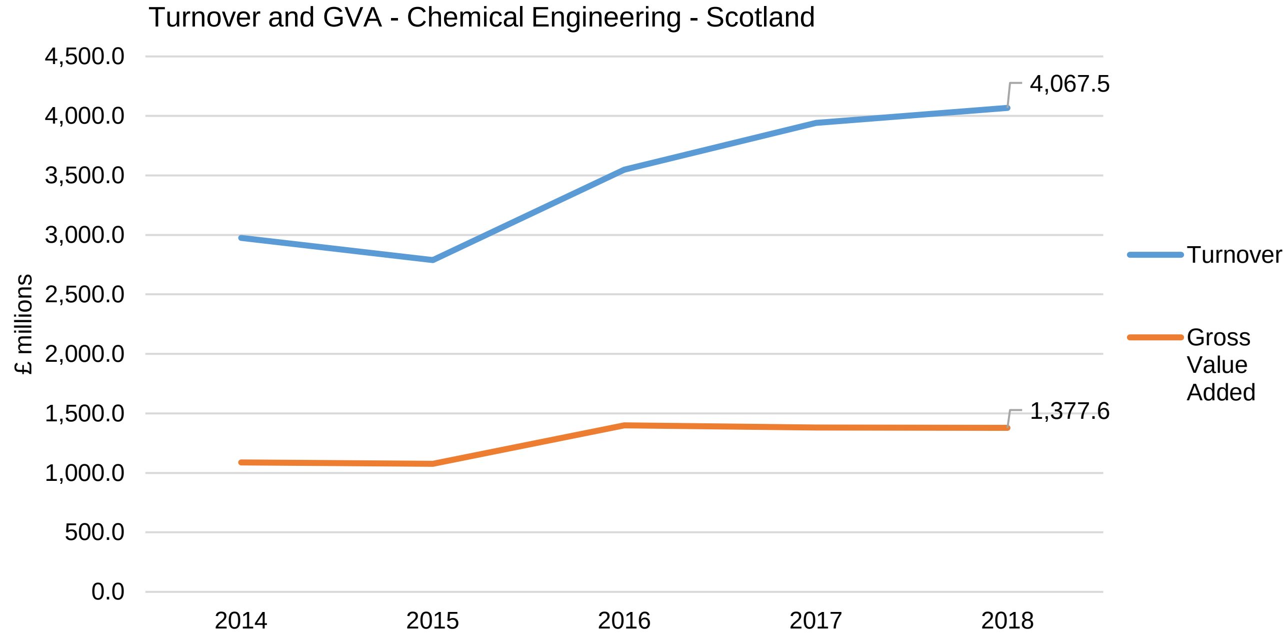
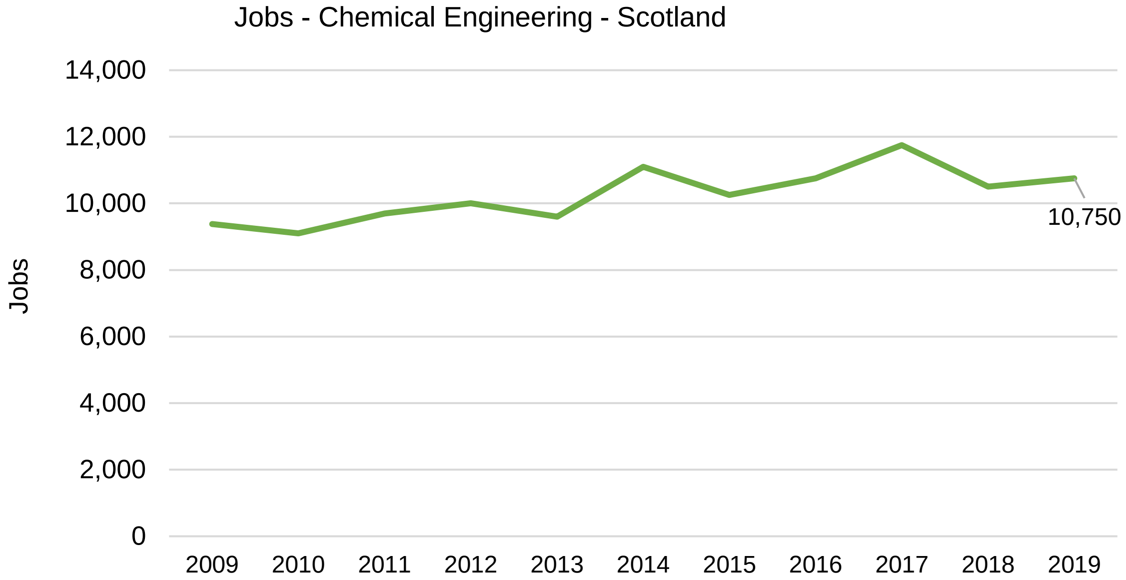


Figure 3.2 – Employment of the Scottish Chemical Engineering Sector[6]



Industry Aspirations to 2030

The Chemical Sciences Scotland (CSS) Strategic Plan published in 2018 set the following goals:

- Scotland's biotechnology industry to grow GVA from £750 million to £900 million;
- to establish a key European Hub for sustainable high value chemical manufacturing to increase GVA by £410 million;
- to establish Scotland as a world class centre of high value manufacturing that will generate £1 billion in savings through the impact of technology and formulation optimisation and data driven innovation.

[5] Source: Scottish Annual Business Statistics. Turnover and GVA are in current prices.
[6] Source: Business Register and Employment Survey, Office for National Statistics

Industry Opportunities

The industry sees key opportunities in decarbonisation. The CSS Strategic Plan identifies 4 main priorities and opportunities:

- establishing Grangemouth as a European hub for sustainable high value manufacturing;
- building capabilities in industrial biotechnology to fully realise Scotland's potential as a global leader;
- establishing Scotland as a world class centre of high value manufacturing by driving innovation in key selected technology sectors to enhance indigenous growth, increase inward investment and to create opportunities for reshoring production; and,
- ensuring that relevant, industrially focussed technical and vocational skills training is accessible to the widest possible audience across Scotland.

Industry Challenges

Key areas of challenge for the sector include:

- adapting to environmental policies and making production sustainable;
- skills shortages and reduced access to talent pool following EU exit, as well as divergence from EU regulations;
- digitisation & Industry 4.0;
- maintaining skills alignment with global changes and new technologies, and ensuring that employer demands are met; and,
- supply chain reshoring.

Ongoing and Planned Activity for Industry

The current and planned activities for the industry include:

- plans to transform the chemical industries as an opportunity area in the Inward Investment Plan.
- delivering the National Plan for Industrial Biotechnology (IB), which sets out how we can make the most of economic opportunities presented by IB and support the transition of petrochemical based industries to sustainable manufacturing.
- the Falkirk Growth Deal and Grangemouth Future Industry Board is transforming the Grangemouth site into a hub for sustainable high value manufacturing that can help move the industry towards net zero emissions.
- industry, education and enterprise agencies are working in partnership to develop skills and training in the sector; and,
- a joint initiative between Life Sciences Scotland and CSS to develop a world class centre of high value manufacturing.

4. Creative Industries Sector

Figure 4.1 – Turnover and GVA of the Scottish Creative Industries Growth Sector[7]

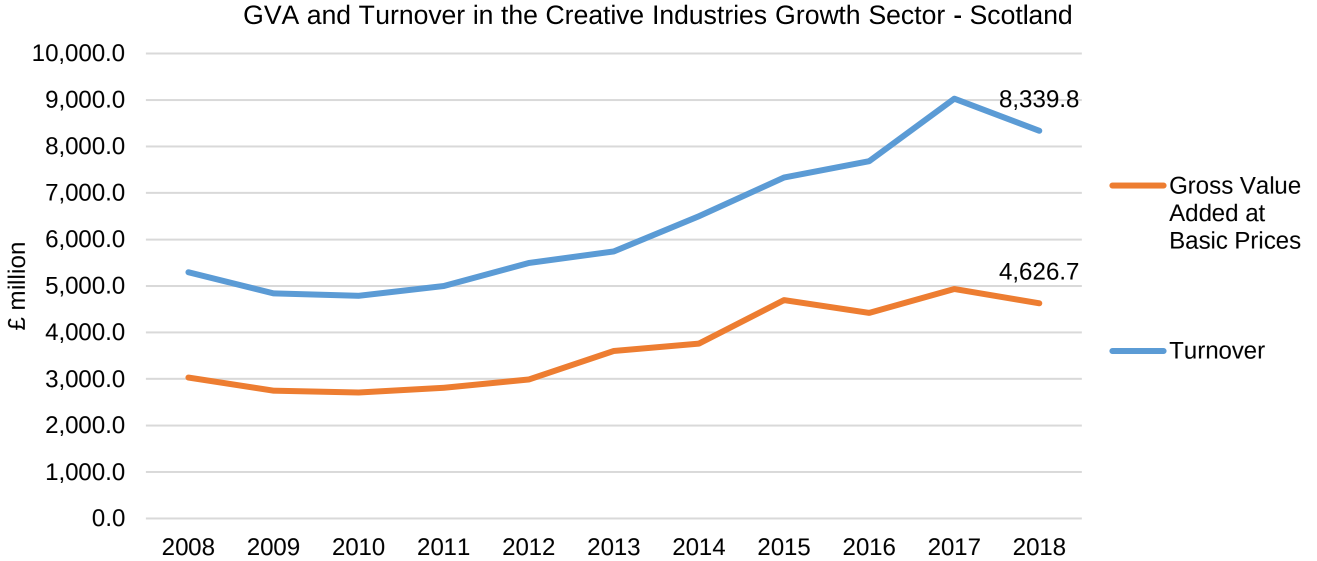
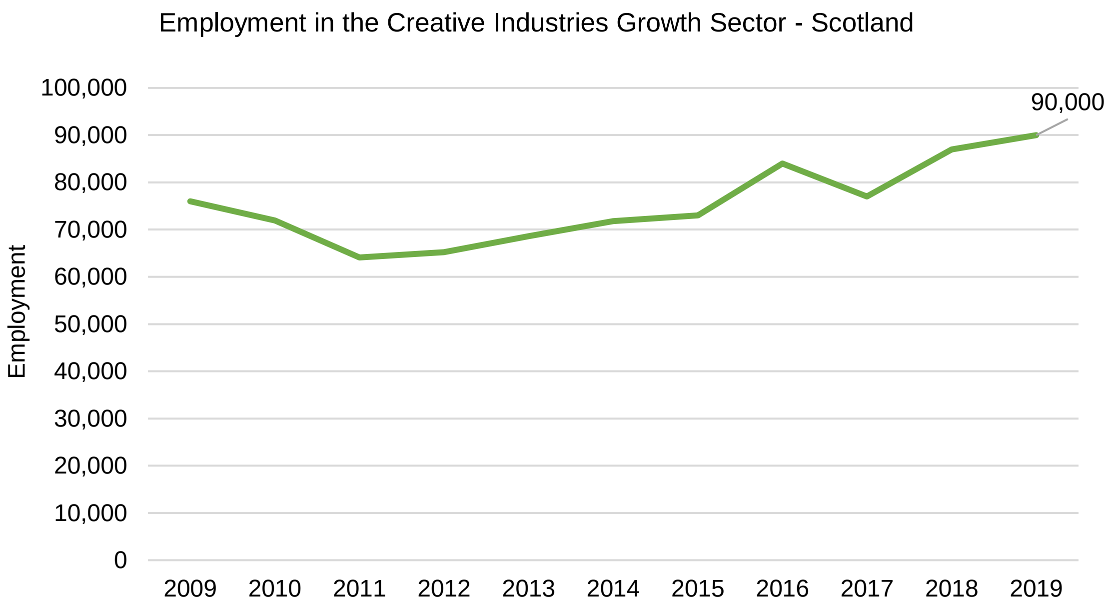


Figure 4.2 – Employment of the Scottish Creative Industries Growth Sector[8]



Industry Aspirations to 2030

Over the period to 2030, the industry aims to:

- support, grow and realise the potential of the creative industries sector in Scotland;
- ensure the sector fully supports our economy – with fair work at its heart, economic growth, net zero targets and wellbeing;
- identify opportunities to boost the competitiveness of creative industries and international reach;

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7 Source: Scottish Annual Business Statistics. Turnover and GVA are in current prices.

8 Source: Business Register and Employment Survey, Office for National Statistics

- improve the economic resilience of the creative industries;
- develop a creative workforce for the future; and,
- support creative and cultural businesses to develop their digital capabilities, improve their digital skills and enhance their creative opportunities.

Industry Opportunities

The Programme for Government has identified the following actions that will generate opportunities:

- revising the Creative Industries Policy Statement and outlining the opportunities for the sector post Covid;
- developing the V&A museum to become a National Centre for Design;
- building on the Creative Digital Initiative and creating further opportunities to support creative and cultural businesses to develop their digital capactity and capabilities, enhance their data and digital skills and explore a cluster based approach to data driven innovation;
- continuing work with the Public Interest Journalism Group to ensure long term sustainability and resilience;
- working with music industry representatives and key stakeholders to support the recovery of the sector, including the Scotland on Tour Initiative that will create new opportunities for musicians and artists to tour to new venues across Scotland in 2022;
- Screen Scotland will stimulate growth through funding and support for film and television production; the advice of its specialist staff; and investment in skills, festivals, audiences and education;
- supporting the development of skills, facilities and opportunities for the screen sector;
- continuing to support new studio space, increasing skills provision across the screen sector, including through increasing training and apprenticeship placements, and press the BBC and other broadcasters to increase production from Scotland;
- using new studio space as a catalyst to increase Scotland's skills and talent base and make the film and TV sector more sustainable; and,
- ensuring new productions leave a legacy of an ever-stronger crew base drawn from across Scotland, and Screen Scotland develop their activities further with their skills strategy.

Industry Challenges

The challenges for the industry are as follows:

- the significant impact of COVID-19 on the sector, and potential for slow recovery. Pre-pandemic the creative industries sector was one of the fastest growing sectors in Scotland, with its contribution to the economy (GVA) having grown 62% between 2008 and 2017. It was estimated to support around £9 billion of activity within the wider Scottish economy and to contribute around £5.5 billion to Scottish GDP or about 4% of total Scottish GDP;
- Audience confidence and reductions in audience numbers compared to pre-pandemic levels, which industry groups claim is having a devastating impact on artist income and the wider industry. Economic activity is still being suppressed, delayed and rescheduled due to the pandemic; and,
- The creative industries have a large number of small and micro businesses with a high percentage of the workforce being freelance. Creative freelancers have been particularly impacted by the pandemic and many have left the industry to take employment elsewhere.

Ongoing and Planned Activity for Industry

The industry has an extensive programme of action for recovery from the pandemic and growth, which includes work with Partners and through the Creative Industries Leadership Group will support our strategy for recovery of the sector and in particular on areas such as:

- developing and retaining skills;
- understanding the new landscape and supporting the development of key industry assets and businesses;
- promoting our international profile;
- establishing two working groups to focus on Creative skills and a resilient workforce. The working groups are in the process of developing recommendations for the Scottish Government on these themes;
- working with partners to consider the recommendations from the working groups and from the evaluation of the Creative Digital Initiative to refresh our Creative Industry Policy Statement ;
- working with key stakeholders in the music industry to support the sector, including the successful delivery of ‘Scotland on Tour’;
- growing Scotland’s studio infrastructure. Scotland now has a range of new studio space being used by film and high-end television productions with more to come, like the Kelvin Hall studio;
- backing industry-led traineeships across key productions and programmes to retrain people affected by Covid-19 pandemic for ‘in-demand’ screen careers; and,
- providing additional resources to Screen Scotland, to facilitate year-round engagement between the Scottish and international film and studio industries.

5. Construction Industry Leadership Group

Figure 5.1 – Turnover and GVA of the Scottish Construction Sector[9]

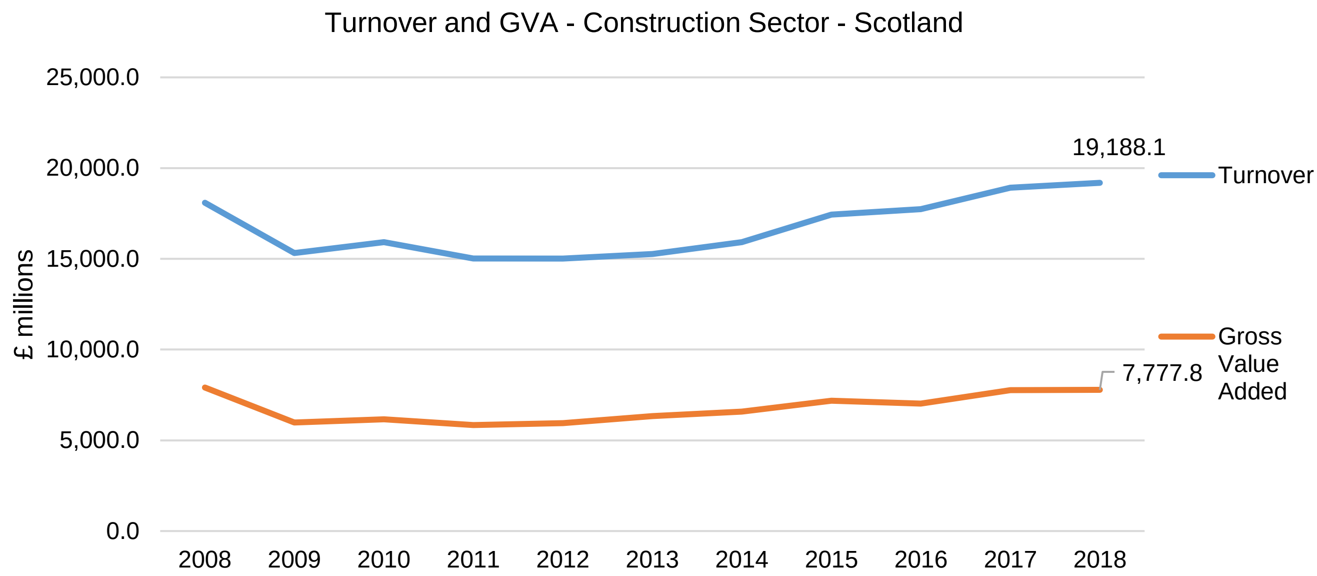

Figure 5.2 – Employment of the Scottish Construction Sector[10]

Industry Aspirations to 2030

The vision for the industry is to improve business practices to become better equipped to respond to future demands efficiently and effectively, and enhancing positive contribution to Scotland's environment (including Net Zero targets), economy and society

Industry Opportunities

The construction industry has significant growth potential:

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[9] Source: Scottish Annual Business Statistics. Turnover and GVA are in current prices.
[10] Source: Business Register and Employment Survey, Office for National Statistics

- construction is at the forefront of the race to achieve Net Zero and is thus one of the most effective sectors in which the government can invest to stimulate and sustain economic activity across its wide-ranging supply chain and cross-sectoral stakeholders;
- it provides well remunerated employment to people from a wide range of educational backgrounds, from school leavers to graduates and post graduate professionals;
- application of digital technologies, innovative uses of data and the adoption of modern methods of construction offer considerable opportunity; and,
- increases in economic activity can be focussed on the geographical area of the project and therefore new construction projects can act as accelerators for local economic development. Construction already takes place in every part of the country, including islands and is not limited to the Central Belt or major cities.

Industry Challenges

The construction industry's key challenges relate to:

- the way construction is procured, which needs to change to ensure a fair balance between risk and reward, if the outcomes that Government and industry jointly seek from the sector, including ensuring that public sector spend is retained within Scotland, are to be realised;
- the substantial balance of business for the Construction sector relies on private sector investment. Increasing such investment in Scotland is critical to maintaining and growing its contribution;
- lack of skilled operatives, which continues to be the biggest threat to the sector's sustainability, both from an aging workforce and the significant reduction in European labour. There have been several initiatives aimed at attracting young people into the industry, but they have not had the effect anticipated; and,
- clear, visible, pipelines of work are required to allow the industry to plan ahead and invest in skills and technology. Although great strides are being taken towards this, the focus now needs to be on the accuracy of the information and on engagement with industry.

Ongoing and Planned Activity for Industry

The industry is working to modernise its approach and how it is perceived, particularly at the smaller contractor level. It is promoting opportunitiesinto the diverse range of occupations and available levels of renumeration to young people, parents and the education sector.

6. Digital Technologies Sector

Figure 6.1 – Turnover and GVA of the Scottish Digital Industries Sector[11]

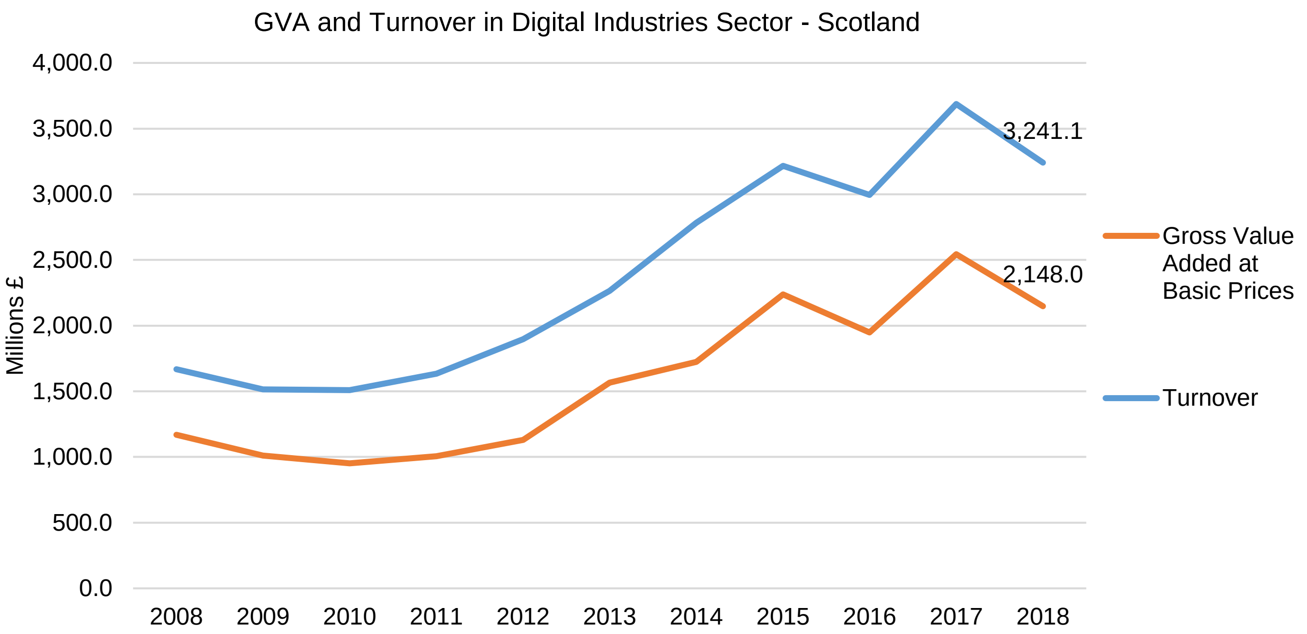
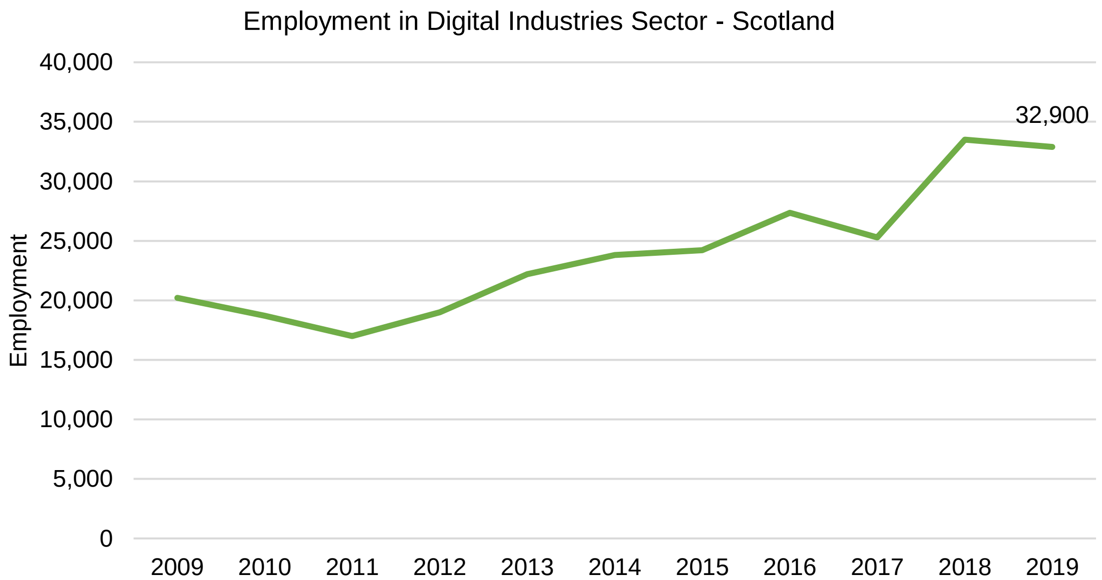


Figure 6.2 – Employment of the Scottish Digital Industriess Sector[12]



Industry Aspirations to 2030

The technology sector is critically important for Scotland's economic transformation, and is forecast to be Scotland's second fastest growing sector. It aspires to elevate Scotland's tech ecosystem to a world class level and to create a pipeline of profitable, scalable tech businesses.

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[11] Source: Scottish Annual Business Statistics. Turnover and GVA are in current prices.
[12] Source: Business Register and Employment Survey, Office for National Statistics

Industry Opportunities

The sector is optimistic about the years ahead and is performing at levels similar to prior to the pandemic. Investment in the sector has seen higher growth than average, which increases potential opportunities.

Industry Challenges

The technology sector’s key challenges relate to accessing a range of support:

- there is unprecedented demand for support, both guidance and financial, to help businesses take advantage of digital technologies that will improve their competitiveness, productivity and resilience;
- the industry needs to ensure that, alongside any financial support there is, there is continued improvement and enhancement of enterprise support offer to businesses; and,
- SMEs face challenges including: lack of awareness of the benefits of digital adoption, weaknesses in the support available to them; and, a fragmented digital ecosystem where the tech suppliers, enterprise support and SMEs need to do more to maximise opportunities to collaborate.

Ongoing and Planned Activity for Industry

These include:

- the industry has an extensive programme of action planned, which includesthe Scottish Technology Ecosystem Review (STER) – an industry-led blueprint for the Scottish tech industry that is aimed at elevating the ecosystem to a world-class level and creating a pipeline of profitable, scalable tech businesses. £7 million has been allocated to support the first year of implementation;
- Work is underway with partners on various work streams spanning people and education, infrastructure and investment;
- specific projects include establishing a national network of ‘Tech Scaler’ technology hubs to support the next generation of Scottish start-ups; investing in Scottish Government’s Ecosystem Fund, which will help build the best possible environments for Scotland’s start-ups to succeed; and working to improve the foundational talent pipeline for successful tech start-ups in Scotland’s universities and schools; and,
- the new Tech Scaler network will be located in Glasgow, Edinburgh, Aberdeen, Dundee and Inverness.

7. Electronics/ Electrical Manufacturing Sector

Figure 7.1 – Turnover and GVA of the Scottish Electronic Engineering Sector[13]

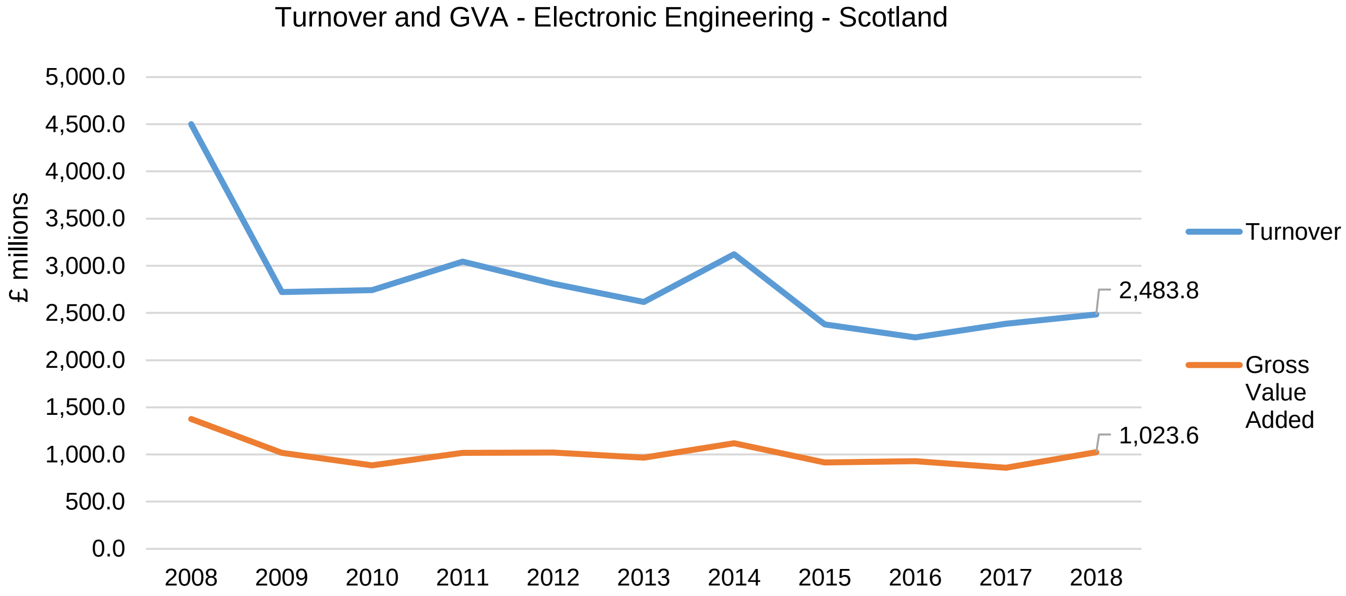
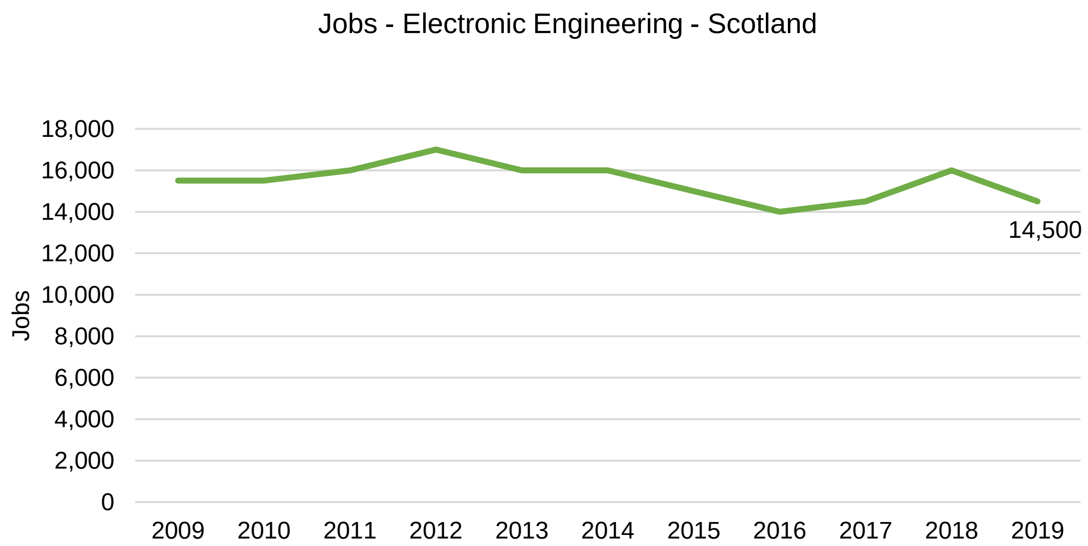


Figure 7.2 – Employment of the Scottish Electronic Engineering Sector[14]



Industry Aspirations to 2030

The industry's *Making Scotland's Future* progamme includes aims to support a transition to a low carbon manufacturing sector and an increased use of digitisation and data. The related Manufacturing Recovery Plan sets out actions in 2021 to drive forward a sustainable recovery for the sector as an initial focus for programme partners:

- The National Manufacturing Institute Scotland (NMIS) lies at the heart of *Making Scotland's Future*, working with business, academia and enterprise and skills agencies to deliver an integrated system of support for manufacturing across Scotland; and,

[13] Source: Scottish Annual Business Statistics. Turnover and GVA are in current prices.
[14] Source: Business Register and Employment Survey, Office for National Statistics

- NMIS is also working to transform manufacturing skills, productivity and innovation that is accessible to firms of all sizes, sectors and location.

Industry Opportunities

The electrical manufacturing sector sees considerable opportunities ahead:

- There is an opportunity to best utilise Scottish Government's investment of £75 million in NMIS;
- There will be opportunities for new, good green jobs in this sector which will be boosted by the Low Carbon Manufacturing Challenge Fund, a Scottish Government investment of £26m over 5 years to help develop new technologies to reduce carbon emissions; and,
- There is also an opportunity to develop collaboration and networks, supply chains and competitiveness, adaptation and transformation and skills as identified by the Manufacturing Recovery Plan.

Industry Challenges

The key challenges facing the sector are as follows:

- the transformation of the sector to a low carbon manufacturing sector could potentially result in the loss of some jobs;
- the availability, cost and logistical cost of raw material is a challenge; and,
- there is also a lack of skilled, part skilled and manual workers, which is becoming more pronounced as orders increase.

Ongoing and Planned Activity for Industry

The Advancing Manufacturing Challenge Fund (AMCF) and the *Making Scotland's Future* programme form the key planned activity for the sector. The 12 projects of the AMCF are now in operation as part of *Making Scotland's Future* to create jobs, drive growth and boost productivity. The total project funding of £15.8m will provide a range of free services to manufacturing SMEs.

Making Scotland's Future quickly established a Manufacturing Recovery Plan as a response to the pandemic. The 21 actions within this Plan became the focus of the partnership, which comprised industry, academic and public sector, during 2021, and has:

- through the Scottish Manufacturing Advisory Service, launched a range of remote support tools and delivered a series of digital events (webinars, conference);
- through NMIS, achieved £1.98m funding from the National Transition Training Fund to take forward five projects to support the manufacturing workforce;
- launched a 'Smart Things Accelerator Centre' as a 18-month scale-up programme for start up businesses;
- launched a CivTech Challenge which, if successful, aims to find a solution, through technology, to help manufacturers to decarbonise;
- been developing a pilot to help SME manufacturers realise the benefits of autonomous technology through collaborative implementation; and
- been developing networks to support better cross sectoral collaboration.

Moving forwards, *Making Scotland's Future* will look to transition to a subsequent forward programme that aims to reconcile the existing support landscape and to establish an overarching structure to bring together the various strands of sector intervention to maximise opportunity and minimise overlap.

8. Employee Ownership Industry Leadership Group

Industry Aspirations to 2030

The industry plans to have 500 employee-owned businesses (EOBs) in Scotland by 2030, up from 150 in 2021.

Industry Opportunities

The EO model and support for companies wishing to use this model provide a number of opportunities for Scotland's economy:

- since June 2020, the EOB sector in Scotland has grown 13%, making Scotland the third highest growth region for EOB in the UK;
- EOBs frequently outperform their non-EOB counterparts in terms of higher levels of profitability, benefit from improved business resilience during times of recession, and enjoy increased productivity brought about by higher levels of engagement and enhanced employee wellbeing;
- Scottish Enterprise's experts have the experience, knowledge and existing mechanism to successfully support EOB transitions. Scaling the service will be critical both to stimulate interest and meet demand for a resilient post COVID wellbeing economy; and,
- Employee ownership allows owners to manage their exit while achieving a competitive price for their business. It safeguards the long-term future of their company and keeps it rooted in its local community, retaining jobs, skills and investment.

Industry Challenges

The EOB sector's biggest barrier to growth is the lack of awareness of the model amongst the business start-up market, existing business owners looking to sell their business and amongst lawyers, accountants and bankers required to manage the employee ownership transitions. The majority of existing specialist funds for EOBs have higher than average interest rates. A fund that understands the unique differences and benefits of employee ownership is key.

Ongoing and Planned Activity for Industry

The sector comprises businesses from a variety of industrial sectors with the common interest of a shared business model. Supporting greater recognition of the benefits of employee ownership and a shared understanding of the needs of employee owned businesses is the key to growth of the sector. The Industry Leadership Group will work closely with public sector partners to create the conditions for growth in the sector and support the ambition of growing the sector to 500 businesses by 2030.

Financial Services Industry Leadership Group

Figure 9.1 – GVA of the Scottish Financial Services Sector[15]

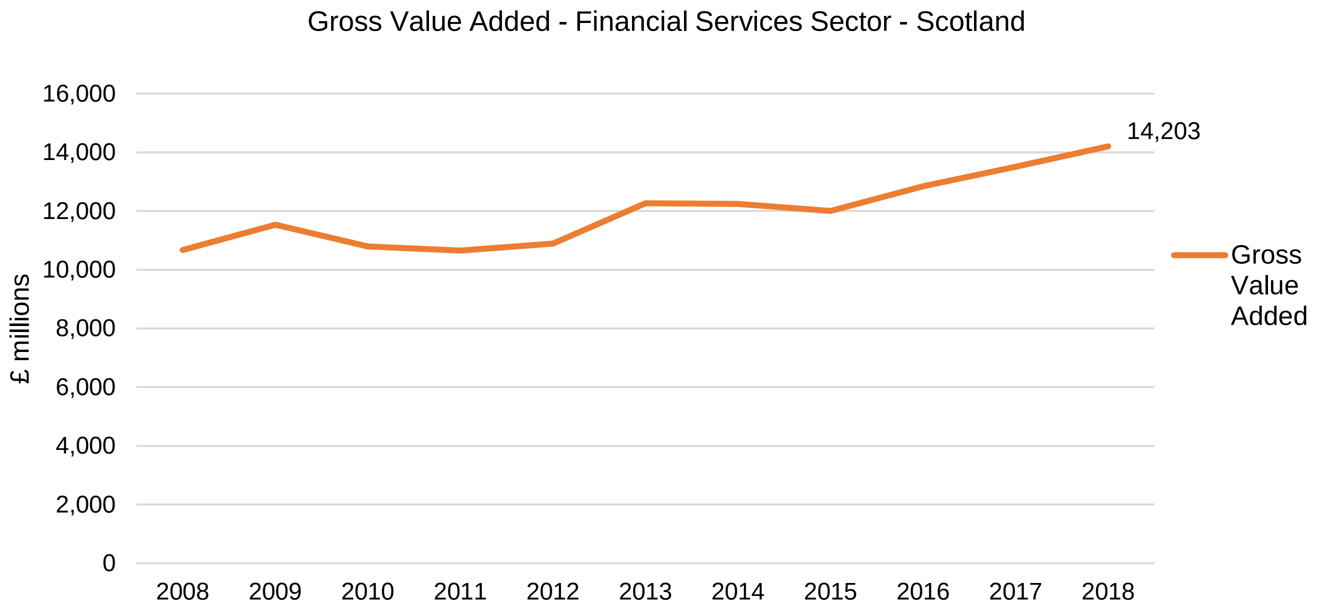
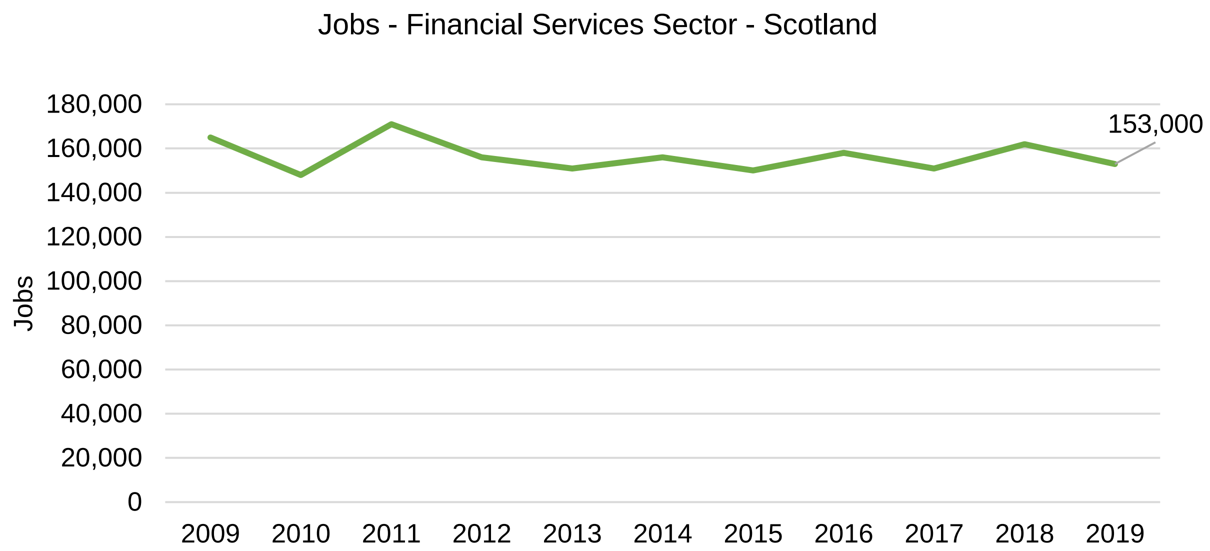


Figure 9.2 – Employment of the Scottish Financial Services Sector[16]



Industry Aspirations to 2030

The industry has a number of strategic aims to achieve by 2030 including:

- to attract more inward investment, be recognised internationally and to grow employment in the sector by 2025;
- to facilitate the immediate and sustainable recovery of the Scottish economy following the pandemic, and support SMEs in their transition through recovery to net zero; and,
- to develop and promote Scotland as a global centre for sustainable and green finance.

[15] Source: Scottish Annual Business Statistics. GVA in current prices
[16] Source: Business Register and Employment Survey, Office for National Statistics

Industry Opportunities

The industry has identified a number of opportunities to support its ambitions:

- Scotland is uniquely placed to be successful in continuing to attract investment and financial services firms to locate here. Scotland has a competitive cost base, a pipeline of talent, a high quality further and higher education system and an excellent quality of life;
- Scotland also has the potential to take advantage of the $5.5 trillion global fintech market. It has the first fintech cluster in the UK to be recognised for the cluster excellence award and one of only three in Europe. The Global Open Finance Centre of Excellence will be established in Scotland, and Edinburgh and Glasgow are ranked in the Global Financial Centres Index;
- hosting COP26 is an advantage for Scotland and its financial services sector, which is already a leader in Environmental, Social and Governance (ESG) investing; and,
- industry cross collaboration provides further opportunities and has potential to utilise the position of Scottish Financial Enterprise as a fulcrum to enhance the connectivity and collaboration between Scottish firms and globally significant financial services hubs; and encourage collaboration to strengthen the ecosystem benefits.

Industry Challenges

The Financial Services industry challenges relate to:

- the evolution of customer needs and demographics. A rapid acceleration towards digital transactions and interactions is combining with an increase in the ‘advice gap’ which is causing challenges.
- supporting economic recovery. Relative to other industrial sectors, financial services has continued to operate and this has increased its relative value to the Scottish economy. The whole sector must now combine to utilise its strength, expertise and capital to finance the restart of the economic recovery, sustainably, as soon as possible.
- connecting the available capital with the key areas of consumer change, namely buildings insulation and transport, to help facilitate change at scale; and,
- ensuring the net zero journey is inclusive and everyone is supported, especially those who can least afford it.

Ongoing and Planned Activity for Industry

The Scottish Financial Enterprise Strategy is focusing on developing skills and inclusion, leading the journey to net zero, supporting economic recovery and responding to changing customer needs.

10. Food and Drink Industry Leadership Group

Figure 10.1 – Turnover and GVA of the Scottish Food & Drink Sector[17]

Figure 10.2 – Employment of the Scottish Food & Drink Sector[18]

Industry Aspirations to 2030

Industry ambition include:

- doubling the value of the sector to £30 billion, up from £15 billion in 2020 and £10 billion in 2007. A refresh of the national strategy, Ambition 2030, has begun and will be complete by Summer 2022; and,
- supporting the sector to capitalise on the opportunities arising from the pandemic. Food and drink (F&D) is uniquely placed to emerge strongly from the pandemic and, if supported accordingly, will have a disproportionately larger role to play in facilitating economic recovery

[17] Source: Scottish Annual Business Statistics. Turnover and GVA are in current prices
[18] Source: Business Register and Employment Survey, Office for National Statistics

across the whole of Scotland in light of geographical spread and relative importance toisland, rural and remote communities.

Industry Opportunities

The industry has identified opportunities in:

- the increased popularity of localism combined with the international growing middle class, particularly in Asia, which means the demand for high-quality premium food is;
- Scotland's reputation for food and drink, which is renowned for its quality, safety, sustainability and provenance, providing opportunities to driving inward investment and trade; And,
- the collaborative nature of the sector, with individual businesses already working collectively on shared opportunities, whether on raising awareness of their product category or jointly investing in export.

Industry Challenges

The industry faces challenges from:

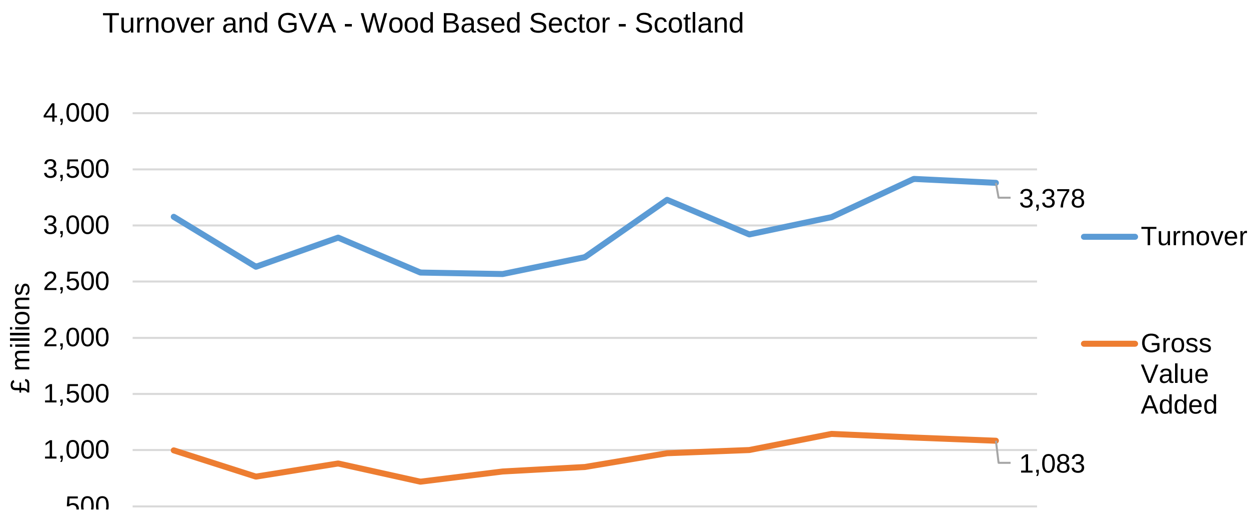
- labour shortages. F&D is more reliant on foreign labour than almost every other sector and in some parts of Scotland, such as the North East, EU nationals account for more than 60% of the workforce. This shortage has the potential to develop into a deeply damaging crisis
- prevailing market conditions. The UK retail environment is one of the most competitive anywhere in the world with a desire to keep consumer prices low, putting significant pressure on producers' margins. Coupled with this, production and operational costs have typically increased 20% over the past year.
- trading conditions. Post EU Exit, trading with the EU, the largest market and destination of 70% of food exports, is now more challenging with increased costs, and more complexity with it taking longer to get fresh product to market which impacts on its value.
- the complexity of the support landscape.

Ongoing and Planned Activity for Industry

There is a strong relationship with agri-food research institutions which is bearing fruit, but the industry's next steps involve working to strengthen relations more widely at the most senior and strategic level, between academia and SMEs, and to align associated investment to support the priorities of the industry, and completing a refresh of the national strategy, Ambition 2030, which has begun and will be complete by Summer 2022.

11. Forestry and Timber Industry Leadership Group

Figure 11.1 – Turnover and GVA of the Scottish Wood-based Sector[19]



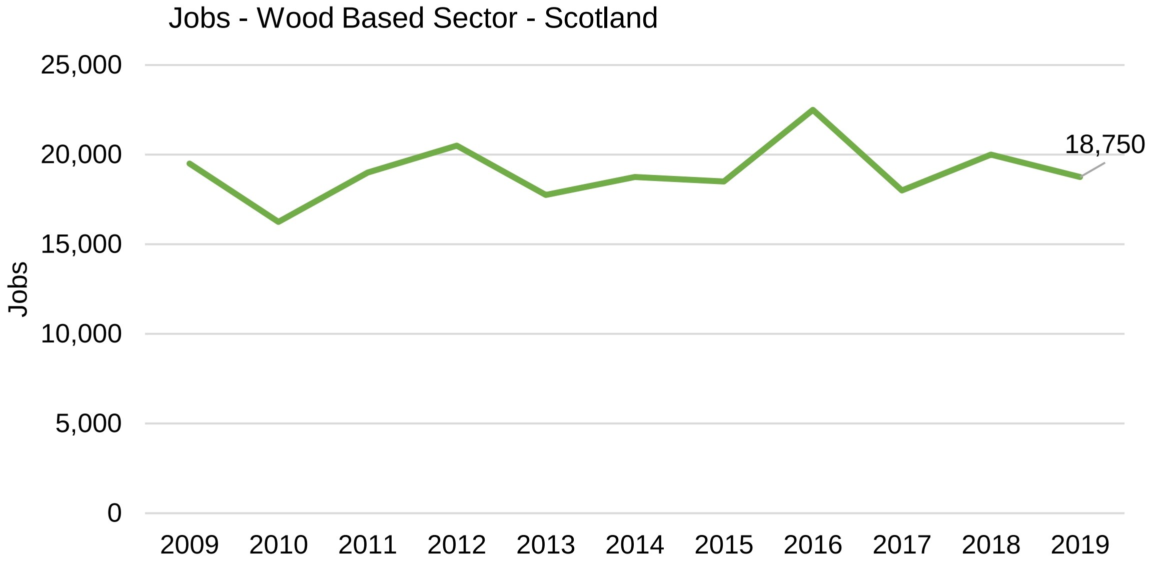


Figure 11.2 – Employment of the Scottish Wood-based Sector[20]

Industry Aspirations to 2030

The industry aims to achieve the targets of:

- doubling GVA to £2 billion for the domestic forestry and timber industry, and increasing the GVA for the whole sector to £7 billion;
- doubling industry turnover to approximately £4 billion. If economic activity includes imported wood and wood products the ILG estimates that turnover could double;
- achieving a 50% increase in the volume of Scottish wood (virgin and recycled) used in construction, while also maintaining markets in Scotland for other Covid essential products such as fencing and pallets; and,

[19] Source: Scottish Annual Business Statistics. Turnover and GVA are in current prices
[20] Source: Business Register and Employment Survey, Office for National Statistics

- storing a further 1 million tonnes of CO_2 in woodlands through new woodland creation – from 1.5 million tonnes in 2021, and woodland creation target of 18,000 hectares per year of predominantly coniferous woodlands by 2024/25.

Industry Opportunities

There are a number of green opportunities to be realised, including:

- increasing the quantity of renewable natural wood and wood products used in Scotland through new manufacturing and circular activity, especially in construction as this can displace other non-renewable energy intensive building materials. The use of wood products will help to store carbon in some products for 100+ years and so help to meet Scotland's climate change target of net zero emissions by 2045;
- using 'improved' planting stock and increasing the area of productive forestry to sequester and store more carbon in locally harvested and processed wood products; and,
- in the recreation, tourism and wellbeing industries, and in replacing petrochemical-based products.

Industry Challenges

There are challenges for the industry in:

- finding viable ways of maximising the use of wood fibre produced from Scotland's forests for economic growth and climate change mitigation;
- exploring opportunities to replace imported manufactured wood products with Scottish products, and improving the circularity of use of some wood products;
- ensuring that a 'Fabric First' approach is taken and bringing about a change in building standards, focussing on wood and wood products as the initial preferred materials in new housing and construction; and,
- ensuring a pipeline of career-orientated skilled workers across the whole wood supply chain.

Ongoing and Planned Activity for Industry

The ILG has a number of planned initiatives including:

- a current strategy and action plan – 'Roots for Further Growth';
- an active Skills sub-group, including representatives from University of Highlands and Islands, Scottish Forestry, the Institute of Chartered Foresters and private sector companies.
- working closely with the Industrial Biotechnology Innovation Centre exploring opportunities for wood fibre as a feedstock for biorefining;
- a group that is actively looking at ways of increasing the amount of wood fibre used in construction through researching new product development opportunities such as manufacturing engineered wood procts including wood fibre insulation; and,
- plans to create a new working group that will explore opportunities for maximising the benefits from all the data collected throughout the wood supply chain.

12. Life Sciences Industry Leadership Group

Figure 12.1 – Turnover and GVA of the Scottish Life Sciences Sector[21]

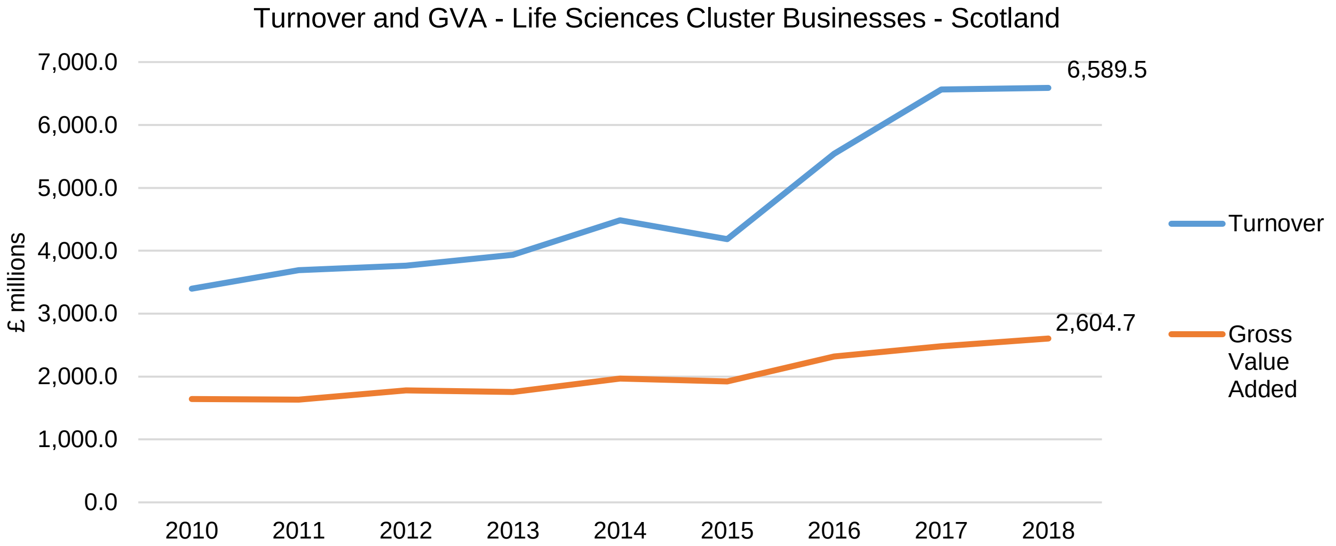
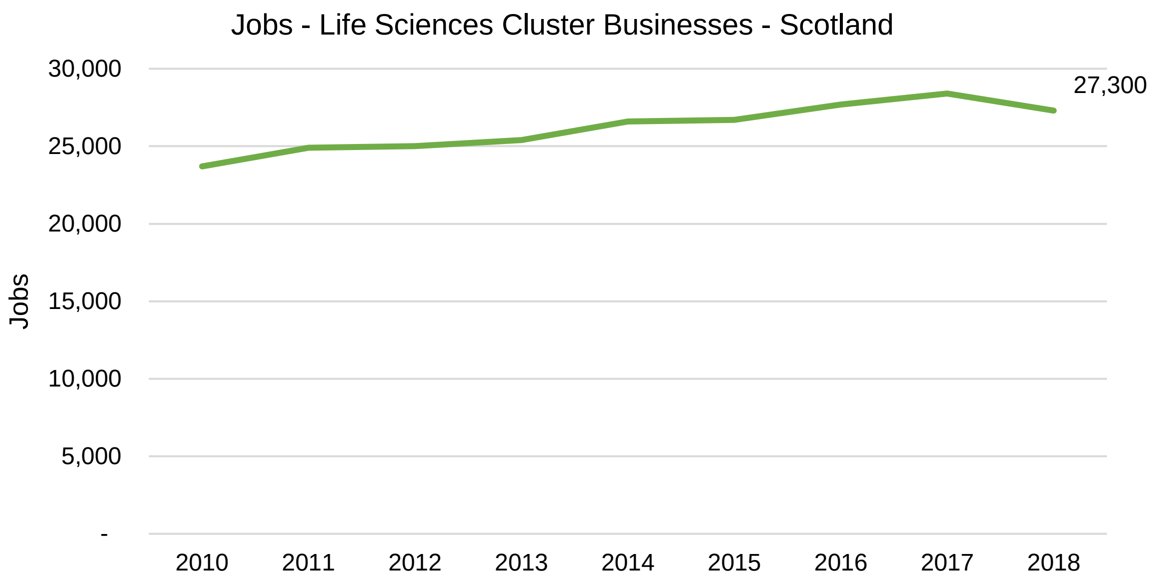


Figure 12.2 – Employment of the Scottish Life Sciences Sector[22]



Industry Aspirations to 2030

Industry aims are to ensure:

- that patients and consumers in Scotland have access to both existing and new, innovative treatments, products and services; and
- collaborative approaches are taken to grow the Life Sciences sector and so it can reach or exceed the growth target of £8 billion by 2025, a year-on-year growth of 6%.

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[21] Source: Life Sciences Cluster analysis of the Office for National Statistics Annual Business Survey. Turnover and GVA are in current prices.
[22] Source: Life Sciences Cluster analysis of the Office for National Statistics Annual Business Survey

Industry Opportunities

Significant opportunities for the life sciences sector have been identified in:

- regenerative aquaculture, pollinator reinforcement and controlled environment agriculture. Furthermore, AAA (Animal, Agricultural technologies and Aquaculture) has the ideal opportunity to be at the heart of the green and circular economies for growth and recovery in Scotland, making better use and impact on land, whilst being front and centre in the 'forensics of food' and leading in the discoveries of vaccines and therapeutics.
- the global reach of the sector. This is an opportunity both for the environment and the economy, where Scotland already has strength and scale plus huge and potentially unique 'raw material' to contribute with the return on investment in high paying, educated long term jobs and investment throughout Scotland while further providing a service which all parts of the economy require - connectivity.
- the Lifearc recommended life science investment proposals. Delivering these proposals will build a national life science cluster; facilitate connections between different parts of the ecosystem and promote internationally; build the enabling conditions for life science companies to scale and flourish; and, support innovation and commercialisation.

Industry Challenges

Current challenges that the industry faces include:

- labour challenges in the AAA markets;
- an over-reliance on imports and potentially fragile supply chains;
- risks around delivery of fairer shared value across supply chains; And,
- positioning Scotland as a priority market for the launch of innovation, with broader measures of value needed to reflect the changing nature of medicine.

Ongoing and Planned Activity for Industry

The industry has a number of activity stream in progress, including:

- One Health Strategy: a big focus on skills, training and deployment of digital and data;
- the Life Sciences Skills Investment Plan;
- the Life Sciences Strategic Plan: Anchor, Build and Attract; and,
- plans for increased R&D, given that 60% of existing human diseases are zoonotic, including not least COVID-19, and activity in this area will make Scotland even better placed to respond to the next pandemic.

13. Oil and Gas Industry Leadership Group

Figure 13.1 – Turnover and GVA of the Scottish Energy Sector[23]

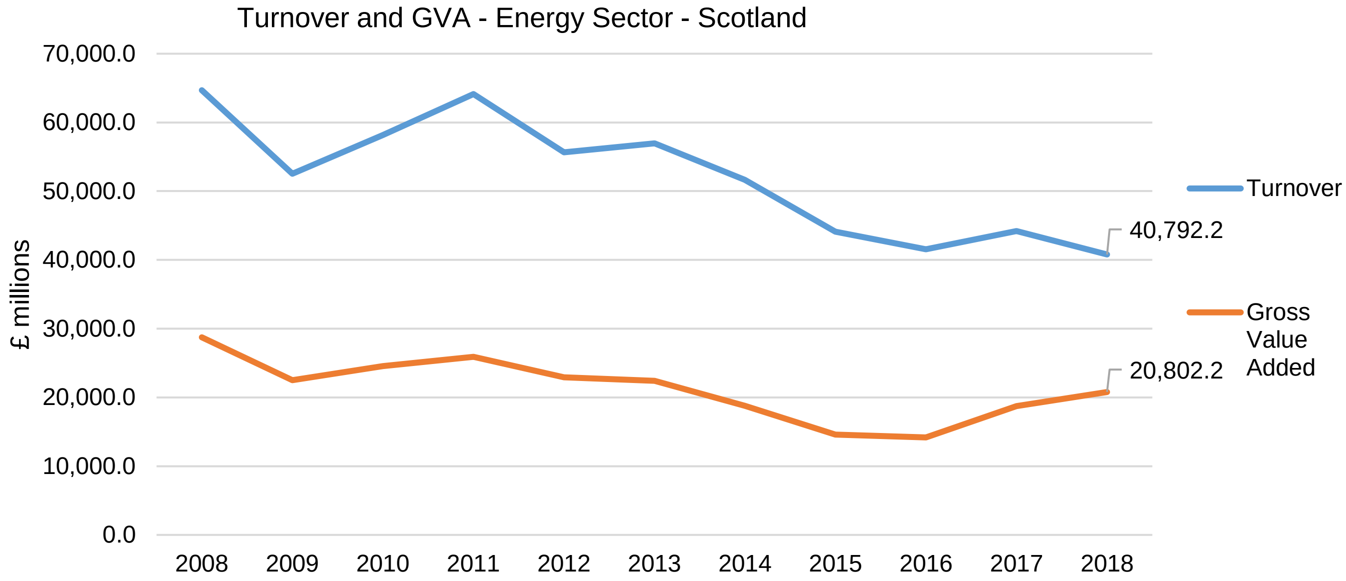
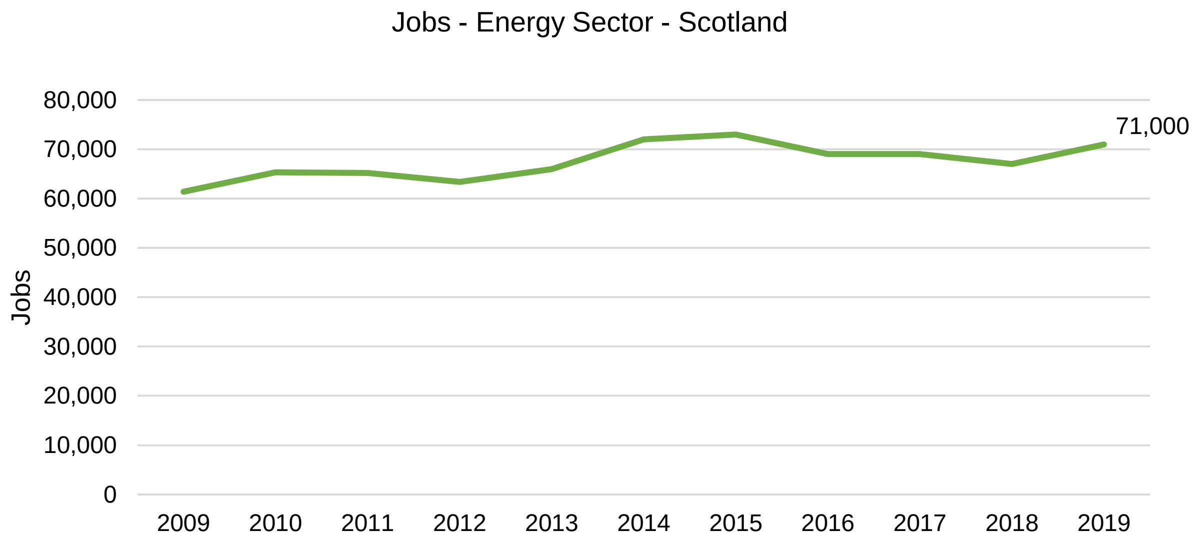


Figure 13.2 – Employment of the Scottish Energy Sector[24]



Industry Aspirations to 2030

Industry targets include:

- investing £21 billion over the next 5 years.
- directing £14-16 billion into driving investment into decarbonisation by 2030.
- to create 40,000 additional jobs by decarbonisation spend.

[23] Source: Life Sciences Cluster analysis of the Office for National Statistics Annual Business Survey. Turnover and GVA are in current prices.

[24] Source: Life Sciences Cluster analysis of the Office for National Statistics Annual Business Survey

Industry Opportunities

The industry sees opportunities in accelerating energy transition, reducing UK emissions, and creating new jobs across the UK, while meeting as much of the domestic demand for oil and gas as possible.

Industry Challenges

Key challenges to the industry include:

- import demands. In the first few months of 2021, the UK imported more gas than any other year as demand rose. The Oil and Gas United Kingdom (OGUK) Economic Report 2021 shows how cutting off the domestic production of oil and gas faster than demand risks leaving the UK increasingly dependent on other countries.
- inconsistent support. Withdrawing support for ongoing oil and gas activities jeopardises the sector’s ability to be the backbone for the energy transition by shaking investor confidence, precipitating early decommissioning and supply chain flight from the basin.

Ongoing and Planned Activity for Industry

The industry’s key activity is on the North Sea Transitional Deal work on supply chains and Energy Service Agreement work.

14. Metal/ Machine Manufacturing Sector

Figure 14.1 – Turnover and GVA of the Scottish Metal Manufacturing Sector[25]

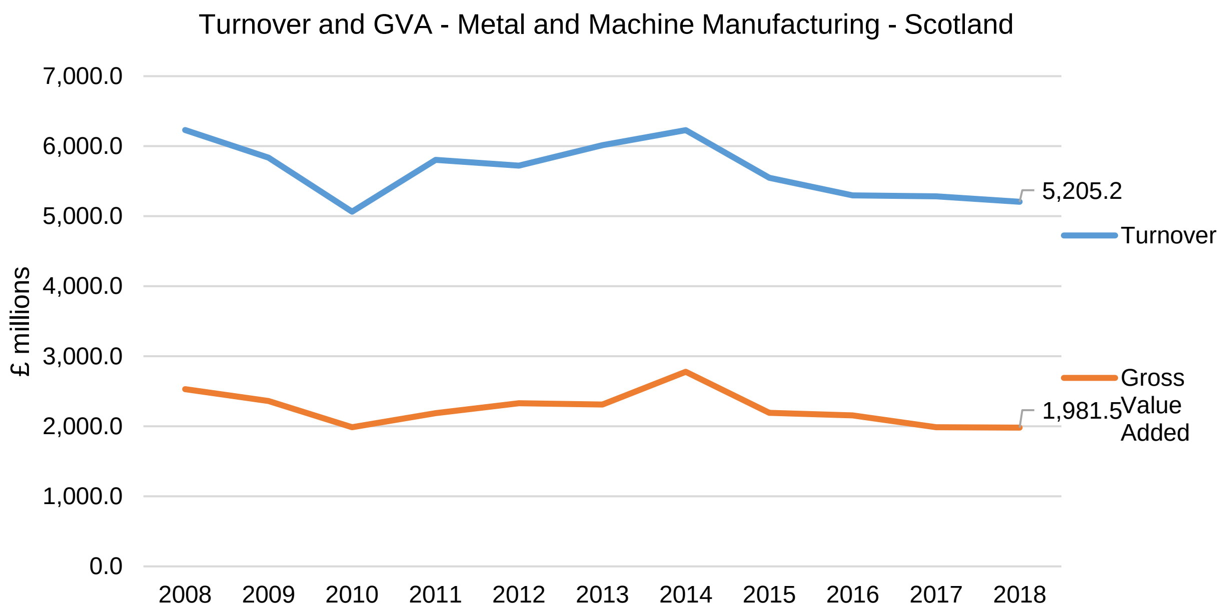
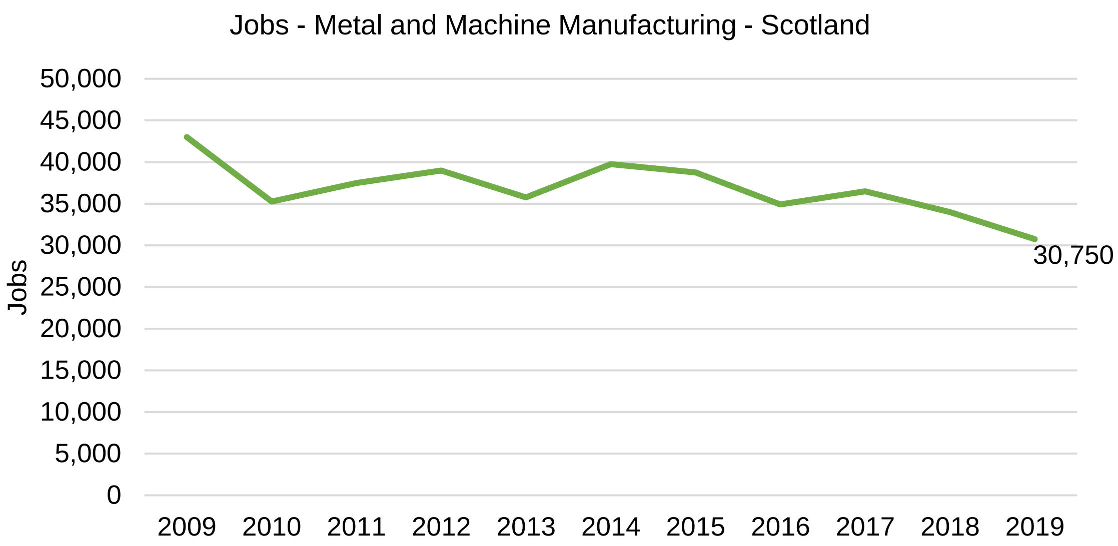


Figure 14 .2 – Employment of the Scottish Metal Manufacturing Sector[26]



Industry Aspirations to 2030

Making Scotland's Future progamme includes aims to support a transition to a low carbon manufacturing sector and an increased use of digitisation and data. The related Manufacturing Recovery Plan sets out actions in 2021 to drive forward a sustainable recovery for the sector, as an initial focus for the programme partners:

[25] Source: Life Sciences Cluster analysis of the Office for National Statistics Annual Business Survey. Turnover and GVA are in current prices.

[26] Source: Life Sciences Cluster analysis of the Office for National Statistics Annual Business Survey

- The National Manufacturing Institute Scotland (NMIS) lies at the heart of *Making Scotland's Future* - working with business, academia and enterprise and skills agencies to deliver an integrated system of support for manufacturing across Scotland; and,
- NMIS is also working to transform manufacturing skills, productivity and innovation that is accessible to firms of all sizes, sectors and location.

Industry Opportunities

The following opportunities for the industry have developed through investment:

- capital investment plans have improved for metal manufacturing and machine shops for businesses of all sizes. Companies are also reporting an increase in training investment;
- new, good green jobs in this sector will be boosted by the Low Carbon Manufacturing Challenge Fund; and,
- development of collaboration, networks, supply chains and competitiveness, adaptation and trasformation, and skills as identified by the Manufacturing Recovery Plan will allow other opportunities to arise.

Industry Challenges

Key challenges the industry faces include:

- Many metal manufacturing and machine shops are facing staffing issues and recent drops in output. There is a lack of skilled, part skilled and manual workers – the industry is increasingly missing the free movement of workers from EU;
- Availability, cost, and delivery/logistic cost of raw material is a challenge;
- Machine shops rely heavily on oil and gas and aerospace industries which face an uncertain future with the transition to net zero; and,
- Transformation of the sector to a low carbon manufacturing sector could potentially result in loss of some jobs.

Ongoing and Planned Activity for Industry

The Advancing Manufacturing Challenge Fund (AMCF) and the *Making Scotland's Future* programme form the key planned activity for the sector. The 12 projects of the AMCF are now in operation as part of *Making Scotland's Future* to create jobs, drive growth and boost productivity.

Making Scotland's Future quickly established a Manufacturing Recovery Plan as a response to the pandemic. The 21 actions within this Plan became the focus of the partnership, which comprised industry, academic and public sector, over the period of 2021. During this time, *Making Scotland's Future* has:

- through the Scottish Manufacturing Advisory Service, launched a range of remote support tools and delivered a series of digital events (webinars, conference);
- through NMIS, achieved £1.98m funding from the National Transition Training Fund to take forward five projects to support the manufacturing workforce;
- launched a 'Smart Things Accelerator Centre' as a 18-month scale-up programme for start up businesses;

- launched a CivTech Challenge which, if successful, aims to find a solution, through technology, to help manufacturers to decarbonise;
- been developing a pilot to help SME manufacturers realise the benefits of autonomous technology through collaborative implementation; and,
- been developing a Network of Networks to support better cross sectoral collaboration.

15. Paper Manufacturing Sector

Figure 15.1 – Turnover and GVA of the Scottish Wood and Paper Manufacturing Sector[27]

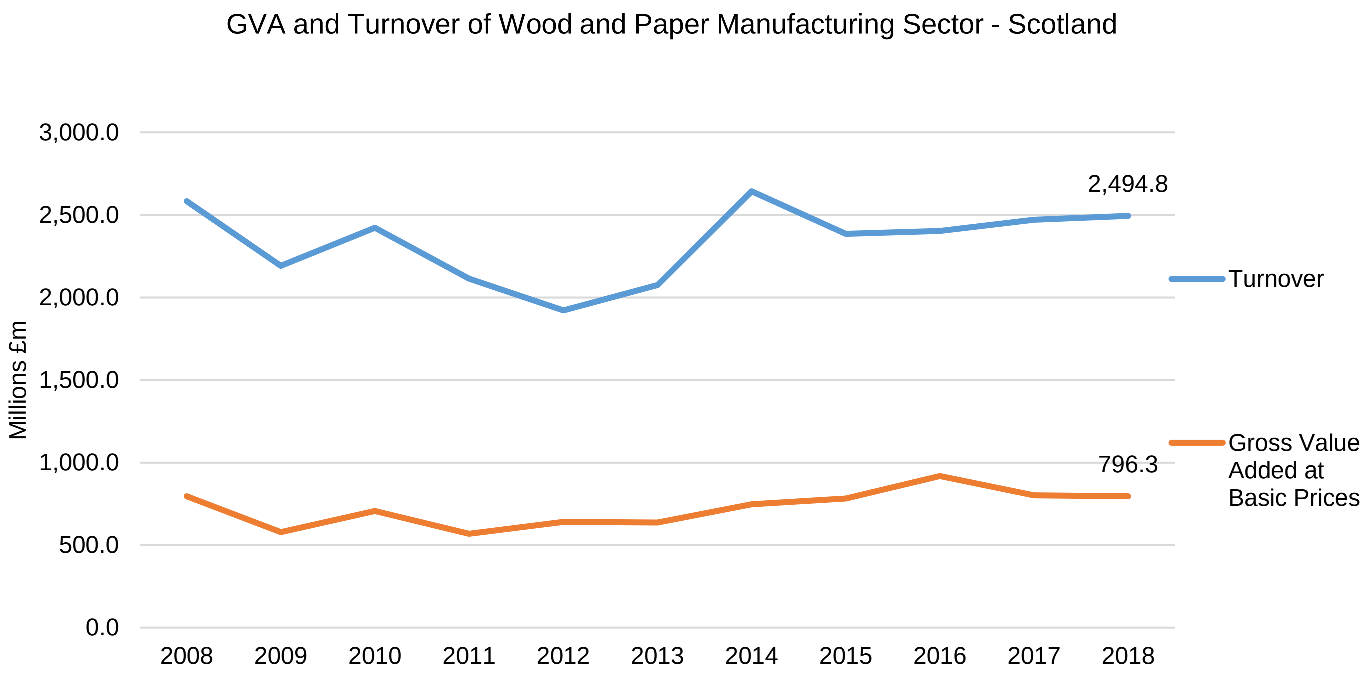
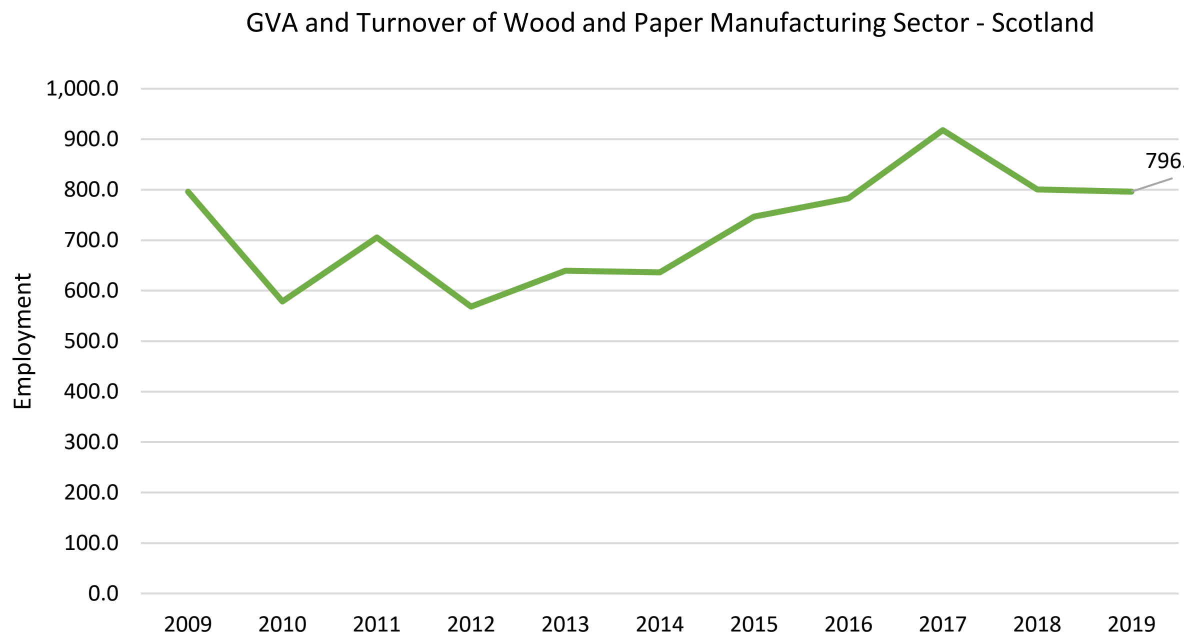


Figure 15.2 – Employment of the Scottish Wood and Paper Manufacturing Sector [28]



Industry Aspirations to 2030

The sector aims to diversify and become more environmentally friendly to curb potential industry decline.

[27] Source: Scottish Annual Business Statistics (SIC 16 + 17)
[28] Source: Scottish Annual Business Statistics (SIC 16 + 17)

Industry Opportunities

The sector sees opportunities to:

- diversify into other markets to attempt to curb decline whilst simultaneously preserving the expertise and infrastructure already in place;
- pivot quickly into emerging markets. Some companies in the paper sector were able to quickly manufacture personal protective equipment (PPE) for the NHS at the beginning of the pandemic, due to already having the necessary equipment to do so; and,
- green development. Paper packaging is a more environmentally friendly alternative to other packaging material, such as plastics.

Industry Challenges

The industry faces a number of challenges through changes in consumer demand. The sector has declining levels of activity and operate in an increasingly challenging market where consumer habits are shifting towards a more environmentally friendly digital demand. Newspaper and magazine physical printing and publishing is in decline and most printing SMEs struggle to win contracts and rely on public bodies as clients. Additionally, integrating digital platforms into the industry will be a challenge.

Ongoing and Planned Activity for Industry

Print Scotland, the Scottish trade association, concentrates predominantly on provision of skills training and general advice.

16. Photonics Scotland, a network of Technology Scotland

Industry Aspirations to 2030

The sector aims to reach £3 billion turnover by 2030, up from £1 billion in 2018 and £1.2 billion in 2020.

Industry Opportunities

The industry has identified the following significant opportunities:

- The global photonics market has been growing at a compound annual growth rate of 7% since 2015, and is set to hit £800 billion by 2025, catalysed by accelerated global demand for photonics products;
- Scotland is very strong on photonics exports, with companies engaging in international markets from a very early stage. It is well positioned to exploit a rapidly growing global market, provided it is supported to do so;
- Scotland’s photonics sector contains a significant number of young, innovative companies with high potential for growth. The sector is also supported by a number of multi-national ‘anchor’ companies, a world-leading academic base and a number of supporting organisations; and,
- There has been significant growth in Scottish photonic companies active in space and quantum technology applications, with over 50% of companies now active in these growth areas.

Industry Challenges

Key challenges faced by the photonic sector are:

- access to skills. This remains the biggest impediment to the growth of the sector. There must be an increased focus on upskilling the existing workforce and accelerating entry of new talent from adjacent sectors and the education pipeline.
- market access. 97% of Scottish photonics output is exported outwith Scotland with 79% beyond the rest of the UK. Scotland’s future export strategies and internationalisation efforts must recognise and support this buoyant sector.
- improving the integration of photonics technologies into domestic supply chains. Photonics technologies are supporting innovation in a number of vertical sectors (health, manufacturing, space, and defence) and these sectors must be supported to access, develop and adopt leading edge technologies.

Ongoing and Planned Activity for Industry

Technology Scotland has been working with the Manufacturing Skills Academy at NMIS to develop an industry-led optical skills programme that will accelerate new entrants to the photonics sector and that upskills existing talent. In September 2021, it launched the “Opening up Photonics Initiative” (in partnership with the University of Glasgow, Institute of Physics and Knowledge Transport Network), which aims to build a more diverse and inclusive workforce within Scotland’s photonics sector.

17. Space Industry Leadership Group

Industry Aspirations to 2030

The industry aims to increase GVA to £4 billion, up from £880 million in 2017/8 and to increase employment to 18,000, up from 8,000 in 2017/8 and 6,933 in 2014/5.

Industry Opportunities

The space sector has identified the following positive areas of opportunity:

- the global space market is seeing an increased reliance and utilisation of space-based applications and services, resulting in significant growth. Scotland has a unique position in the sector with the offering of the entire space value chain from launch, through satellite design and production, satellite operations and data services;
- with focus on inward investment, infrastructure, skills, finance and innovation, the growth rate can be increased to keep in line with global trends; and,
- the industry's natural cluster—including satellite design and production in Glasgow, space data productisation in Edinburgh, launch in the North and West of Scotland—mostly align with geographic and academic strengths in those regions.

Industry Challenges

Despite the Scottish space sector having done extremely well at utilising Scottish Enterprise support in R&D and job creation, it lacks the infrastructure that is critical to attracting new business to Scotland and facilitating growth of our successful start-ups. It is also important that Scotland recognises the strong position it has in 'new space' and invests to grow the sector at a pace in line with the global market, focussing on key areas such as inward investment, infrastructure, skills, finance and innovation.

Ongoing and Planned Activity for Industry

The following activity is ongoing throughout the sector:

- the Scottish Space Leadership Council (SSLC) New Voices working group is addressing diversity in the space workforce as well as encouraging young people to pursue careers in the sector;
- a Sustainabilty Working Group is aimed at addressing the environmental impact of space and a drive towards net zero in the sector; and to also drive technologies and practises to make Scotland a leader in the sector; and,
- the SSLC is currently finalising the Scottish Space Strategy. In addition, the SSLC has a number of working groups looking at key drivers and enablers for the sector. Future working groups will include work to address infrastructure needs to accelerate sector growth.

18. Textiles and Leather Industry Leadership Group

Figure 18.1 – Turnover and GVA of the Scottish Textiles Sector[29]

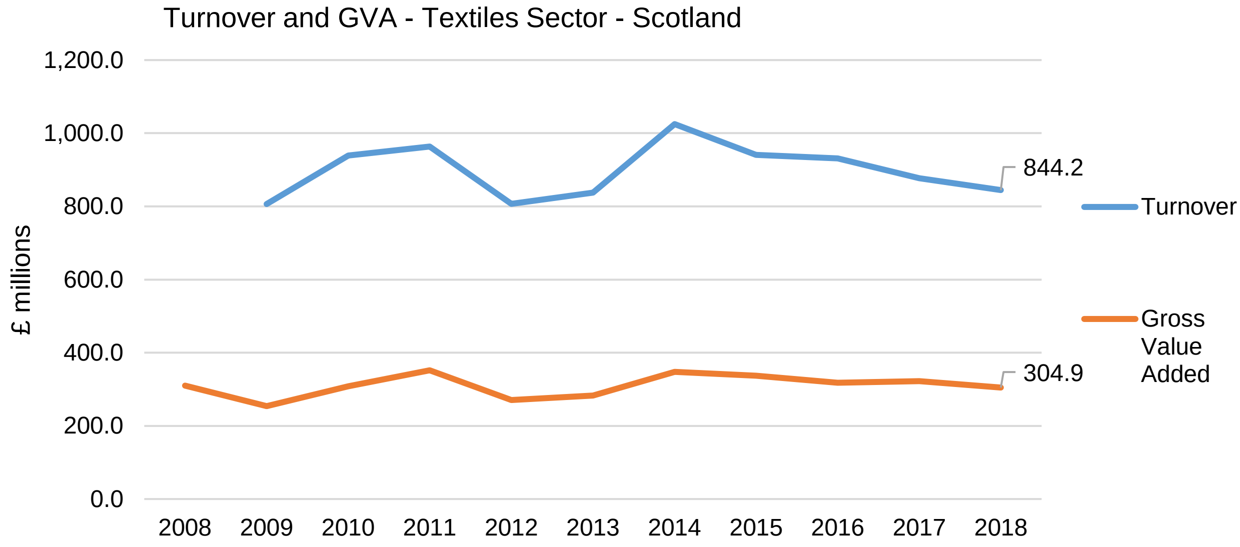
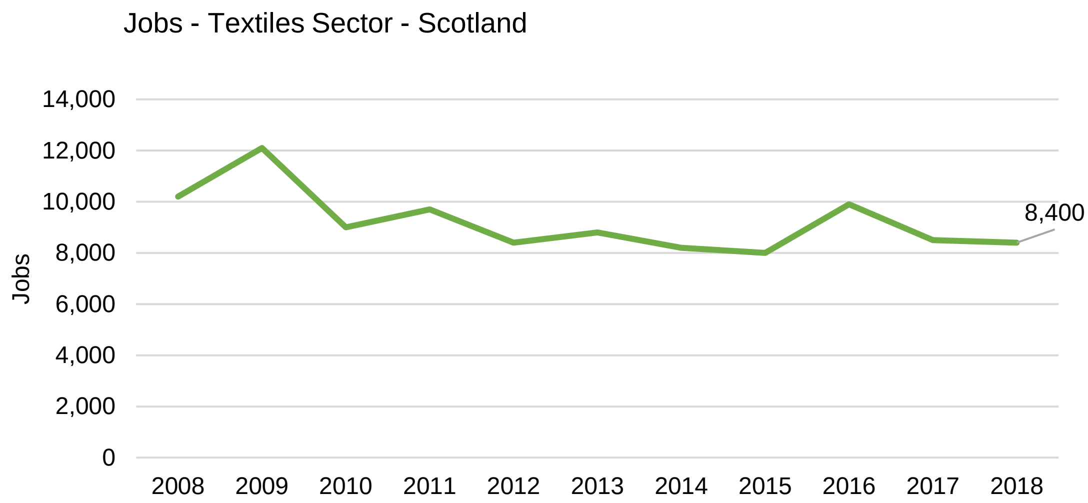


Figure 18.2 – Employment of the Scottish Textiles Sector[30]



Industry Aspirations to 2030

The industry aims to increase:

- GVA to £400 million by 2025, and to £540 million by 2030;
- turnover to £1.1 billion by 2025, and to £1.5 billion by 2030; and,
- employment to 10,000 by 2025, and to 13,000 by 2030.

Industry Opportunities

Opportunities for the textiles and leather industry include:

[29] Source: Scottish Annual Business Statistics. Turnover and GVA are in current prices. Turnover for 2008 is disclosive.
[30] Source: Scottish Annual Business Statistics

- strong demand growth driven by increased consumer interest in provenance and sustainability;
- an increased interest in high-end home products and the luxury knitwear category where Scotland is particularly strong;
- strong potential to benefit the Highlands and Islands Enterprise and South of Scotland Enterprise regions as the the industry is disproportionately important to these economies and is a major employer in many small towns;
- onshoring a proportion of production for the mass market in order to reduce costs associated with long lead times, which became more apparent during the pandemic. On shore production would be highly automated, fast and flexible, utilising the latest AI planning and automated production capabilities; and,
- positioning the Scottish industry at the forefront of the development of alternative, sustainable fibres by utilising the closeness of Scotland's academic institutions with manufacturing.

Industry Challenges

Key challenges for the industry are:

- limited availability of staff in some regions, which is affecting recruitment and retention of skilled staff. This is exacerbated by weak alignment within skills provision; there is a lack of technical training for skilled roles. The growth of the sector will increasingly be limited by the ability to recruit, train and retain the key skills required. As the sector mostly operates at the premium to luxury levels, the skills required are high and often take many years to fully develop; and,
- loss of free access to European markets, which has impacted some businesses.

Ongoing and Planned Activity for Industry

The textiles and leather industry is developing a number of strategic initiatives, including:

- the Export Strategy has the ambition to enter and develop new markets and to make Scottish Textiles industry internationally synonymous with sustainable luxury fashion & textiles.
- the Sustainability Strategy for the industry will be key in achieving sustainability ambitions.
- provision of modern apprenticeships in the sector has an extremely high uptake for the scale of industry, reflecting the highly skilled careers offered. There are plans to extend that provision if funding can be released. A Skills Strategy for the industry is also currently being prepared.

19. Tourism Industry Leadership Group

Figure 19.1 – Turnover and GVA of the Scottish Tourism Sector[31]

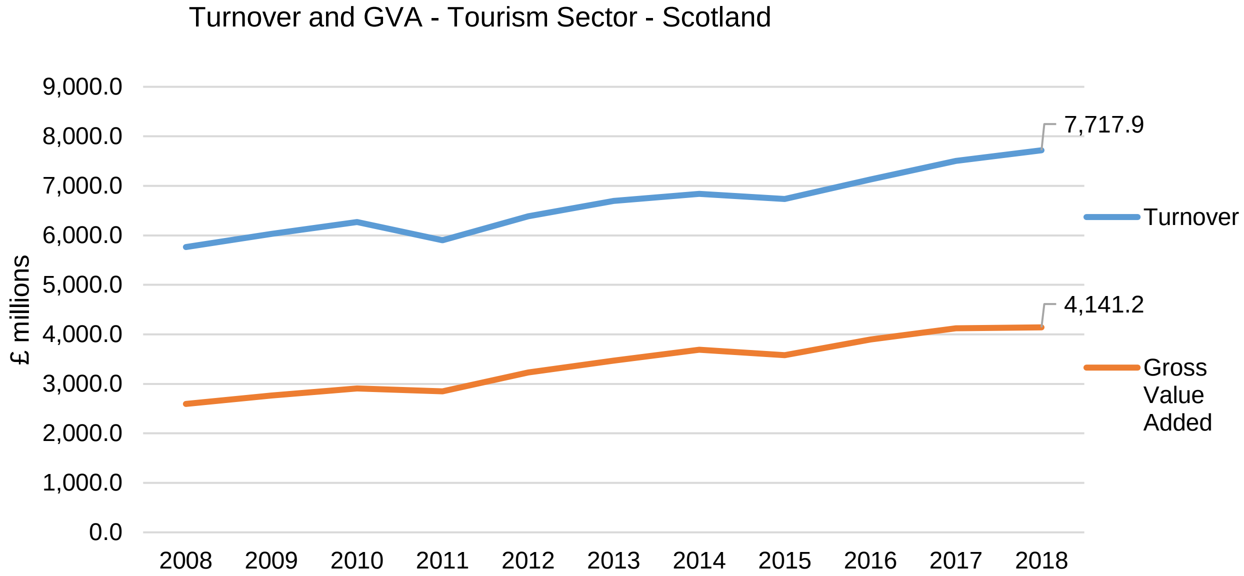


Figure 19.2 – Employment of the Scottish Tourism Sector[32]

Industry Aspirations to 2030

The industry aims to:

- re-establish a comparable level of GVA to pre-pandemic levels by 2025
- raise GVA to £4.64 billion, up from £4.14 billion in 2018, and jobs to 236,221 up from 218,000 in 2019.
- target overnight visitor volumes & values of:
    - Domestic trips: 15,113,000; domestic spend: £3.71 billion
    - European trips: 2,011,000; European spend: £1.16 billion
    - International/Long haul trips: 2,371,000; International/Long haul spend: £2.8 billion.

[31] Source: Growth Sector Statistics Database. Turnover and GVA are in current prices.

[32] Source: Growth Sector Statistics Database

Industry Opportunities

The tourism industry's principle opportunities include:

- new interest in the outdoors, generated by COVID-19 and boosted the buy local / source local trend, so there are new opportunities in the Outdoors and Agri-tourism markets;
- further developing and growing the Food Tourism proposition, supporting the local food and drink producers and bringing two key sectors even closer together;
- Scotland's demonstrable capacity in hosting and delivering major business, sporting and leisure events;
- capitalising on the appetite from businesses to contribute to Scotland's net zero ambitions and to embrace technology to drive productivity, create new or improved customer experiences. Improved planning and decision making through the improved availability of data and insights through the data observatory will also help;
- the pandemic impact has not been equal across the different sectors of the industry and regional variations have also been noticeable. Typically, rural and coastal locations have benefited most from the earlier recovery of the UK staycation market and so have had greater opportunity.

Industry Challenges

The tourism industry faces a number of challenges including:

- the slow return of international travel. A firm commitment to protect existing air routes, re-establish key routes and grow new routes is needed as well as supporting the essential supply chain that plays the key role in both brokering and facilitating the inbound leisure, event and business tourism markets. Outbound international travel also impacts the staycation market;
- the pace of recovery. Reduced footfall in cities and towns is severely impacting tourism and hospitality, particularly in rural areas;
- the significant increase in core costs in the essential supply chain especially energy, which remains a key concern and challenge to counter. Balancing cash flow to repay debt and invest capital in assets and the workforce to stay competitive and to respond to future consumer expectation is set to be become all the more difficult in the early recovery period;
- workforce availability and skills shortages continues to be one of the biggest challenges for the sector. The impact of COVID-19 and Brexit has exacerbated the availability of staff especially chefs, causing some businesses to close or reduce their operating hours and product offer.
- there remains a greater need for understanding the range of career opportunities that exist across the sector both by parent forums and teachers in primary and secondary years education. Availability of affordable housing both for shared staff accommodation and individual/ family accommodation especially in more rural parts that will help attract new and retain existing workforce is also a barrier.

Ongoing and Planned Activity for Industry

The industry's activity plans include:

- a commitment to contribute to Scotland's Net Zero agenda, which is at the heart of Scotland Outlook 2030 and is recognised as a key part of the sector's recovery;

- a programme to create a Net Zero Pathway for Scottish Tourism is underway as part of the tourism recovery plan, helping the sector contribute to Scotland's Climate Change Plan and Net Zero ambitions; and,
- a national Tourism Skills Group, which has been in place for a number of years to align with the national tourism strategy.

20. Retail sector

Figure 20.1 – Turnover and GVA of the Scottish Retail Sector[33]

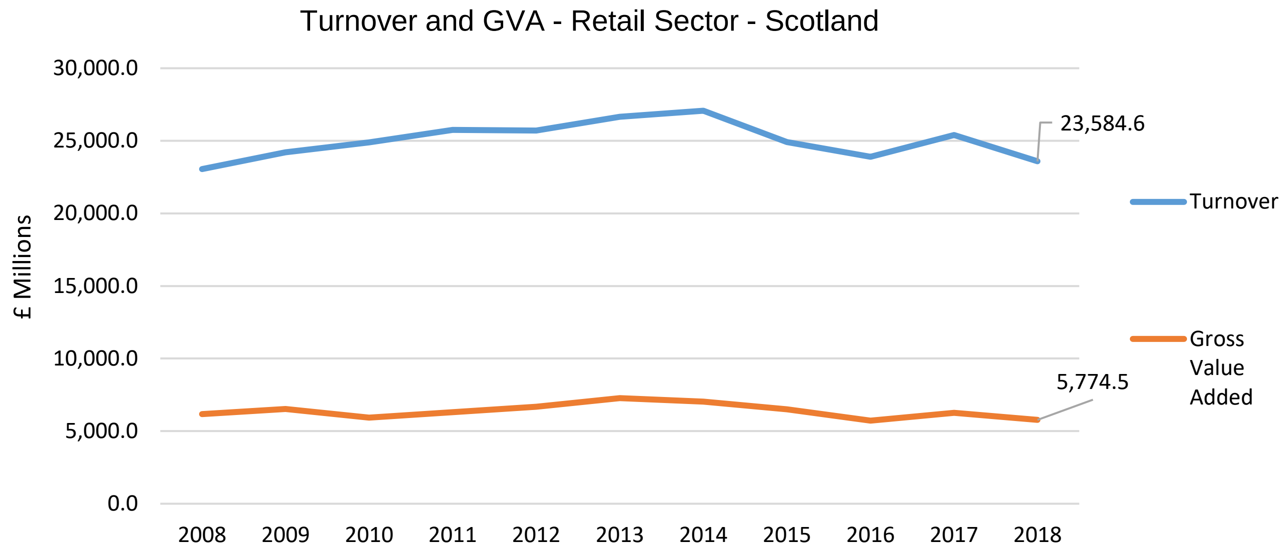


Figure 20.2 – Employment of the Scottish Retail Sector[34]

Industry Aspirations to 2030

The industry's aims and vision to 2030 are that:

- Scotland's retail sector will thrive through a process of positive change and innovation, to offer people and communities the quality goods, experiences and services that they want.
- the sector will embrace business development opportunities to foster sustainable growth; protect the environment; cultivate entrepreneurship; strengthen supply chains; support wellbeing; and ensure that the retail offers is secure, well-paid and rewarding employment; and,

[33] Source: Scottish Annual Business Statistics. Turnover and GVA are in current prices
[34] Source: Scottish Annual Business Statistics. Turnover and GVA are in current prices

- the Scottish Government will work in partnership with the sector, trade unions and employees, whose experiences are crucial, to help the retail sector in Scotland become an exemplar for inclusive economic growth and play its part in creating a fairer, greener and stronger Scotland.

Industry Opportunities

The industry has identified a number of opportunities including:

- boosting Scotland's economic prosperity. As the largest private sector employer, the retail sector is already a major contributor to the economy, with over 240,000 people working in Scotland in 2020 and with an annual turnover of £23.1 billion in 2019;
- an opportunity to improve collaboration, productivity and skills to maximise the retail's contribution to sustainable economic growth by building on retail's existing resilience, innovation and entrepreneurship;
- an opportunity to significantly impove equality, tackle in-work povery and support our national goal to reduce the effects of child poverty through the adoption of fair work practices across the sector. Retail offers many opportunities for flexible working and career progression, and continues to employ a high proportion of women and young people, and a diverse representation of groups affected by the pandemic and existing labour market inequalities.
- opportunities for retail to meet the growing global demand for more sustainable goods and services as it continues to flex to meet customer needs.

Industry Challenges

The industry faces a number of challenges:

- it is going through a period of profound change and has experienced challenging trading conditions during the COVID-19 pandemic. While the signs of recovery are beginning to be felt, non-food retail and retail in city centres and shopping centres continue to be particularly badly affected;
- the pandemic has accelerated and exacerbated existing trends, most notably an increase in online shopping - which reached record levels in;
- increasing technology and automation means there are likely to be fewer retail jobs with higher skills requirements in the future.
- the 2020 report from the Fair Work Convention highlighted retail as one of the sectors not performing well across multiple dimensions of Fair Work, with wages, trade union membership and job-related training all showing comparatively low scores for the sector.
- retail is a highly competitive market, with increasing costs associated with inflation and supply chain issues putting pressure on margins. The support landscape also remains complex to navigate.

Ongoing and Planned Activity for Industry

The industry's planned activity is based around the forthcoming Retail Strategy, which:

- will support the sector to recover and transform over the next five years and beyond, playing its part in creating a fairer, greener and stronger Scotland;

- has been co-developed by a Steering Group of industry representatives, trade unions and academia, chaired by the Minister of Planning, Public Finance and Community Wealth Building;
- has three workstreams that address the following priority themes:
    - SECTOR – supporting COVID-19 recovery and a resilient, productive and profitable retail sector; and helping retail harness the opportunities of digital;
    - PEOPLE - supporting secure, well-paid employment and rewarding careers in retail and promote all aspects of fair work across the sector; developing workforce skills and supporting job transitions; ensuring consumer needs and expectations are met; and,
    - PLACE - strengthening retail's positive contribution to local economies and communities to ensure a fairer and greener future for all.
- will have Fair Work at its core, benefitting retail business by making them more attractive to workers, and more resilient, productive and profitable;
- will build on pre-existing commitments to produce, in collaboration with the sector, a Just Transition Plan for retail; and,
- will also establish a new sector-led group to take forward actions identified to address the key opportunities and challenges facing the sector.

This publication is available at **www.gov.scot**

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St Andrew's House
Edinburgh
EH1 3DG

ISBN: 978-1-80435-146-8 (web only)

Published by The Scottish Government, March 2022

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS1038870 (03/22)