University of Strathclyde Business School

Fraser of Allander Institute

Economic Commentary

Vol 46 No 1

Deloitte.

Foreword

All signs point towards 2022 as the year in which the world learns to live with COVID-19. High levels of vaccinations have helped weaken the link between case rates and deaths. Despite spreading at pace and generating record case rates, the Omicron variant seems to be less damaging to health than previous waves[1].

Attention now turns towards securing the economic recovery of the country, and as the Commentary highlights, despite limited growth at the end of last summer and the impact of Omicron in December, the Scottish economy is now above pre-pandemic levels after two years.

However, headwinds are gathering in the face of record levels of inflation, largely a result of a mismatch between supply and stimulus-fuelled demand. This was already having a significant impact on growth before the Russian invasion of Ukraine. The resulting humanitarian crisis undoubtedly eclipses the economic one, but it is also true that wider effects, such as soaring commodities prices, will be felt closer to home impacting businesses and adding to a rising cost of living.

As the Commentary outlines, this has the potential to limit recovery as consumers cut back on discretionary spending. This echoes conclusions from Deloitte's latest Consumer Tracker[2], where consumer confidence fell for the second consecutive quarter, despite a rebound at the start of 2021. Attributed to the rising cost of living and the emergence of the Omicron variant, a slowdown in consumer spending was likely in all essential categories apart from everyday household items, housing, and pensions, in the first quarter of 2022.

There is no simple solution to these challenges, but there are lessons from the pandemic that can be applied which may help policymakers, businesses and consumers navigate the difficult period ahead. COVID-19 has accelerated public health priorities for governments, and there is an opportunity to make this a priority going forward. The pandemic exposed and exacerbated the impact of long-standing health inequalities and the crucial role of the public health workforce[3].

These challenges are complex and tackling them is no mean feat. However, there is a significant opportunity in doing so, as the pandemic has also exposed the link between public health and the health of our economy and shown that population and workforce wellbeing are crucial assets for recovery and growth. If these issues can be successfully tackled, it could help address the longstanding productivity problem in the country and support a rise in living standards and welfare as we move forward from the pandemic, and set us on course towards a greener and more sustainable future[4].

1 The global economy in 2022.
2 The Deloitte Consumer Tracker Q4 2021.
3 Overview: Narrowing the gap.
4 Don't overdo the productivity pessimism; Scotland's Productivity Challenge; Understanding the productivity paradox.

There is a critical role for businesses to play here, as we learn to live with COVID-19, we have an opportunity to look at how we are interacting with the health of our employees and local communities. A role that cannot be underestimated given the stark figures that have been emerging in relation to ill-health following the last two years. This quarter's Commentary finds that an additional 20,000 people in Scotland are now economically inactive because of long-term sickness than pre-pandemic, while Deloitte's own series of insights on the future of public health cites that the pandemic has led to a 65% increase in mental ill-health[5]. The pandemic has also exacerbated pre-existing ill-health conditions in some, while others have adopted less healthy behaviours.

While on the corporate agenda for some time, the pandemic has increased the priority that employers are giving to improving the health and wellbeing of their employees. Research undertaken across the UK in January 2021 by Group Risk Development (GRiD) found that since the onset of the pandemic 63% of employers have increased the support they provide for staff across one or more areas of mental, financial, physical, and social wellbeing. However, some soon to be published Deloitte research on improving the health and productivity of employees*, has highlighted that half of employers still lack a formal strategy or approach.

Putting wellbeing at the centre of an organisation's plans to transform working practices can yield improvements in employee engagement, performance, and overall resilience. To be effective, the design of wellbeing into work needs to be developed, strengthened, and flexed over time. Moreover, wellbeing strategies need to be tailored to accommodate the needs of different groups of the workforce rather than a 'one-size-fits-all' approach[6].

As cost of living challenges run in parallel with living with COVID-19, business leaders must prioritise support for their employees. In doing so, organisations will be able to build more resilient and productive workforces. This mindset will prove effective over the long term, and help firms adapt to a permanently changed business landscape and the challenges on the horizon.

Steve Williams
Senior Partner for Deloitte in Scotland
March 2022

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5 Narrowing the gap: a fairer and sustainable future of public health.
6 Global Human Capital Trends 2021.
* The next report in Deloitte's Public Health Series is due to be published in April: Evaluating the role of employers in reducing the public health gap: Improving the health and productivity of employees

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ECONOMIC COMMENTARY

For regular analysis on the Scottish economy and public finances please see

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Summary

Two years on from the first lockdown, it would be great to be optimistic about the economic prospects for 2022. Unfortunately, global uncertainties and the cost of living crisis, which are not unrelated to each other, have doused that enthusiasm with a bucket of cold water.

The war in Ukraine is first and foremost a humanitarian disaster. This crisis though also has implications for the costs of goods and services in our country. Having said this, it is important to remember that inflationary pressures were evident well before this, with post-pandemic supply chain issues and world-wide demand for gas causing prices to rise.

Despite the impact of Omicron in December, the economy is now (as of data in January) back above pre-pandemic levels of growth. This milestone in the recovery is of course important: but seems less heartening than it might have done a few months ago given the wider economic conditions.

Needless to say, the macro picture for the economy hides a disparate sectoral story. The hospitality, arts, leisure and culture and "other services" sectors remain significantly below pre-pandemic levels of output. Other services covers businesses like hairdressers and beauticians which have been heavily impacted by restrictions.

These sectors may suffer further as consumers cut back discretionary spending as the cost of living crisis really starts to bite. The resilience of these businesses is likely to be tested yet again.

With all this in mind, we have downgraded our forecast for 2022. We are now forecasting growth of 3.5% in 2022, 1.5% in 2023, and 1.4% in 2024. Our forecast for 2022 has been downgraded from 4.7% in our previous commentary.

Of course – forecasting right now is hugely uncertain, and our view on the outlook for the economy is likely to evolve as the geopolitical and economic situation evolves over the next few months.

The Spring Statement last week was unveiled as a package to support households and businesses through the cost of living crisis. However, it is likely that the measures will be little help to those on the lowest incomes, particularly benefit recipients, when the real-terms value of the money they are receiving is being eroded by inflation.

As well as analysis of all of the latest data on the economy, in this edition of the commentary we analyse the new forecasts and announcements released last week. We also have a special focus on the impact on businesses of price rises, and a deep dive analysis into the rise in inactivity in the labour market.

Finally, we produce an analysis of all things local government, to set the scene for the local government elections in May. While it is easy to be distracted by the global and economic issues affecting us all at both a macro and personal level, we set out the key issues which are likely to inform this debate in the run up to 5th May.

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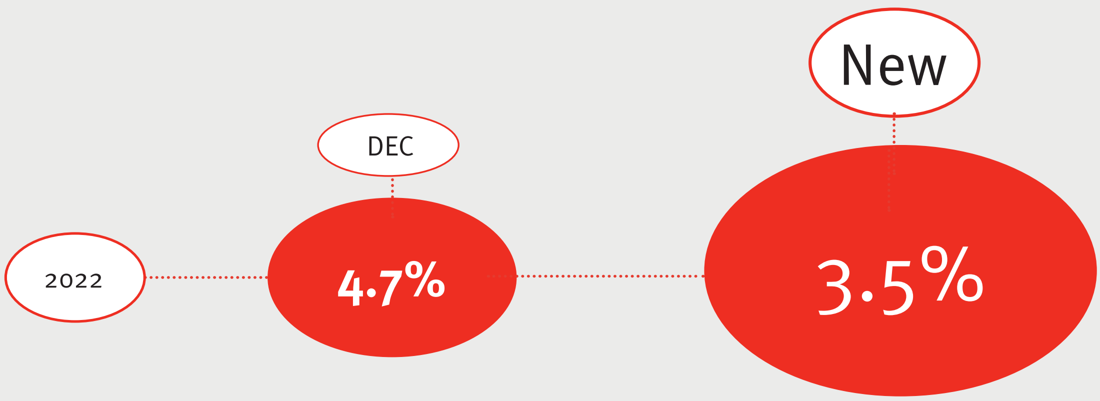
State of the economy

Indicator	% of Feb 2020 levels	Rate	Change on previous month / quarter	Performance	Latest data
GDP					
Total	100.8%		+ 1.1%	▲	January 2022
Production	96.2%		+ 1.8%	▲	January 2022
Construction	102.3%		+ 1.1%	▲	January 2022
Services	101.7%		+ 0.9%	▲	January 2022
Labour Market					
Employment rate		74.5%	-0.1 p.p.	▼	Nov 2021 - Jan 2022
Unemployment rate		3.8%	-0.3 p.p.	▼	Nov 2021 - Jan 2022

Scottish growth forecasts



	2022	2023	2024
FAI *SCOTTISH FORECAST*	3.5%	1.5%	1.4%
OBR *UK FORECAST*	3.8%	1.8%	2.1%

Outlook and Appraisal

Another uncertain year ahead

Despite growth faltering towards the end of summer, the economic recovery of the Scottish economy seemed underway towards the end of last year.

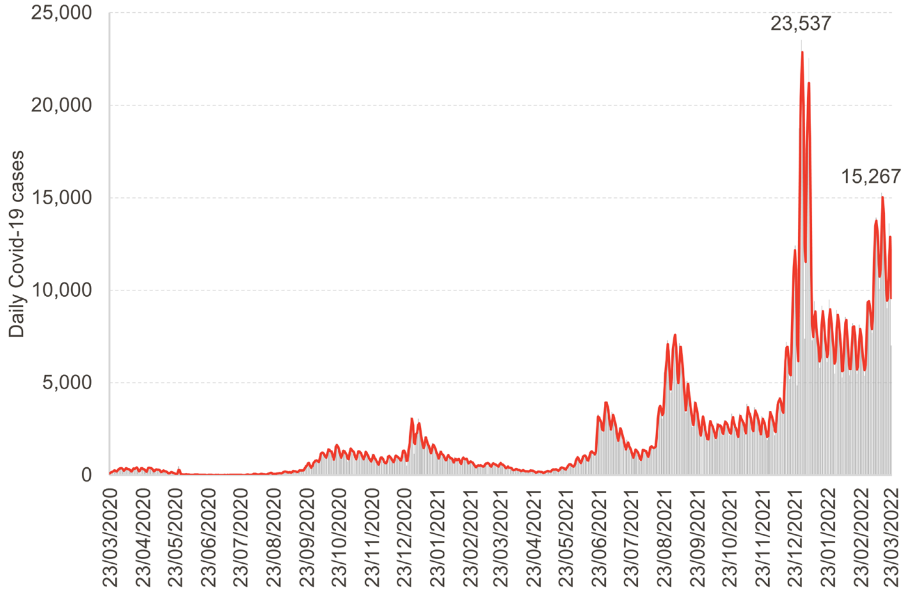
However, the new Omicron variant of COVID-19 dampened optimism over the Christmas period.

But, compared to the winter lockdown experienced in 2021, COVID-19 restrictions were more relaxed. Heightened restrictions were short-lived with home-working guidance changed to a hybrid approach at the end of January, and most restrictions in Scotland dropped by the 21st March.

The legal requirement to wear face coverings on public transport and in some indoor public settings remains until the 4th April, when it is due to be reviewed.

While it feels like "COVID is over", it is important to note that case numbers are well above those seen in the winter lockdown of 2021. See Chart 1.

Chart 1: Daily positive COVID-19 cases, Scotland, March 2020 – March 2022



Source: *Scottish Government*

Although cases are below the peak experienced at the start of the year, when cases were topping 20,000 per day, there are still around 10,000 cases per day in Scotland as of March 2022.

And, whilst vaccinations have proven effective in lowering the impact of the virus, last week hospital admissions reached their highest level since the pandemic began.

So, how has the spread of the Omicron variant impacted Scotland's economic recovery?

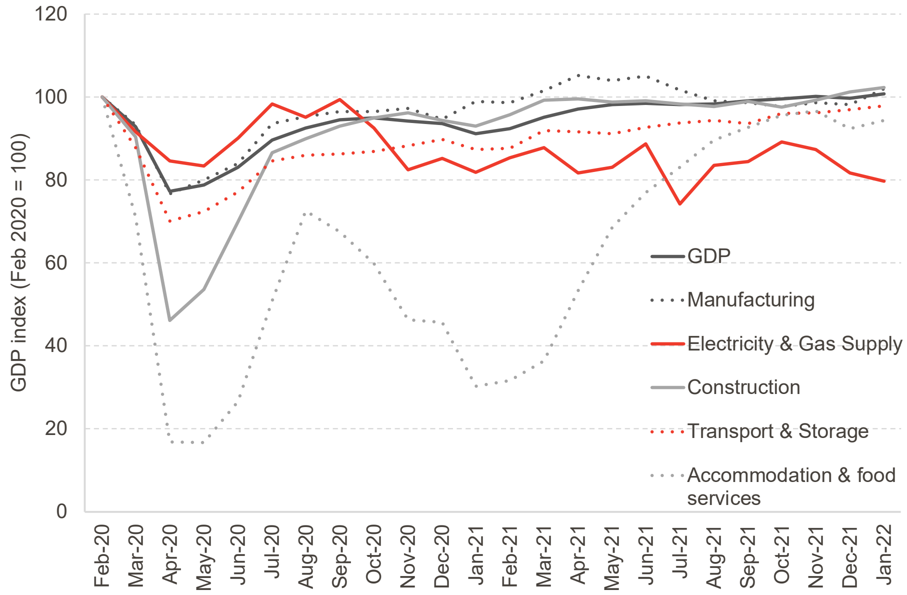
In December, GDP contracted by 0.4% however, January saw growth of 1.1%, bringing Scotland's output 0.8% above pre-pandemic (February 2020) levels. See Chart 2.

In January, output in the construction sector was 2.3% above pre-pandemic levels whilst output in the services sector was 1.7% above levels seen in February 2020.

However, within the services sector, the hospitality, arts, leisure and culture and "other services" industries remain below pre-pandemic levels of output.

While construction and services are now above pre-pandemic levels, output in the production sector was 3.8% below February 2020 levels in January of this year, with electricity and gas supply output just 80% of pre-pandemic levels.

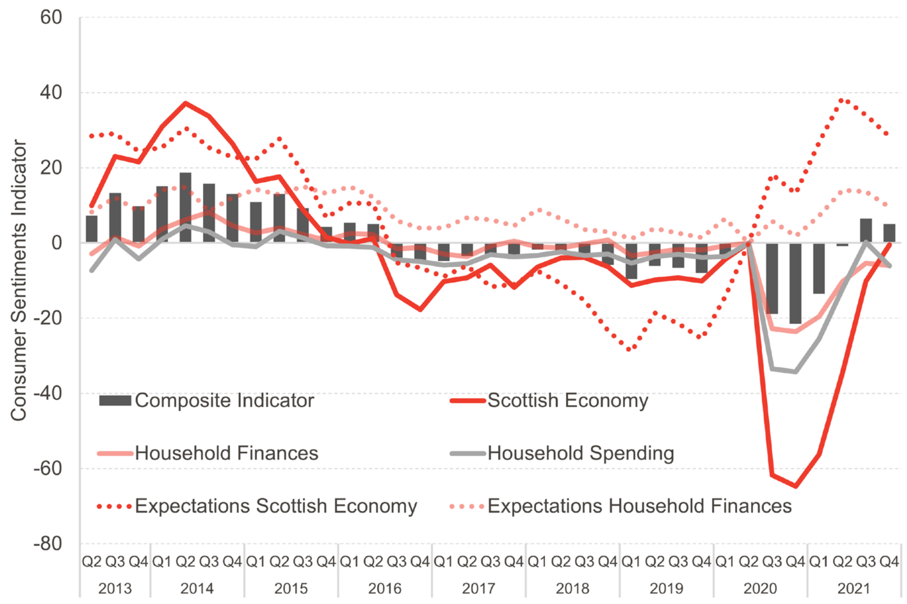
Chart 2: GDP, Scotland, February 2020 - January 2022



Source: *Scottish Government*

Consumer sentiment was improving last year, with Q3 seeing the first positive net balance on the composite indicator since 2016. Whilst consumer sentiment overall remained positive in Q4 this was dampened by expectations of the Scottish economy and household finances. See Chart 3.

Chart 3: Consumer Sentiment indicators, Scotland, 2013 Q2 – 2021 Q4

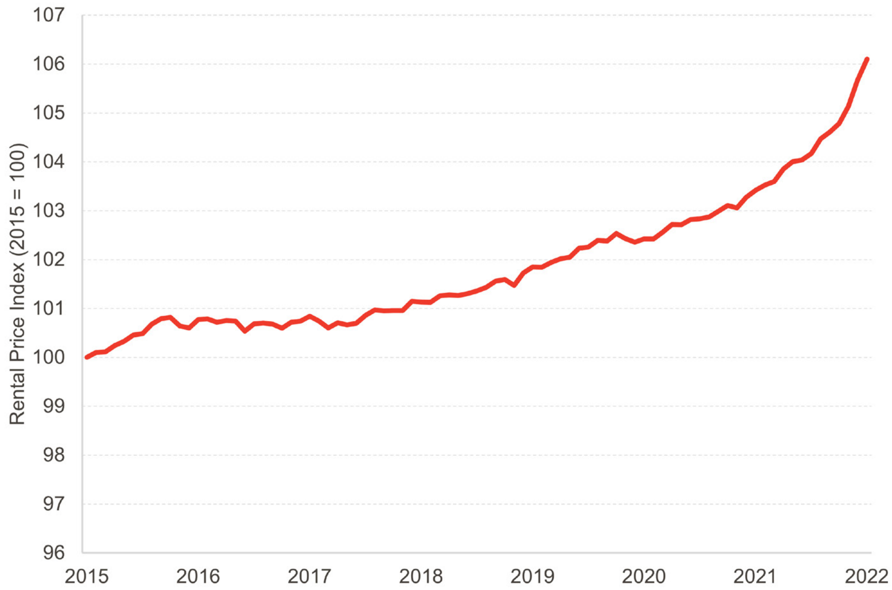


Source: *Scottish Government*

Current household finances and spending were the worst performing consumer sentiment indicators in the latest quarter, reflective of, what is now, the cost of living crisis.

The cost of living is increasing significantly. In 2021-22 alone, private rental prices increased more than the 6 years prior combined. See Chart 4.

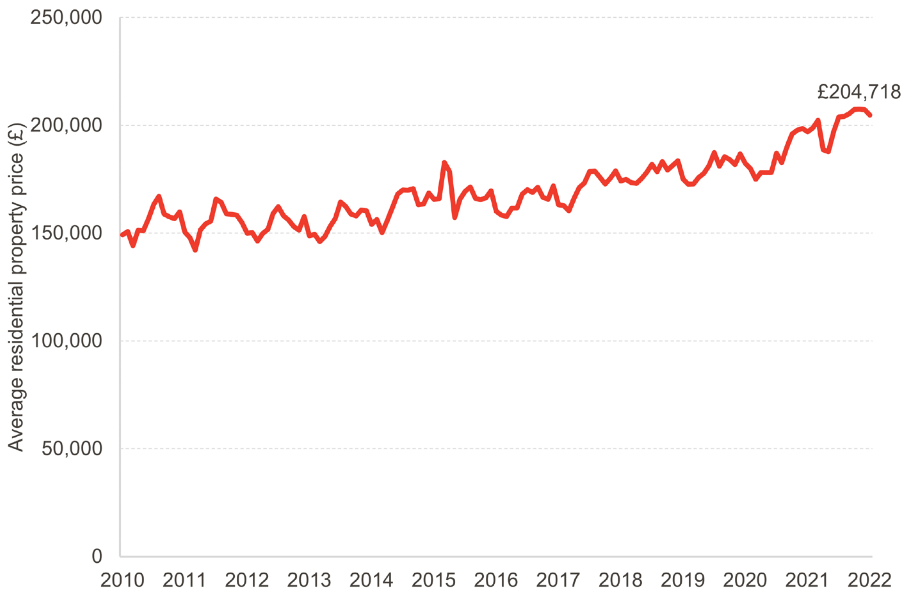
Chart 4: Index of private housing rental prices, Scotland, January 2015 - January 2022



Source: *ONS*

And for those wanting to get on the property ladder in Scotland, they now face house prices 12.3% higher than at the start of 2020. See Chart 5.

Chart 5: Average residential property price, Scotland, 2010 - 2022



Source: *Registers of Scotland*

Earlier this month, in efforts to calm inflation, the Bank of England's Monetary Policy Committee decided to increase the base rate from 0.5% to 0.75%.

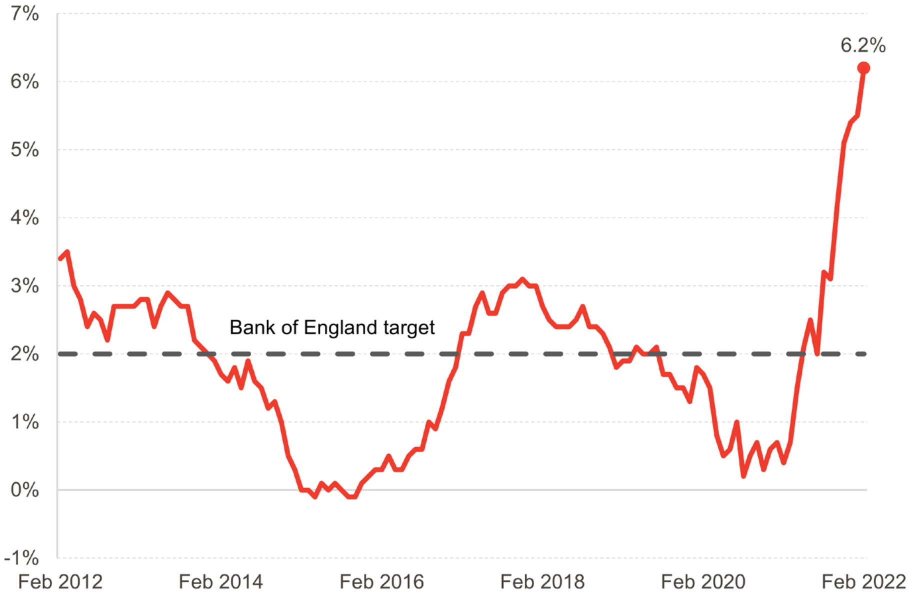
With the base rate now at the highest level since March 2020, mortgage rates have also increased, adding further pressure to monthly bills for owner-occupied households.

UK Economy

In the 12 months to February 2022, prices have risen at their fastest rate since the 1990s, growing by 6.2% . See Chart 6.

With prices increasing at their fastest rate in 30 years, we may see the Bank of England's base rate increase further to curb this growth in prices.

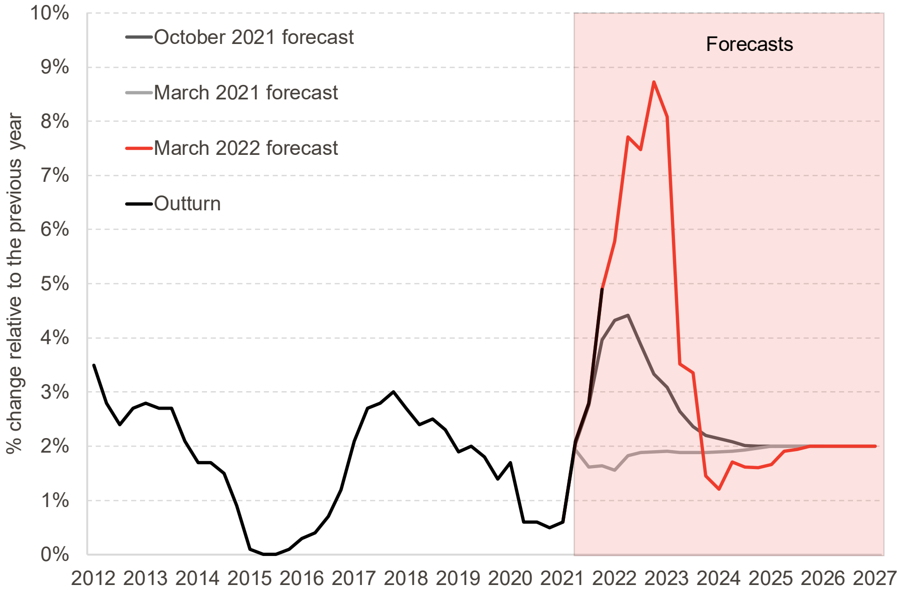
Chart 6: Consumer Prices Index, UK, February 2012 - February 2022



Source: *ONS*

The OBR expect inflation to peak at 8.7% this year, with high inflation - well above the Bank of England's 2% target rate - expected to persist for the next couple of years. See Chart 7.

Chart 7: Inflation out-turn & forecast, UK, 2012 - 2027



Source: *OBR*

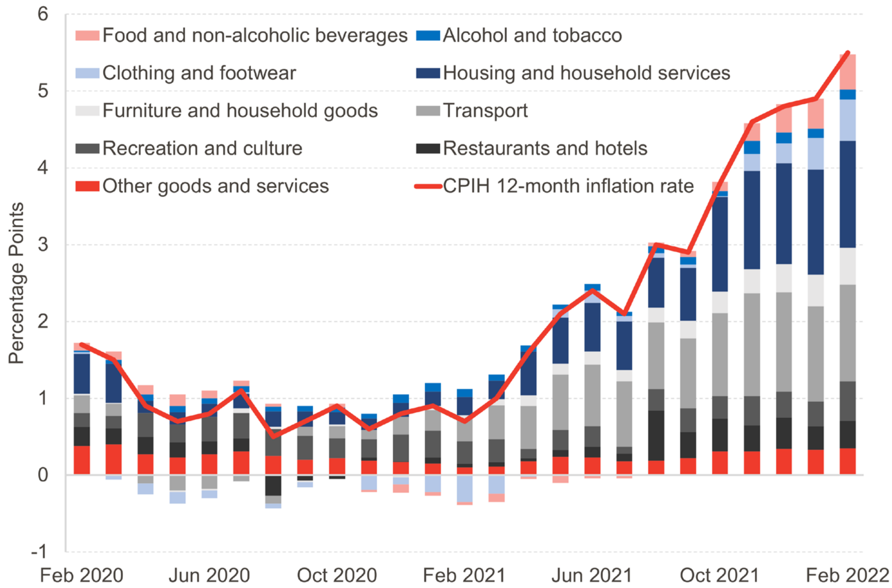
What is driving inflation?

Due to changes in the price of motor fuels, transport prices were a significant driver of inflationary pressure in February.

Average petrol prices stood at 147.6p per litre in February, up 27.4p on the year, whilst the average price of diesel stood at 151.7p per litre.

Housing and household services contributed 1.39 percentage points to the CPIH[1] 12-month inflation rate of 5.5% in February 2022 – the largest contribution from these services since February 2009. See Chart 8.

Chart 8: Contributions to the CPIH 12-month inflation rate, UK, February 2020-February 2022



Source: *ONS*

Within housing, electricity, gas, and other fuels is driving up prices.

Gas is used to fuel around a third of the UK's electricity generation therefore, rising gas prices have led to an increase in electricity prices, increasing total household energy bills.

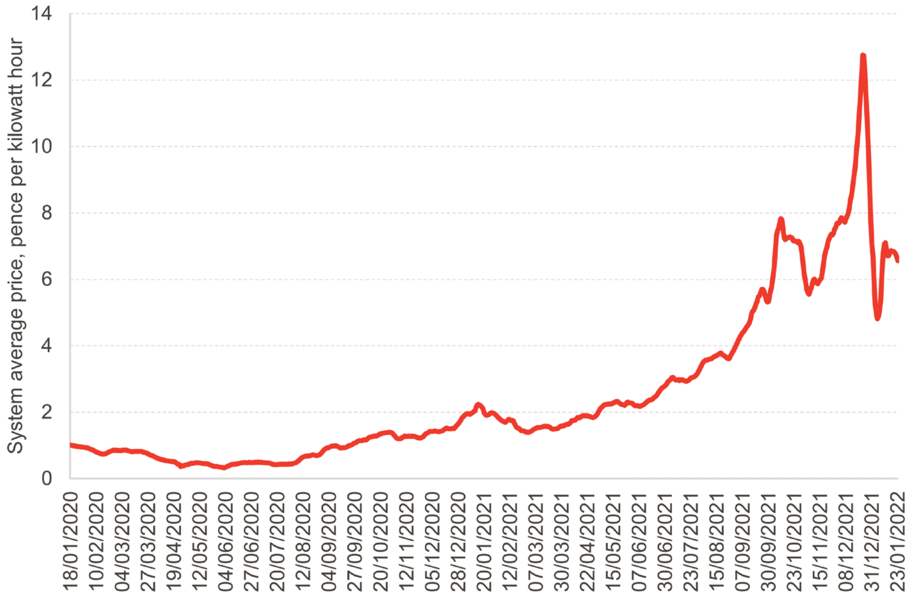
Although the price of gas in the UK has dipped slightly since its peak of 12.8p per kilowatt in December 2021 – more than 8 times greater than December 2020 -, it remains significantly higher than what it was at the start of 2021. See Chart 9.

The price cap introduced by Ofgem, the energy regulator for Great Britain, has offered some protection to households – albeit, at the expense of many small UK gas suppliers going bust.

However, the price cap is to be increased on the 1st April 2022, adding further pressure to household finances this spring.

1 CPIH - The Consumer Prices Index including owner occupiers' housing costs.

Chart 9: Growth in UK wholesale gas prices, January 2020 - January 2022

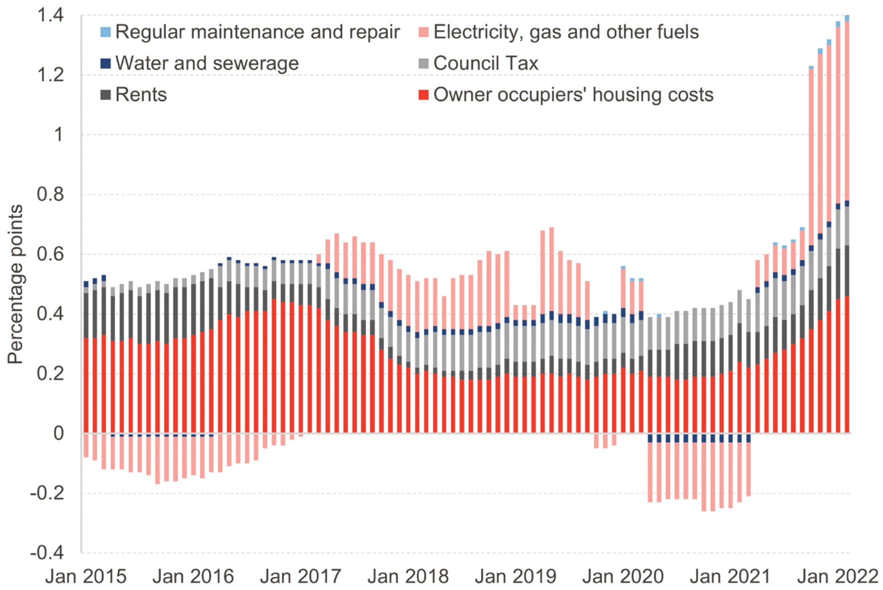


Source: *National Grid*

Housing costs for both owner occupiers and those renting, including council tax, are up on the year. See Chart 10.

Council tax is due to increase next month with council areas like Glasgow City Council increasing the rate by 3%, adding further to the cost of living.

Chart 10: Contributions of housing components to the CPIH 12-month inflation rate, UK, January 2015-February 2022



Source: *ONS*

Box 1: Note on inflation

The leading measure of UK inflation – the Consumer Price Index (CPI) – carefully constructs a 'virtual shopping basket' of over 700 items to track changes in the prices of goods and services that consumers typically purchase.

This enables statistical bodies like the Office of National Statistics (ONS) to produce headline measures of inflation that estimates the average change in the price of all goods and services in the UK over a given period.

Although useful, these inflation measures do have some shortcomings.

Notably, inflationary pressures can vary significantly across different types of goods, meaning the average rate of inflation can hide some important things.

In December 2021, this was highlighted when the price of 'low fat spreads' in the UK rose by 30%. Owing to relatively low spending on 'low fat spreads' in consumers' typical weekly shops, this price increase only contributed 0.02% to an annual inflation rate of 4.8% observed in December.

Furthermore, as inflation measures capture the average level of inflation, there will be consumers who experience higher rates of inflation than others.

Notably, as cheaper food alternatives have risen at a faster pace than headline CPI inflation in recent months, low-income groups that rely on these goods could have experienced higher inflationary pressures in comparison to other groups in society.

Cost of living crisis

The cost of living is increasing across the whole of the UK, with food receipts, energy bills, and fuel prices increasing significantly over the past few months. See Chart 11.

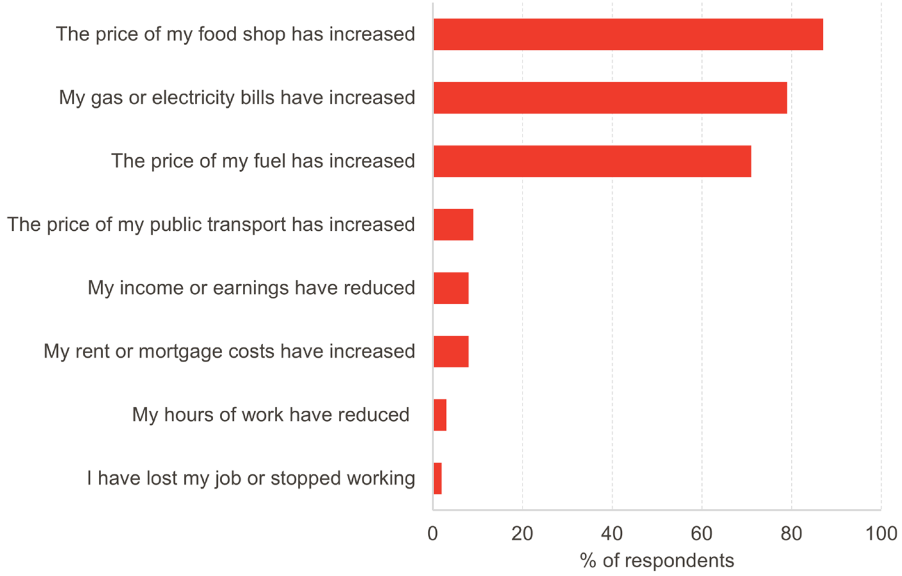
In January, 9 in 10 people in the UK reported that the price of their groceries had increased since the end of last year, and 8 in 10 people said their gas or electricity bills had risen.

In 2020, the poorest 10% of households spent more than half of their average weekly expenditure (£300) on essentials such as housing (including energy bills), food, and transport.

On the other hand, the top 10% spent just over 40% of their weekly budget (£1,070) on the same essentials.

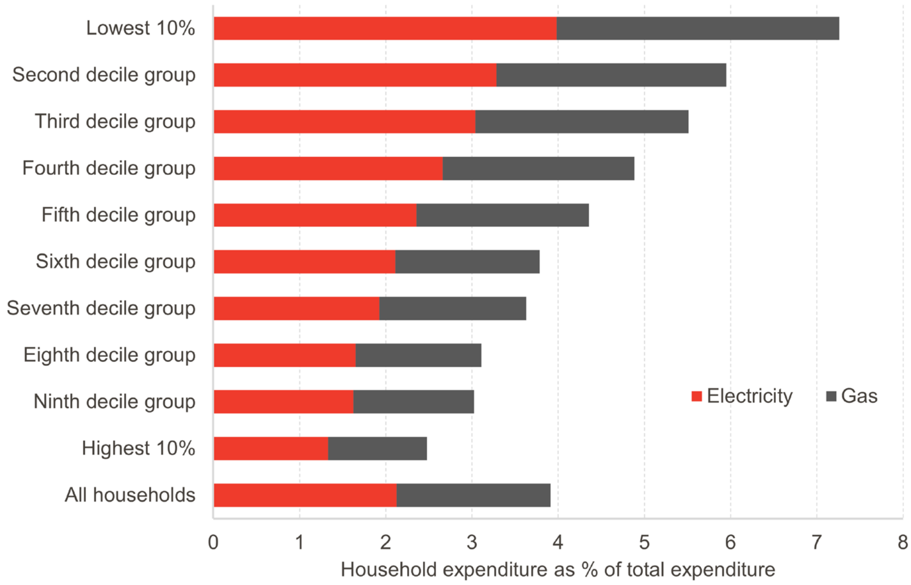
Consequently, rising bills will disproportionately affect those on the lowest incomes. See Chart 12.

Chart 11: Cost of Living, UK, 6th-16th January 2022



Source: *ONS, Opinions and Lifestyle Survey*

Chart 12: Household expenditure as a percentage of total expenditure by equivalised disposable income decile group, UK, FYE 2020

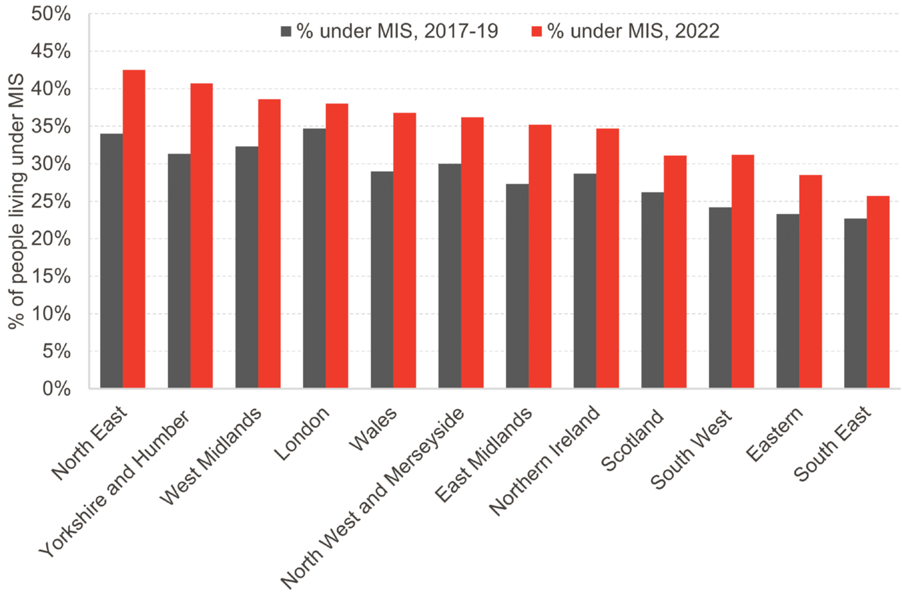


Source: *ONS, Living Costs and Food Survey*

Owing to these price rises, the New Economics Foundation found that 23.4 million people in the UK – roughly a third of all households - may have to cut back on some basics like food or heating as their incomes fall short of what is required to provide a decent minimum standard of living.

Across the UK, the share of people living under the minimum income standard has increased with the North East, one of the poorest regions in the UK, facing the greatest challenges around living standards. See chart 13.

Chart 13: Percentage of people living under Minimum Income Standard (MIS) in April 2022 compared to the average throughout 2017-2019, UK regions



Note: the MIS is calculated by Loughborough University's Centre for Research in Social Policy and is based on what the public think is needed for an acceptable standard of living.

Source: *New Economics Foundation, Joseph Rowntree Foundation*

2022 Spring Statement

There was a broad expectation that the Chancellor would use last week's statement to announce financial support for lower income households, probably via additional spending on social security. There was certainly a very strong case for him doing so.

Part of the reason why the current spike in inflation is creating a cost of living crisis is that the inflationary rise has happened so suddenly that normal benefit uprating policy is out of touch with reality. Benefits are normally uprated in April each year in line with inflation. But the measure of inflation used is from September the previous year.

In September, inflation was running at 3.1%. By February it was 6.2%. It is forecast to average 7.4% in 2022 (peaking at 8.7%). This means big real terms cuts for benefits in 2022, potentially followed by a big upswing in 2023, as uprating catches up with reality.

Households, particularly low income households, are not well placed to deal with such volatility. But governments are. Addressing this disconnect would have been relatively easy, and fiscally neutral in the medium term.

Surprisingly, the Chancellor offered nothing on social security – hence substantial real terms falls in benefit income in 2022, of around 4% for pensioners, those with disabilities and caring responsibilities, and those with the lowest incomes. The cost of living crisis will affect lower income households much more acutely than those on middle or higher incomes. Spending on energy and food makes up a higher share of their incomes; they less ability to absorb cost increases via savings; and they have fewer options to make savings by switching to lower priced product lines. There does not appear to be much consideration of the distributional dimension to this crisis.

The only attempt at targeting towards the most financially constrained was an additional £500m for local authorities to distribute to households most in need. The Scottish Government will receive a Barnett consequential as a result (of £44m). But this is a small amount of support in the context of the scale of the problem.

He did not offer the anticipated increase in social security spending, but the Chancellor did announce three tax cuts.

The first was a 5p cut in fuel duty. In principle this is a temporary cut for 2022/23 only. It is very weakly progressive as a policy – low income households spend proportionately more of their income on petrol than higher income households – but it provides a larger cash boost to high income households.

Second, the Chancellor increased the threshold at which NICs is due, from £9,900 that was pencilled in for 2022 to £12,570. This effectively brings forward increases that had been pencilled in for future years, providing a £300 tax cut for those liable for NICs in 2022/23, but progressively less in subsequent years (since the threshold will then be frozen in cash terms, in line with the income tax Personal Allowance.

Third, the Chancellor announced a 1p cut in the basic rate of income tax in 2024/25. This measure is clearly not intended to alleviate the immediate impacts of the crisis, but Chancellor hopes it will bolster is tax-cutting credentials. The income tax cut will not apply in Scotland, but the Scottish government will receive an increase in its block grant, likely to be around £400m. The Scottish government will be free to use these resources to implement a broadly equivalent tax cut in Scotland, or to bolster public services spending.

The Chancellor chose not to postpone the increase in employee and employer NICs that was announced in September. This in itself was sensible – postponing the rise would mainly have benefitted higher earners. Furthermore, there would be a real risk that a one-year postponement could evolve into a permanent postponement as the election gets closer and the memory of the pandemic – used in part as justification for the NICs rise – fades.

Despite the tax cuts announced at the Spring Statement, this is very much going to be a tax-rising parliament. The impact of the rise in the NICs threshold in 2022/23 will unwind in future years as it is frozen and the fuel duty cut is temporary. The reduction in the basic rate of income tax will offset only part of the tax increases from the combination of the Health and Social Care Levy and the freeze in income tax thresholds throughout the parliament – the latter in particular represents a substantial tax rise.

In combination, the announcements in February and March equate to some £17.6bn of support for household incomes in 2022/23. This includes £3bn on grants via council tax, £2.4bn through fuel duty cuts, £6.3bn through raising the primary NICs threshold, and £6bn of direct support for energy bills which is recouped in the subsequent five years.

On one level this is a generous package of support. But it has to be seen within the context of a substantial and sudden shock to living standards. The government is in a better position to smooth the impacts of this shock that individual households, particularly those on the lowest incomes.

The impact of below inflationary increases in benefits and pay settlements for most workers, combined with income tax and national insurance rises (which are offset by the rise in NICs threshold for those earning less than about £25,000) means that 2022 is set to see the biggest single-year fall in real household disposable income since records began in the late 1950s, according to the OBR.

The absence of any additional spending on social security was a big surprise. There is certainly no sense in which such measures could not have been ‘afforded’, even within the Chancellor’s own fiscal rules. Indeed, the outlook for the public finances improved somewhat last week, with the medium-term boost to revenues from higher inflation more than offsetting the impacts on debt servicing costs and a weaker growth outlook. The plans currently laid out by the Chancellor envisage the deficit falling from 15% in 2020/21 to under 2% by 2025/26 – an unprecedented pace of consolidation.

There was also no extra spending on public services. This means that the cash allocations set out in last year’s Spending Review are now worth less in real terms. Public departments face rising costs of energy too, and meeting these costs within existing budgets will mean less for other things.

Global Economy

The global economy entered 2022 in a weaker position than previously expected.

As the more transmissible Omicron variant of COVID-19 spread around the world, countries like Germany reimposed strict lockdown protocols.

This, combined with supply chain disruptions, inflationary pressures, and rising energy costs has led several forecasters to re-evaluate their economic forecasts, taking on a more pessimistic outlook of the global economy.

Notably, last week, the OBR forecast global economic growth of just 3.9% in 2022 - a full percentage point lower than their previous forecast.

This outlook is in line with several other forecasters. See Table 1.

Table 1: World GDP growth projections, 2022 - 2024

	2022	2023	2024
BofE	4.3	4.0	3.5
OBR	3.9	3.8	3.8
World Bank	4.1	3.2	-
OECD	3.9	3.2	-
IMF	4.4	3.8	-
Fitch Ratings	4.2	3.0	-

Note: it is worth noting that some forecasts were carried out before the Russian invasion of Ukraine and consequent economic sanctions imposed on Russia.

Source: *BoE, OBR, World Bank, OECD, IMF, Fitch Ratings*

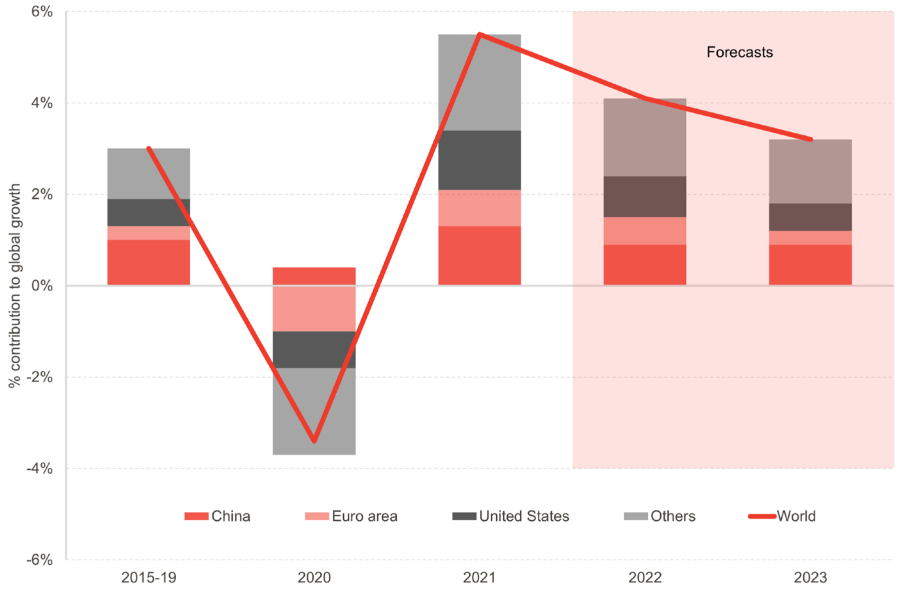
Chart 14 highlights the World Bank’s global forecast of 4.1% this year, followed by growth of 3.2% in 2023.

Slower growth than previously estimated is expected across many major economies, including the United States, Euro Area, and China.

This weaker economic outlook appears to be driven by contractions in private and government consumption, as well as investment.

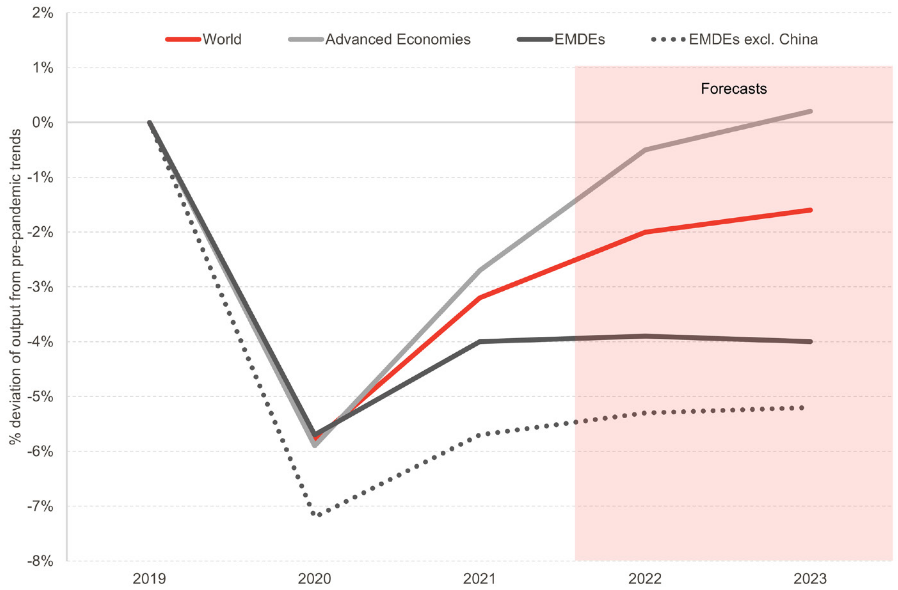
Although output in advanced economies is forecast to return to pre-pandemic trends in 2022, a slower recovery is expected in Emerging Markets and Developing Countries (EMDEs). See Chart 15.

Chart 14: Contribution of Major Economies to Global Economic Growth, 2015 - 2023



Source: *World Bank*

Chart 15: Deviation of output from pre-pandemic trends, 2019-2023

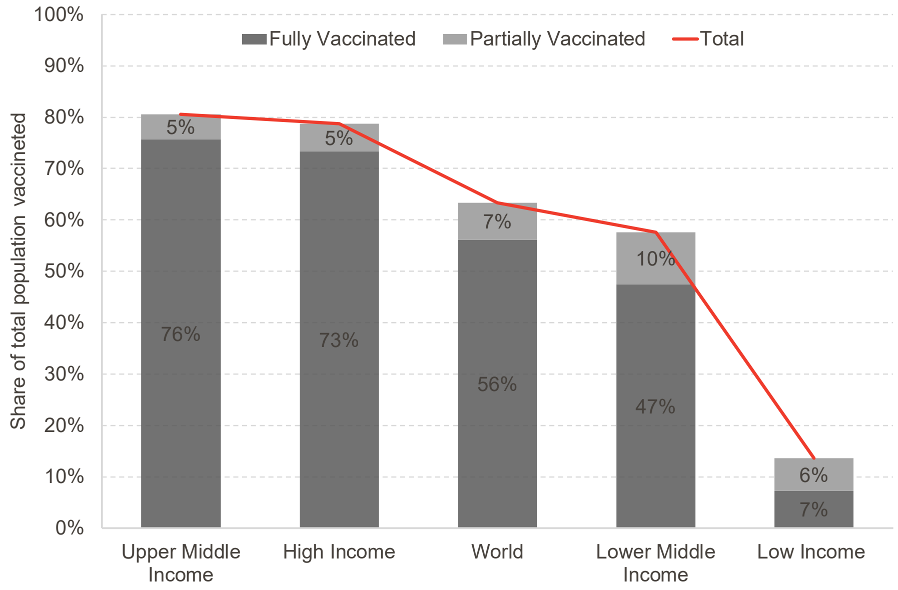


Source: *World Bank*

COVID-19 remains a key challenge for many emerging and developing economies, and a lack of universal access to vaccines has acted as a drag on economic recovery for lower-income countries.

In high-income and upper-middle-income countries, total vaccination rates have settled at around 80% of the total population. However, in low-income countries, many are yet to receive any vaccination, with only 7% of the population fully vaccinated. See Chart 16.

Chart 16: Share of the total population vaccinated, 1st January 2020 – 8th March 2022



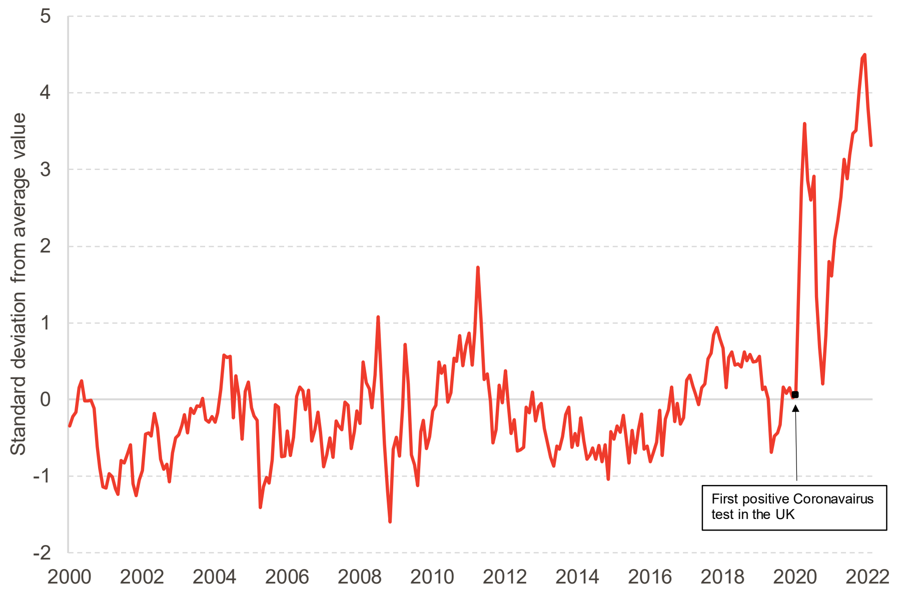
Source: *Our World in Data*

Whilst higher-income countries are on track to get back to pre-pandemic levels in the next year or so, there are still significant challenges ahead surrounding the global supply of goods and services.

Using the Global Supply Chain Pressure Index (GSCPI), supply chain disruption appears to have peaked in December 2021, reaching record highs. See Chart 17.

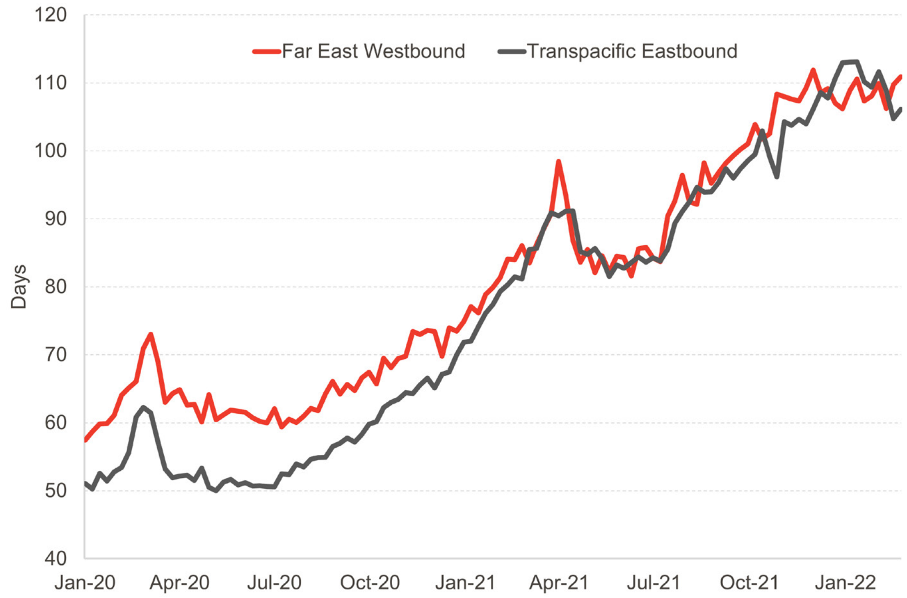
Flexport's Ocean Timeliness Indicator also shows the level of disruption in international shipping, highlighting that shipping a container on the Trans-Pacific route from Asia to the U.S now takes 112 days to complete – a journey that previously took 45 days in 2019. See Chart 18.

Chart 17: Global Supply Chain Pressure Index, Jan 2000 – Feb 2022



Source: *Federal Reserve Bank of New York*

Chart 18: Flexport's Ocean Timeliness Indicator, Days took from 'cargo ready' to the destination port, 1st January 2020 - 27th February 2022

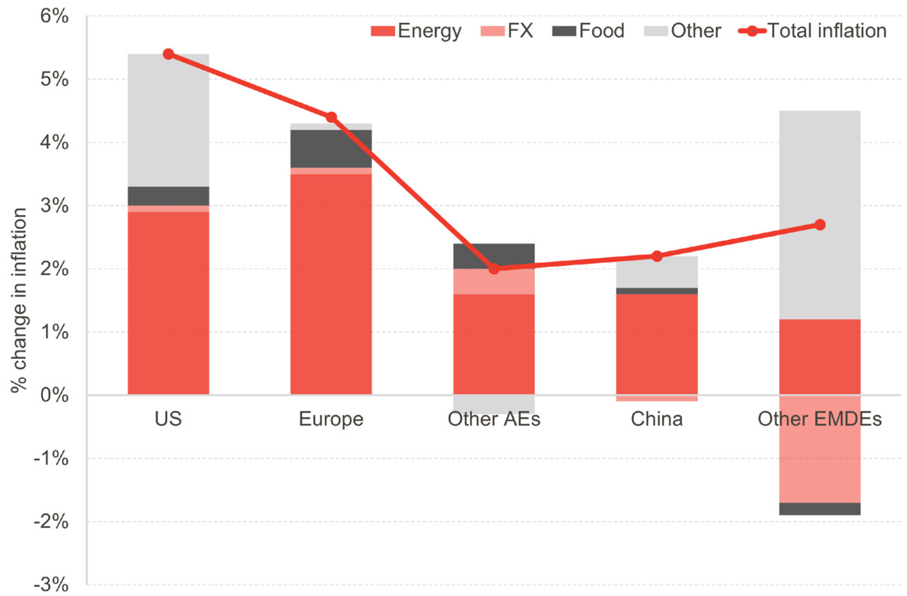


Source: *Flexport*

Owing to heightened supply chain issues, combined with increased global demand for consumer goods, inflationary pressures have intensified across several major economies.

In Europe, price hikes of 3.5% in the energy sector drove up inflation by 4.4%. See Chart 19.

Chart 19: Change in inflation, December 2020 – January 2022



Source: *IMF*

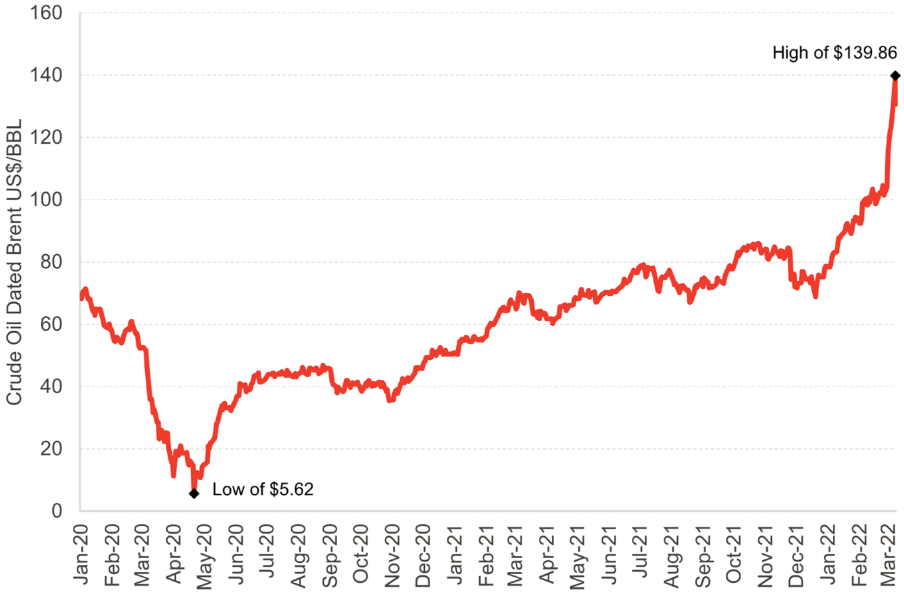
With major economies like the US and UK banning oil imports from Russia, the global energy crisis is worsening, with the price of crude oil going for over $130 per barrel. See Chart 20.

The continued hikes in oil and gas prices are not only affecting households and the cost of living but they are impacting businesses and financial markets.

The dow jones experienced the biggest weekly decline since the Financial Crisis during the first worldwide lockdown in Spring of 2020 however, the stock market rebounded quickly, reaching its highest point of over 36,000 at the end of last year. See Chart 21.

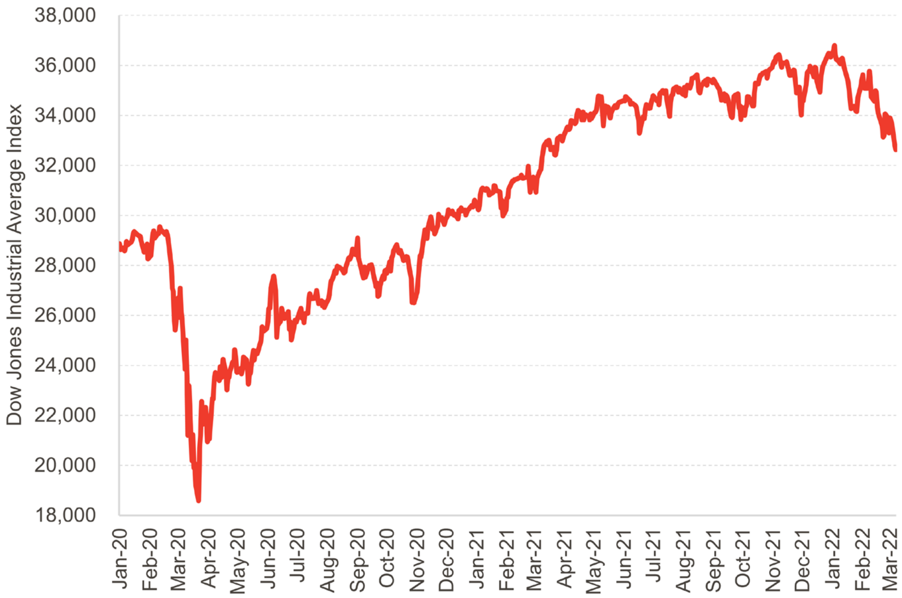
But, recent geopolitical developments coupled with inflationary pressures and increasing prices of commodities have led to the stock market suffering significant losses in the first quarter of this year.

Chart 20: Crude oil price US$/BB, January 1st 2020 - 9th March 2022



Source: *Datasteam*

Chart 21: Dow Jones Index, 1st January 2020 - 8th March 2022



Source: *Federal Reserve Bank of St. Louis*

Overall, with global supply chain issues and inflationary pressures exacerbated by ongoing geopolitical developments, the year ahead will be challenging for both consumers and producers.

How are Scottish Businesses Faring?

This section draws on the latest Scottish Business Monitor findings for Q4 of 2021, highlighting the attitudes of businesses towards the main challenges and opportunities they are facing.

Despite the easing of COVID-19 restrictions earlier this year, many Scottish firms are feeling the pressure from global supply chain issues, rising energy bills, and staff shortages.

In the past month, geopolitical developments have exacerbated the key challenges highlighted by businesses at the end of last year, particularly international supply chain issues and the global oil and gas crisis.

Concerns of businesses

At the end of last year, we asked Scottish firms about their concerns. See Chart 22.

Unsurprisingly, given the wave of Omicron cases over Christmas, COVID-19 measures continued to cause uncertainty for firms towards the end of last year, with 1 in 4 businesses very concerned with the impact of restrictions.

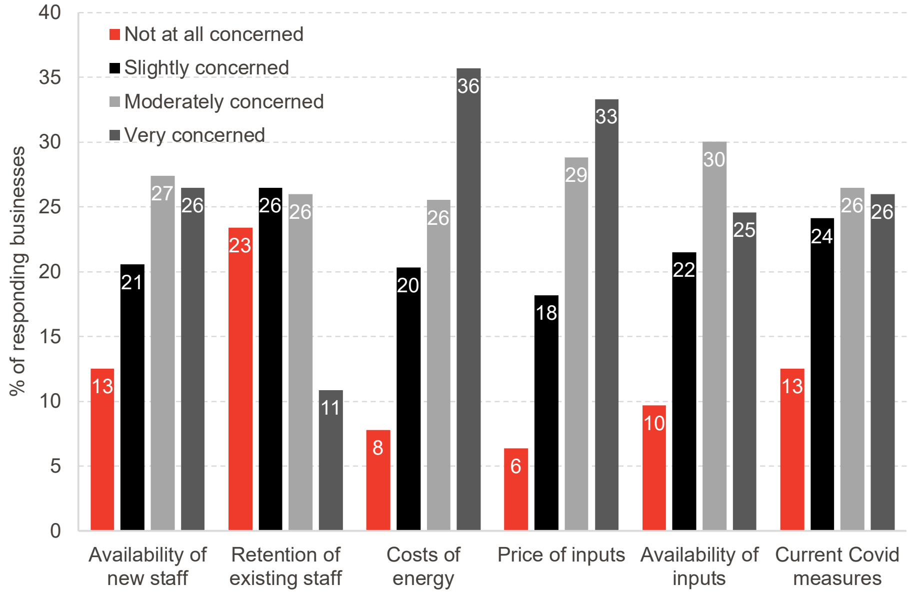
Prior to the wave of COVID-19 cases in winter, economic recovery in the Scottish economy was already tapering off in autumn due to rising prices and supply chain constants.

By the end of last year, 4 in 5 Scottish firms reported that they were concerned about the price of inputs and the costs of energy.

But, the supply and cost of inputs are not the only challenges facing firms, there are also supply pressures from staffing issues feeding into business concerns.

The latest results show that firms are struggling to attract and retain staff, with 3 in 4 Scottish businesses concerned over the availability of new staff.

Chart 22: Compared to normal, how concerned is your business about the following factors? Q4 2021



Notes: some businesses responded N/A; therefore, percentages may not sum to 100%

Source: *Scottish Business Monitor*

Vacancies and staff

Last Autumn, concerns that the end of furlough would bring a significant rise in unemployment were not realised.

However, businesses are struggling to hire new staff with skills mismatches creating challenges for firms.

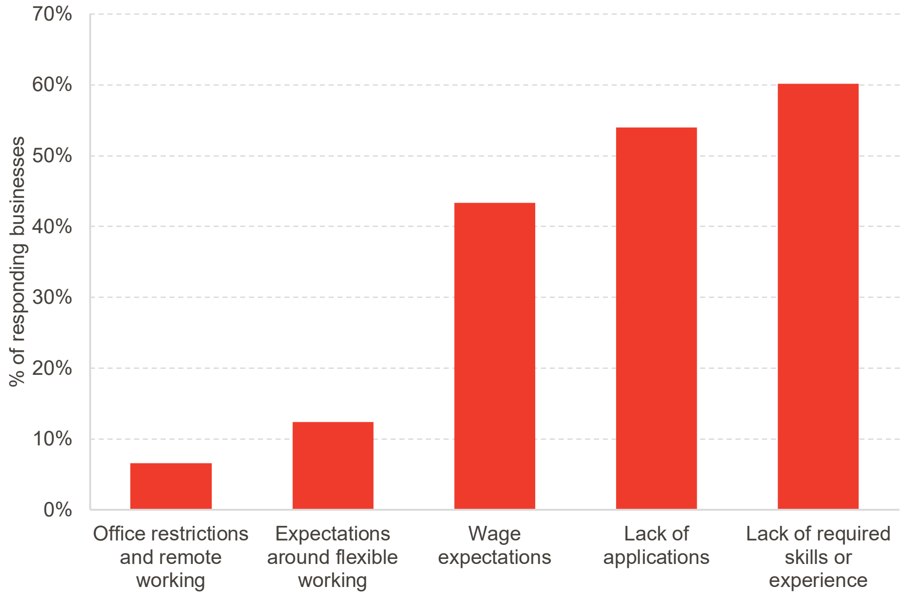
Our findings suggest that more than half of responding businesses had vacancies to hire new members of staff at the end of 2021, of which 20% were finding it difficult or very difficult to fill.

The most common reason given for this difficulty was the lack of required skills or experience (60%), followed by a general lack of applications for roles (54%) and differing wage expectations for applicants (43%). See Chart 23.

But, firms are not just struggling to attract new staff, they are facing difficulties retaining their workers.

Compared to normal, 1 in 5 firms expressed difficulty in retaining their existing staff levels.

Chart 23: What factors have made filling vacancies difficult? Q4 2021



Source: *Scottish Business Monitor*

Supply chains

As well as staff availability, firms also expressed concern over the availability of the goods and services that they purchase.

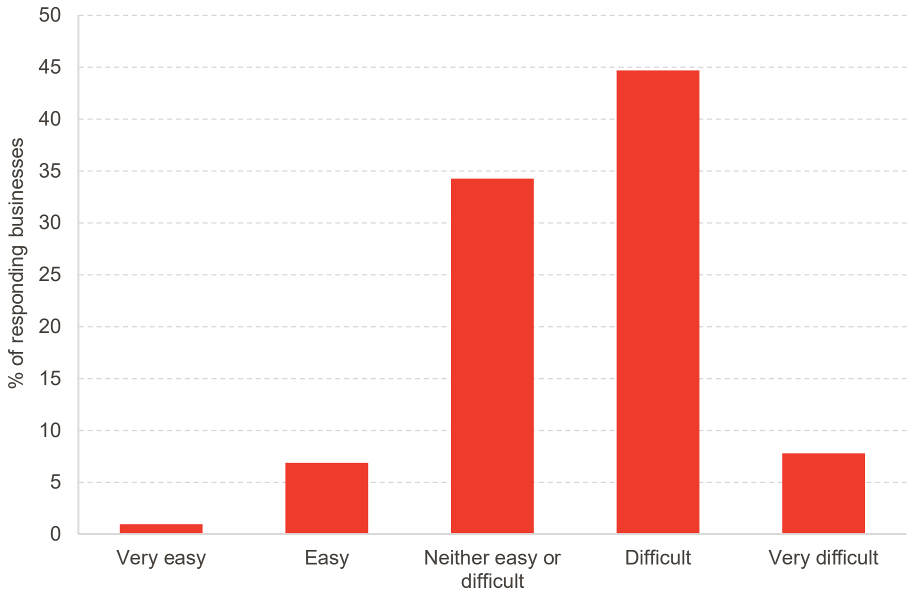
The increases seen in transportation costs coupled with the ongoing shortage of HGV drivers means goods are not flowing as normal.

When asked, more than half of all responding businesses reported that they were finding it difficult or very difficult to source available goods and services, with just 8% of businesses finding it easy to source available goods and services. See Chart 24.

The manufacturing sector appears to be the hardest hit, with over two-thirds of firms reporting that it was difficult for them to source available goods and services.

Most responding businesses in professional, scientific, and technical services (59%), the wholesale & retail sector (55%), and construction (54%) also reported difficulties.

Chart 24: How easy or difficult are you finding it to source available goods and services your business purchases? Q4 2021



Notes:: 5% of businesses responded N/A; therefore, percentages won't sum to 100%

Source: *Scottish Business Monitor*

Inflationary pressures and energy costs

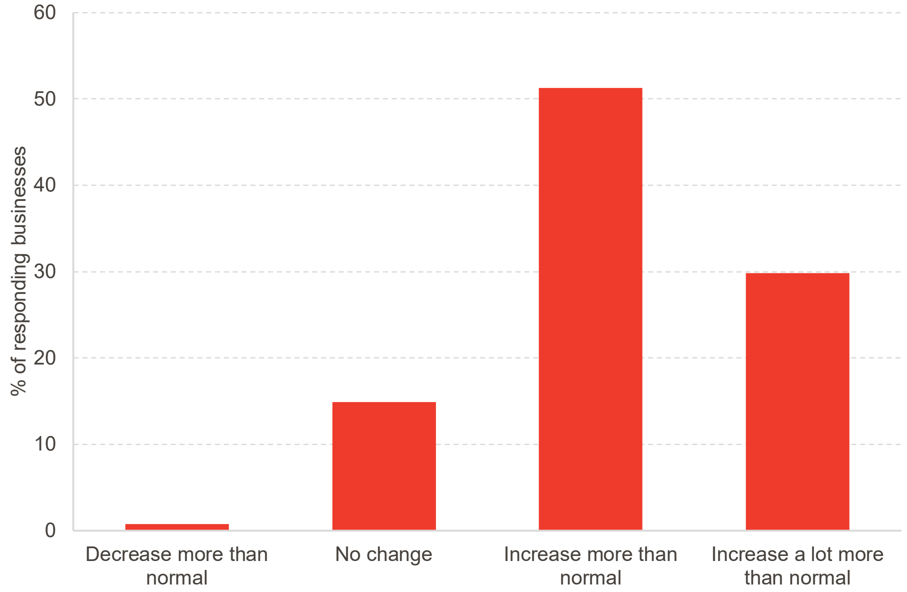
Global supply chain issues have driven up prices significantly in the past year.

At the end of last year, inflationary pressures were a concern for Scottish firms, and the knock-on effect of increased costs is expected to feed into their prices in 2022.

Over 80% of firms reported that they expect to increase their prices by more than or a lot more than normal in the next 12 months. See Chart 25.

Expected price hikes were particularly evident in the construction and transport and storage sectors, with 9 in 10 firms reporting that they expected their prices to rise in 2022.

Chart 25: Over the next 12 months, how do you expect the prices of your goods and services to change compared to normal? Q4 2021



Note: 'Decrease a lot more than normal' was included as a response, but was excluded from analysis as no businesses responded with this.

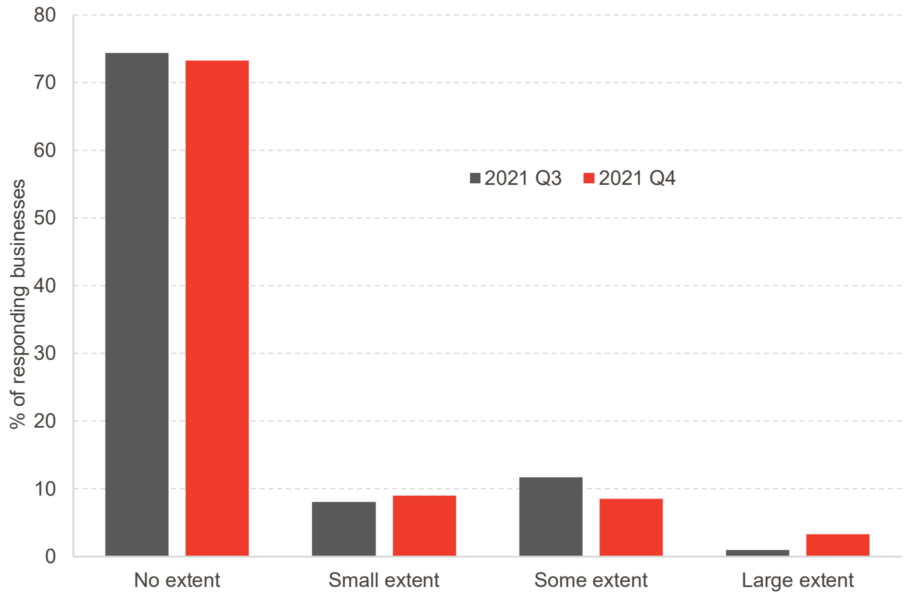
Source: *Scottish Business Monitor*

Inflationary pressures are particularly acute in the energy sector given the ongoing global oil and gas crisis.

We asked businesses about price increases in the energy sector, and how this was likely to affect their business operations. 1 in 5 businesses expects to reduce their operations in some capacity due to higher energy bills. See Chart 26.

This was particularly prominent in the accommodation and food services sector, with 1 in 3 firms expecting to reduce their operations in some way.

Chart 26: To what extent do you expect to reduce operations this year due to increases in gas and electricity prices? Q3 2021 – Q4 2021



Note: 6% of businesses responded N/A; therefore, percentages won't sum to 100%

Source: *Scottish Business Monitor*

A greener economy

With reliance on oil and gas being a key factor in the increased challenges surrounding energy bills, the importance of transitioning to greener energy has been highlighted once again.

At the end of last year, over half of Scottish firms were considering, or were in the process of, decarbonising their energy supply. See Chart 27.

It must be noted that whilst there is a lot of uncertainty for firms in the Scottish economy right now, there are also opportunities to support a green recovery from COVID-19 and the net-zero agenda.

In particular, businesses appear to have risen to the challenge of achieving a net-zero carbon economy in the wake of COP26.

Over half of responding, businesses reported that they were committed to achieving net-zero or had already achieved their goals.

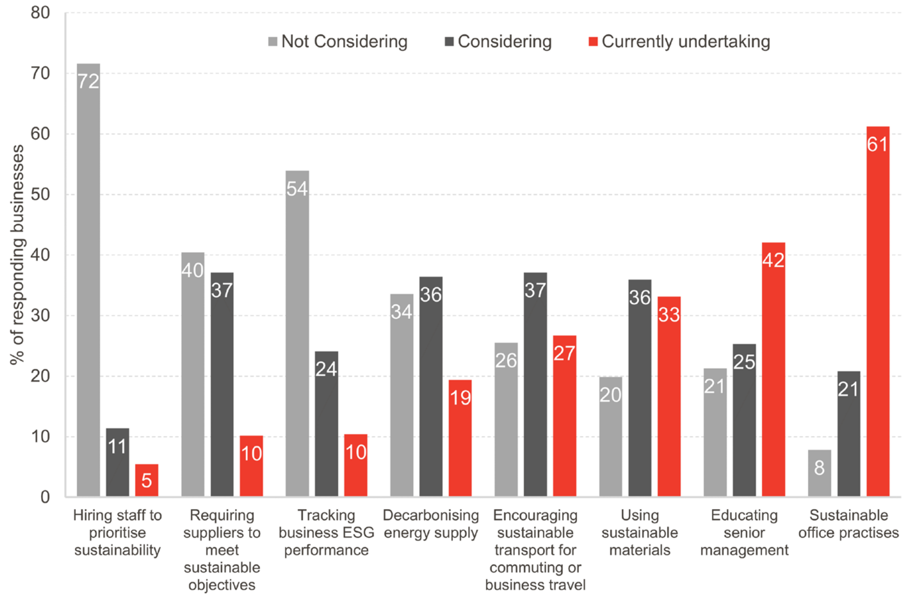
However, 1 in 3 firms did report that they had not yet set any net-zero targets.

One of the key opportunities presented to firms is the ability to implement more sustainable initiatives throughout their business and wider supply chains.

When asked, the most common initiative being undertaken by firms was fostering sustainable office practices such as recycling and reducing single-use plastics.

Firms also seemed to be putting some of the onus on firms in their supply chain, with 1 in 3 firms requiring suppliers to meet sustainable objectives and using sustainable materials.

Chart 27: Which of these sustainable initiatives is your business currently undertaking or considering? Q4 2021



Note: Some of businesses responded N/A; therefore, percentages won't sum to 100%

Source: *Scottish Business Monitor*

Trends in Economic Inactivity

Economic inactivity describes a range of labour market statuses. At its most basic level, it means that you are neither employed nor unemployed. However, there are a range of reasons why people might not be in employment or seeking employment.

These include because they are retired, and are therefore not in or seeking work, or because they are in full-time education. These are both generally thought to be 'good' explanations for economic inactivity.

In contrast, worrying reasons for economic inactivity include that people are sick, either short term or long term, and unable to be in employment or seek employment. Some have also become 'discouraged', and therefore given up searching for work.

Finally, some people are economically inactive because they are looking after family or the home.

Over the past two years, there has been a significant amount of interest in what has happened to economic inactivity throughout the pandemic.

To better understand these trends, this analysis looks at the data from several angles -

- The first of these is 'why' people are economically inactive in Scotland, and how these reasons have changed over time.
- The second is whether or not those who are economically inactive would like to work or not.
- Finally, looking at economic inactivity by age to better understand whether this helps to understand what has been happening in recent years.

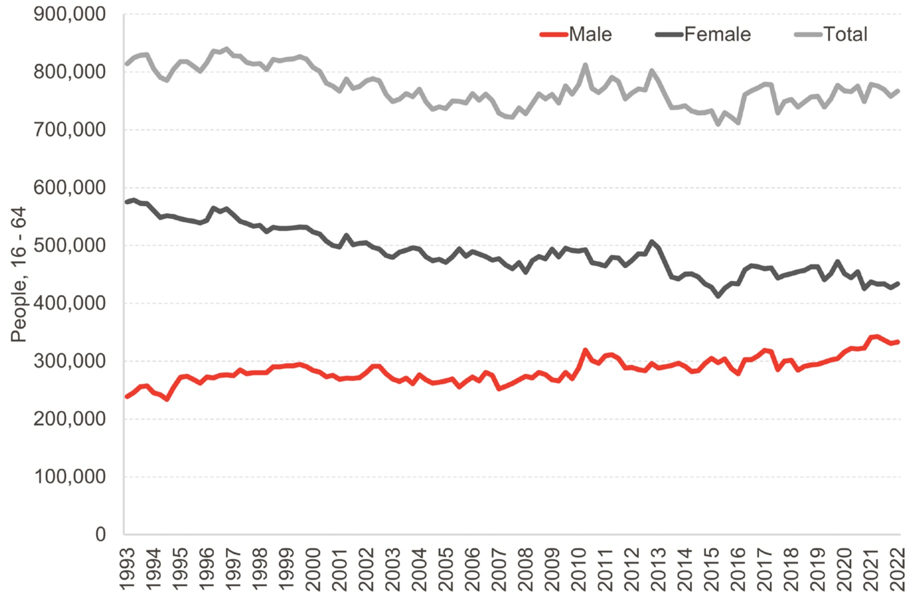
Overall trends in inactivity

Chart 28 shows the longer-term evolution of economic inactivity in Scotland. A couple of things stand out.

The first of these is that the total number of people in Scotland who are economically inactive in the 2000's was much lower than in the 1990's but began to creep back up after the global financial crisis.

The second thing to note is the contrasting trends in male and female inactivity over this period. The number of men in Scotland who are economically inactive has been steadily trending upwards at the same time as the number of women economically inactive has been trending downwards. In the past couple of years, male economic inactivity has been growing more quickly again.

Chart 28: Headline economic inactivity, Scotland, 1993-2022

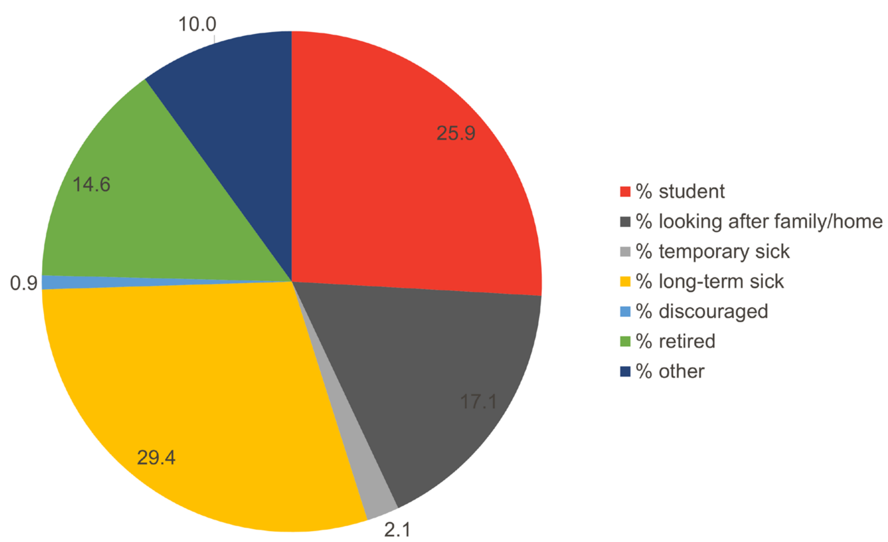


Source: *ONS, LFS*

Why are people economically inactive in Scotland?

The main reason for people of working age (aged 16 – 64) in Scotland to be economically inactive is because of long-term ill-health which, combined with a short-term illness, explains over 30% of economic inactivity (Chart 29).

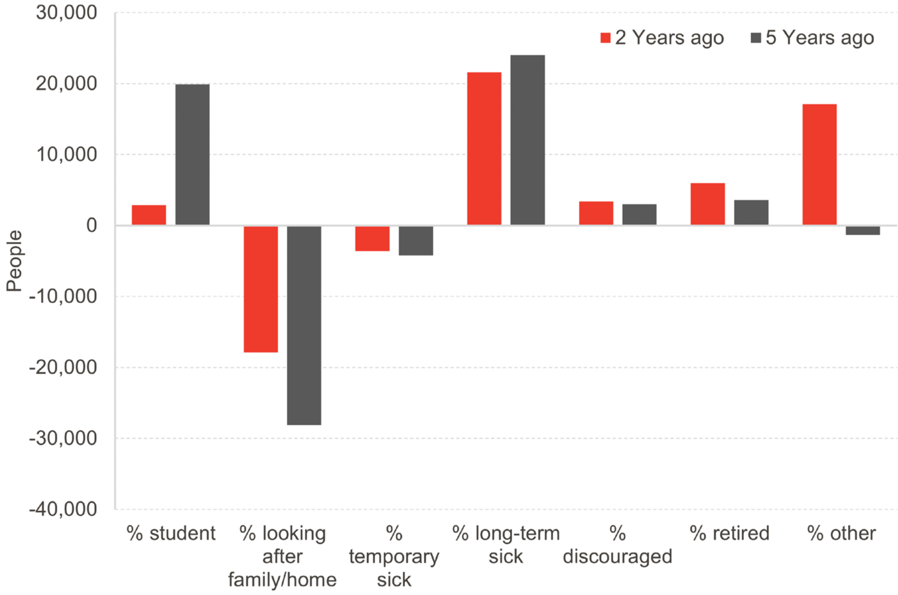
Chart 29: Economic inactivity by reason, Scotland, October 2020 - September 2021



Source: *ONS, APS*

About 40% of economic inactivity is explained by people being retired or full-time students. How does this compare to the pre-pandemic period?

Chart 30: Changes in the number of people economically inactive, 2 & 5 years ago



Source: *ONS, APS*

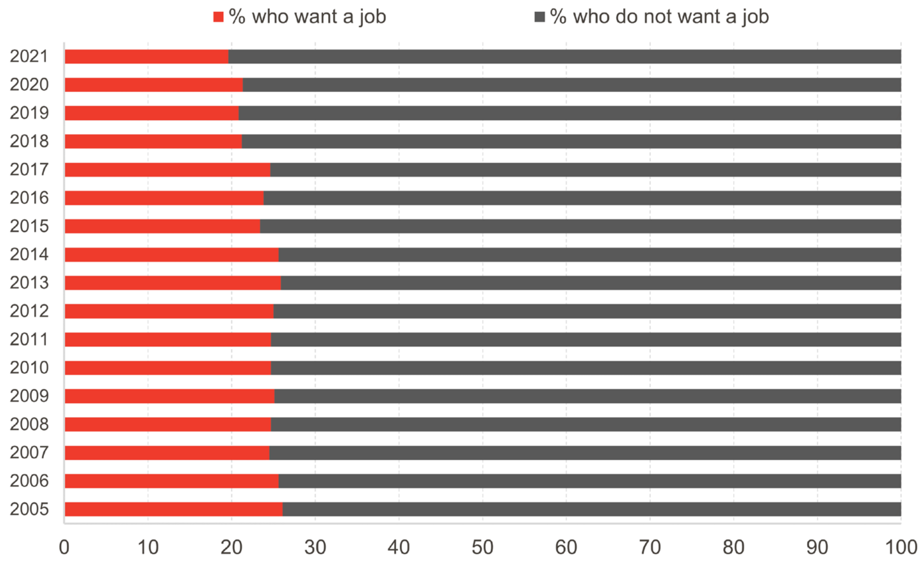
Chart 30 shows how the reasons for economic inactivity have changed relative to two and five years ago. There are now over 20,000 more people economically inactive because of long-term sickness.

At the same time, there are far fewer people economically inactive because they are looking after family and or the home. On a more positive note, it seems like there are increases in the number of people who are inactive because they are in full-time education.

A related angle on the question of economic inactivity is whether those who are economically inactive want a job. Chart 31 shows these data over time.

These data suggest that there are, if anything, a smaller percentage of those economically inactive who want a job than was typical before the pandemic. Of course, given how diverse a group the economically inactive are, this might well be a symptom of other changes in the labour market rather than a sign of the health of the labour market.

Chart 31: Economic inactivity according to whether they want a job or not, Scotland, October 2004 - September 2021



Source: *ONS, APS*

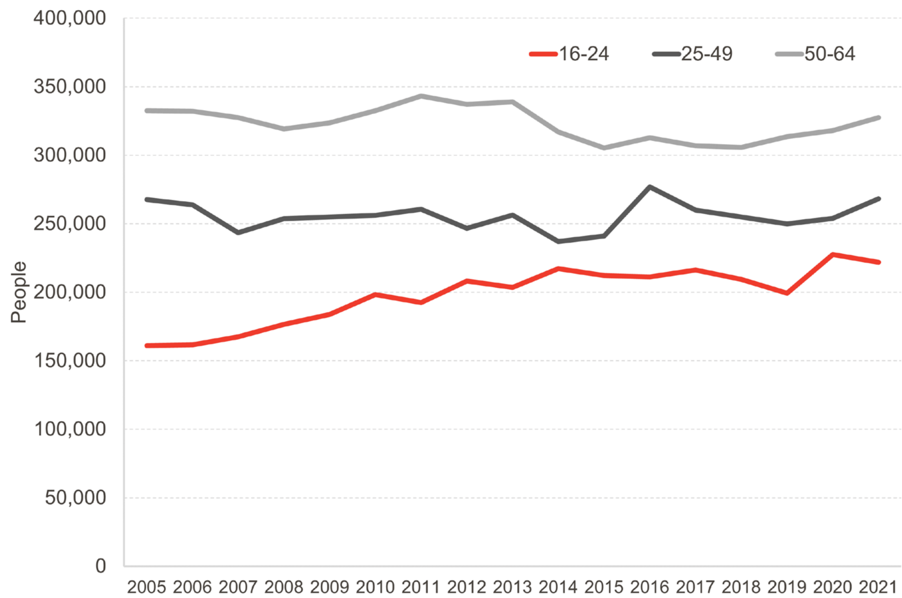
One word of caution about Charts 29-31, is that these data relate to the year up to the end of September 2021, and therefore are almost 6 months old. A lot has happened in the interim. More timely data are available for the UK as a whole, and we will explore these shortly.

Economic Inactivity by Age

Another way to look at economic inactivity is by age. There is, of course, a degree of overlap between this and the reasons for economic inactivity that have just been considered, namely being engaged in full-time education and being retired.

Chart 32 shows the number of people in Scotland economically inactive by broad age range. Consistent with Chart 29, the largest number of working-age people who are economically inactive are aged 50 – 64.

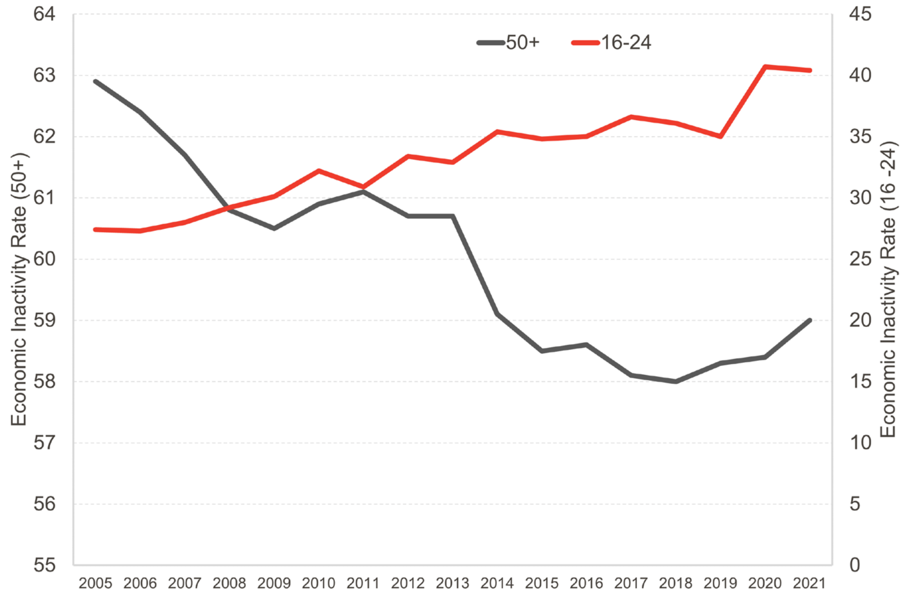
Chart 32: Economic inactivity by age, Scotland, October 2004 - September 2021



Source: *ONS, APS*

Note that during the pandemic the number of younger people (aged 16 – 24) economically inactive increased through 2020 but has since dropped back. This is consistent with the pattern in UK-wide data. We are also seeing a steady increase in the number of people 50 – 64 who are economically inactive. This is clearer from looking at the economic inactivity rate among these age groups (Chart 33).

Chart 33: Economic inactivity rate, 16-24 and 50+, Scotland, October 2004 - September 2021



Source: *ONS, APS*

This is consistent with UK wide data, and recent ONS analysis tells us more about what is driving this more recent increase in economic inactivity among the over 50s.

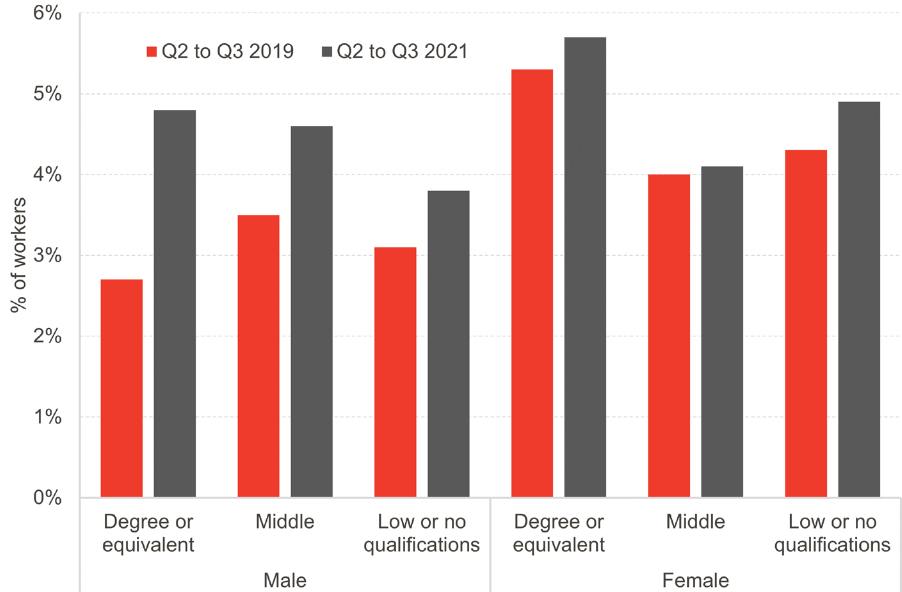
Specifically, their analysis shows that this is a mixture of those 50 – 70 in employment entering economic inactivity, as well as a drop in the number of those 50-70 moving from inactivity into employment.

When they look at why these people are becoming economically inactive, retirement seems to be a key explanation. Digging into this further the ONS show that those in this older age group moving into economic inactivity were more likely to be in professional or associate professional occupations.

This aligns with the sectors where there are more people aged 50 – 70 moving to economic inactivity (professional and scientific, public administration and defence, etc), as well as the education level of these workers (where there have been larger increases in the number of workers with higher levels of education becoming economically inactive since 2019).

There is also a difference between male and female workers. Most starkly, ONS analysis shows that among men who are aged between 50 to 70 years of age and have a degree or equivalent level of education, flows into economic inactivity nearly doubled between 2019 and 2021. See Chart 34.

Chart 34: Percentage of workers aged 50-70 moving to economic inactivity by highest education level, Scotland



Source: *ONS, Longitudinal LFS*

Further analysis by the ONS shows that by far the biggest increase in flows into economic inactivity between 2019 and 2021 was by men over 60 years of age, increasing from 6.2% of workers in this age group to 9%.

Conclusions

There has been a significant amount of interest in what's happened to economic inactivity through the pandemic. And we have seen increases in the overall level of economic inactivity in Scotland.

Unpicking this, it seems that an element of this was increased economic inactivity due to being in full-time education, as might be expected this was largely driven by younger people.

As public health restrictions unwound through 2021, there is some evidence that this element of economic inactivity dropped back somewhat, and was replaced by an increasing trend of older workers becoming economically inactive.

Recent ONS analysis for the UK suggests that much of this increasing trend of inactivity among older workers reflected an increased move towards early retirement among degree educated professionals, in particular men in their 60s. To the extent that this reflects a choice to retire early, it is difficult to be too concerned about this as a trend.

More worrying for the outlook for the Scottish labour market is the fact that we now have over 20,000 more people economically inactive because of long-term sickness than we had pre-pandemic. This may well become the key legacy of the pandemic, and in the months ahead should be a key priority for government.

Policy Section: Local Government Elections

Local elections will be held across all 32 Scottish local authorities on the 5th of May. Just over 1,200 council seats will be determined. This section considers some of the issues that are likely to backdrop the election.

The first part considers the broad context, including public engagement in local elections and decision-making; the second part examines recent changes in local government budgets, spending across services, and public satisfaction with local services; the third part concludes and looks to the future, and discusses what are likely to be the main policy and delivery issues for local government over the next five years.

Backdrop to the 2022 elections

Local government is a hugely significant part of the public service landscape in Scotland. Local government's revenue settlement from the Scottish government in 2022/23 is almost £12bn, accounting for just shy of one third of the Scottish government's total revenue spending.

Drawing on this settlement – plus resources from council tax, fees and charges – local authorities will manage and deliver social care services, pre-school and school education, and a raft of environmental, planning and cultural services.

In this context, it is perhaps surprising that turnout at local government elections is typically less than 50% (turnout in 2017 was 47%). Low turnout partly reflects a sense among the electorate that their vote makes relatively little difference to the delivery of public services, for two reasons.

- First is a set of issues around accountability. The results of local government elections are often ambiguous - no single mainland council authority is controlled by a single party (moreover, it is not always the case that the largest party forms part of the governing coalition)[2]. On top of this, the profile of local politicians is often low. Recent research indicates that three quarters of people are not confident that they could name the leader of their council[3] (we can probably assume that, outside of Edinburgh and Glasgow, knowledge of elected leaders is lower than it is in the cities).
- Second is a pervasive view that local authorities have relatively little power to influence service delivery in meaningful ways. They are frequently perceived largely as delivery agents of the Scottish government, although that is of course a charge that the authorities themselves would deny.

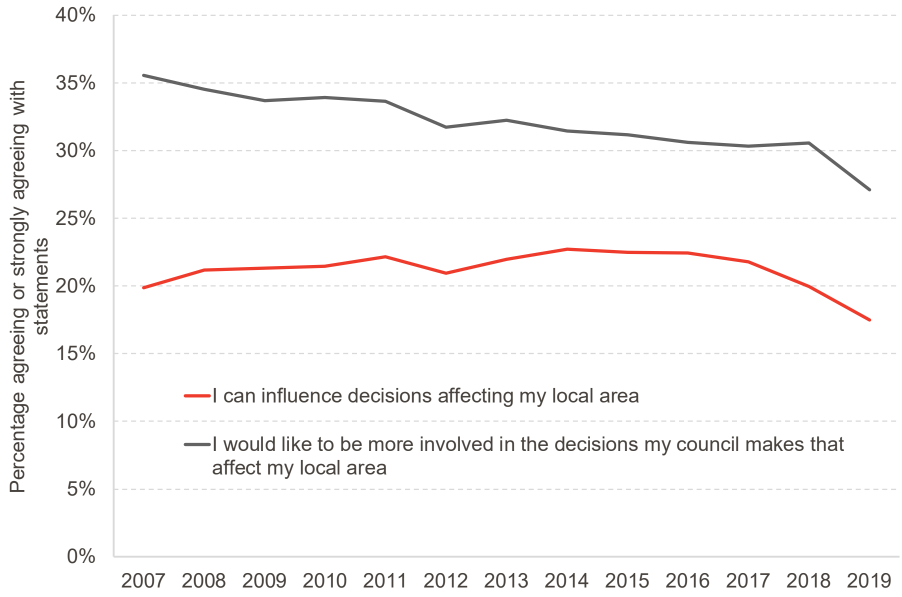
Data from the Scottish Household Survey – an annual survey of around 10,000 households – indicates a decline in the years leading up to the Covid-19 pandemic in the percentage of households agreeing that they can influence decisions affecting their area. See Chart 35.

2 At the 2017 elections, the SNP won 35% of council seats; the Conservatives displaced labour as the second largest party, with 22.5% of seats, against Labour's 21.4% The SNP formed the council administration or part of the governing coalition in 15 local authorities; Labour in 14, and the Conservatives in 7.

3 See Our Scottish Future.

By 2019, fewer than one fifth of respondents agreed with this statement, the lowest proportion since the question was first asked in 2007. There has also been a persistent decline in the proportion agreeing that they would like to be more involved in decisions their council takes that affect their local area. So recent years appear to have seen less of a sense that people can influence council decisions, but less desire to be involved in those decisions too.

Chart 35: Percentage of respondents agreeing or strongly agreeing with various statements about local services



Source: *FAI analysis of Scottish Household Survey*

The Covid pandemic may well have raised the public's awareness of local government and the breadth of activities it is responsible for. Local authorities were instrumental in delivering financial and other support during the pandemic – both to households and to businesses – supporting testing and tracing infrastructure, and ensuring the safe reopening of schools. Local authorities will retain a key role in delivering the government's response to the cost-of-living crisis. It will be interesting to see whether this manifests in any increase in turnout in this year's elections.

People have different views about how much we should care about the public's indifference towards local government, and what we should do about it. For some, the answer is greater policy autonomy, both in general terms and in relation to local taxation in particular. For others, elected mayors (or provosts) would raise profile and accountability. An ongoing Local Governance Review seeks to identify ways to strengthen local decision making and democratic governance[4].

On the first of these issues, policy autonomy, there has been little progress during the past five years. In fact if anything, things are moving in the opposite direction from where local authorities would like. Throughout the past five years the Scottish government has made increasing use of specific (ring-fenced grants). Meanwhile, the government's plans to establish a new national social care agency – which have a number of well meaning justifications – have unsurprisingly been referred to by Cosla as 'a direct attack on localism and on the rights of people to make, and benefit from, decisions taken locally'[5].

4 See Local Governance Review.
5 COSLA Briefing on National Care Service.

More broadly, proposals to incorporate the European Charter on Local Self-Government into Scottish law, which were intended to strengthen the status and standing of local government, fell at the final hurdle, when the Bill – which had been passed by the Scottish Parliament – was deemed outside of Holyrood's competence by the Supreme Court.

That sets some of the scene for the upcoming local government elections in May. But what about funding issues more specifically?

Local government funding, 2017/18 – 2022/23

One of the dominant issues going into the 2017 local government elections was the very constrained nature of the local government financial settlement over the past five years, and the implications of that for local public services. Between 2013/14 and 2017/18, the core local government revenue settlement declined by £750 million in real terms according to SPICe which is equivalent to a 7% real terms reduction in its budget[6]. This meant that local government revenue spending declined as a share of the total Scottish government budget by 1.9 percentage points over the period.

Changes to local government funding in the past five years

Unsurprisingly, local government budgets increased substantially during the pandemic. Local government General Revenue Grant from the Scottish Government reached over £9.3bn in 2020/21, compared to £6.8bn in 2017/18 (and £6.9bn in 2019/20, immediately before the pandemic). The increase in 2020/21 partly offsets the loss of around £1bn of non-domestic rates revenue as a result of pandemic-related tax reliefs. But it also reflects increased grants to enable local authorities to play a critical role in delivering pandemic-related support to households, businesses, and the wider pandemic infrastructure (e.g. testing facilities).

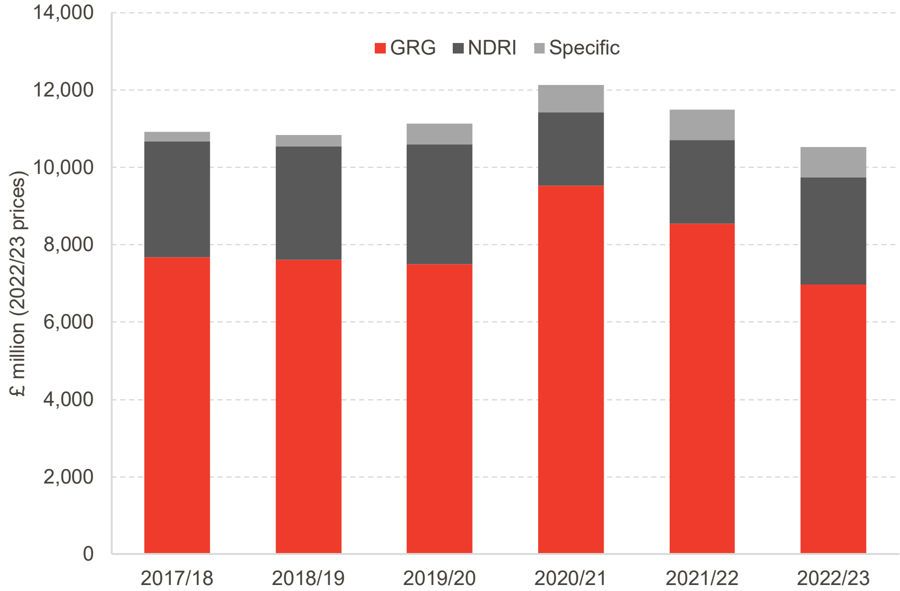
The local government settlement in 2021/22 was not as high as the previous year, as the recovery began to take effect. By 2022/23, core local government funding is basically back to its pre-pandemic level in cash terms.

Over the last five years as a whole, from 2017/18 to 2022/23, the extent to which the local government financial settlement is up or down depends on precisely what measure is used.

Between 2017/18 and 2022/23, what is termed 'core' local government funding has declined by 3.6% in real terms (Chart 36). This core funding encompasses three elements: General Revenue Grant (GRG), income from Non-Domestic Rates, and specific revenue grants from Scottish Government. GRG and NDRI are completely unringfenced, whilst specific grants must be used for specific purposes. In 2022/23, GRG is expected to be £7bn, NDRI £2.7bn, and specific grants around £800m (the latter is largely accounted for by grants to support increased childcare provision and to address educational inequality, via the pupil equity fund).

6 Local government finance: facts and figures 2013/14 to 2018/19, SPICe.

Chart 36: Local government core funding from Scottish Government, real terms



***Source:** For 2017-18 to 2021-22, Provisional Outturn and Budget Estimates (POBE); for 2022-23, Local Government Finance Circular 1-2022.*

This 'core' funding does not include additional funding from the Scottish Government that is transferred into the local government settlement from other portfolios. In 2022/23, this other funding totals £1.3bn, which includes £380m for health and social care integration and mental health, £234m to pay the living wage to social care staff, and £150m for additional teaching and support staff in schools. It is often not clear to what extent this 'other' funding is ring-fenced.

If this other funding is included, then the story of the past five years looks quite different. 'Total' revenue funding (including the other funding transferred in) has actually increased by 3.4% between 2017/18 and 2022/23.

So depending on the measure used, local government funding from the Scottish government has either declined by three and a bit per cent, or grown by three and a bit per cent, during the past five years.

This conclusion might seem unhelpfully ambiguous. But one point that can be made more concretely is that local government has not seen a decline in its share of Scottish government resource spending outside of health.

The share of Scottish government resource spending accounted for by health has increased by just over 4 percentage points during the past five years, (whilst the share of everything else has obviously declined by 4 percentage points). This growth in the spending share of health reflects a longer term trend that has been magnified by the pandemic and its aftermath. The 'core' local government financial settlement has declined by just over 4 percentage points – this implies that local government has not done either markedly better or worse than the average for areas other than health. However, the share of Scottish government spending taken up by 'total' local government spending has only declined by 2.6 percentage points – implying that on this measure, local government has not actually been squeezed by as much as other areas on average.

Spending by service area

Capturing changes in local governments' spending across service areas is complicated by the fact that the latest data on service level spending is for 2021/22, when pandemic priorities were continuing to skew spending patterns. Nonetheless, the data that there is implies that the 2017/18 to 2021/22 period was characterised by further concentration of local government spending on education and social care.

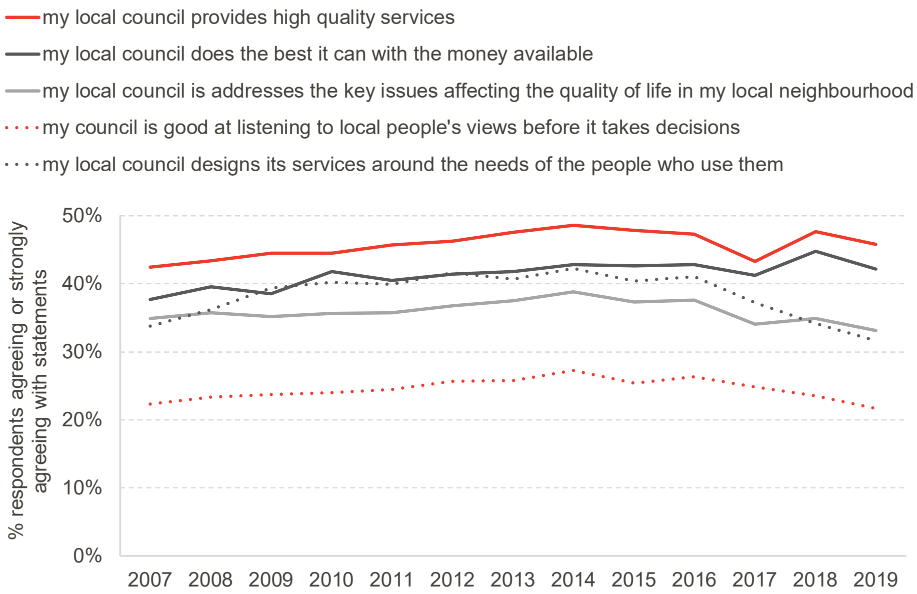
Over that period, spending on education increased 6% in real terms, whilst for social work the increase was 5%[7]. The flipside of this was a 9% real terms decline in local government spending on cultural services, an 8% decline in environmental services spending, and a significant 19% decline in roads and transport spending – although it is best not to place too much significance onto the specific number here, since much of the decline took place in 2021/22, and part of the impact may unwind in subsequent years.

Satisfaction with local services

Given an ongoing squeeze in local government budgets, it is interesting to consider whether this has led to changes in public satisfaction with local services. The Scottish Household Survey, an annual survey of around 10,000 households, has asked questions about satisfaction with local services for several years.

Chart 37 shows evidence of a general upward trend in satisfaction with local authority services between 2007 and 2014. This improvement seems to stall between 2014 and 2016. After 2016, there is a decline in satisfaction for three measures. This coincides with a period when local government funding was cut particularly rapidly. Interestingly however, the period sees a rise in the proportion of respondents who agree that their council 'does the best it can with the money available', suggesting perhaps that whilst residents did notice some decline in local services, they also recognised the financial challenges faced by local authorities.

Chart 37: Percentage of respondents agreeing or strongly agreeing with various statements about local services



Source: *FAI analysis of Scottish Household Survey*

7 The source for this data is the Scottish Government's 'Provisional Outturn and Budget Estimates (POBE)' statistics.

Conclusions, and the outlook for the next five years

In terms of local government funding, the conclusion is that pressures on health have continued to squeeze most non-health areas of public spending in Scotland. Local government has certainly not been immune to this general trend. But it has not obviously been squeezed more than many other areas of spending outside of health.

Scottish local authorities might argue, with justification, that their responsibilities have continued to increase during this period of budget constraint. On the other hand, local government may have more flexibility to change its approach to levying fees and charges relative to many other agencies. It has continued to evolve its policies in this area, as well as changing the way it delivers services more generally. Local authorities appear to have managed changes in their resources whilst broadly maintaining levels of satisfaction with local services at historically high levels. What we still don't have a very good handle on however is what the changes in the nature and patterns of service delivery are affecting key outcomes such as wellbeing, inequality, and social inclusion.

What might the next five years have in store for local government?

Local government will retain a critical role in delivering key Scottish government priorities and commitments, particularly around childcare, educational attainment, and climate objectives (e.g. in relation to improvements to the housing stock and active travel plans). And clearly, major existing agendas such as health and social care integration and digitalisation of public services will remain high priorities.

Yet at the same time, it is hard to see an immediate reversal in the broad trend of funding constraint. The forthcoming Scottish government Spending Review, to be published in May, should shed further light on the funding outlook for 2023/24 and 2024/25.

In addition to consideration of the local government funding envelope in totality, local government will be interested to know more about the outlook for its core budget, relative to elements of the budget that are ringfenced in some way. The government has committed to work with local authorities to produce a fiscal framework for local government this parliament. The expectation is that this might set out clearer criteria about when it is or isn't appropriate for local government funding resources to be ringfenced. But the timescales for production of the review are not yet known.

A major area of uncertainty is what the future of social care will mean for local government. The Scottish government has set out its intentions to establish a new National Care Service, following the recommendations of the Feeley Review. There are a number of well-founded justifications for the proposed National Care Service, including parity with the NHS, stronger opportunities for staff retention, and consistency of service across the country. But there is little clarity yet about what the reforms will mean for the role of local government in shaping local priorities.

The government anticipates that the National Care Service will be operational by 2026, so local governments' role is not going to change overnight. But it is not surprising that COSLA has accused the proposals as representing an attack on localism. If these reforms are combined with a renewed discussion about a move towards centralisation of school funding, this would raise existential questions about the purpose of local government.

Another uncertainty is the prospects for local tax reform. The past five years have seen relatively little movement on this front. The government has introduced legislation to allow local authorities to introduce Workplace Parking Levies, although the practical advantage of this as a policy has been temporarily stymied by the pandemic. Debates around the introduction of local powers over tourism levies is progressing slowly. On council tax, the SNP-Green Collaboration Agreement makes the case for a 'fairer, more inclusive and fiscally sustainable form of local taxation'. It proposes a process of deliberative engagement and a citizens jury to consider reforms in further detail. Whether this process culminates in a more concrete political willingness to reform council tax than previous processes remains to be seen. It certainly feels that there would be merit in considering issues around local taxation broadly on a more strategic basis, potentially as part of the local government fiscal framework.

The past five years have seen no major revolutions of local government financing arrangements or public services delivery. But evolution continues at pace. Local government played a critical role in supporting the pandemic response, and continues to play an increasingly important role in delivering core Scottish government commitments in areas from child poverty and the cost of living crisis to climate change. The next five years may see more substantive evolution in the role and responsibility of local government in Scotland. Whether this happens in a way that enhances, or further erodes, public engagement with local democracy remains to be seen.

Fraser of Allander Institute
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The Fraser of Allander Institute (FAI) at the University of Strathclyde entered Scottish public life in 1975. Since then, it has become established as a leading independent economic research institute working with a wide range of clients on a variety of different topics.

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