Edinburgh and Lothians
Skills Assessment
January 2016
Acknowledgement

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Skills Assessment Update: Edinburgh and the Lothians

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Introduction

What is this report?
This is the 2015 summary Regional Skills Assessment (RSA) for Edinburgh and the Lothians. It has been developed by Skills Development Scotland (SDS) in partnership with Scottish Enterprise (SE), the Scottish Funding Council (SFC) and the Scottish Local Authorities Economic Development (SLAED) Group. It updates the 2014 RSA evidence base with the latest data, refreshing and developing what this means for skills investment planning.

The 2015 RSA areas now align with Regional Outcome Agreement areas. As part of this realignment, the regional footprint for some RSAs remains unchanged, whilst for others, there has been some change. Edinburgh and the Lothians previously included West Lothian. The update is therefore designed to support the SFC and Regional Colleges in negotiating Regional Outcome Agreements. The update also supports SDS in planning its provision for individuals and businesses, whilst also helping regional partners with their skills investment planning.

The 2015 update reports highlight some of the key messages for the regions. They are summary reports, underpinned by the full data matrix, available at sds.co.uk/what-we-do/partnerships/regional-skills-assessments. The data matrix has been redesigned to be more user-friendly, and accompanying guidance on how to use the matrix can be found alongside the full data matrix.

What has changed in Scotland since 2014?

The economic situation in Scotland has continued to improve in the last year, and the recovery evident at the time of the last RSA is more firmly established, with rising GVA and falling unemployment. Against many indicators, Scotland has returned to pre-recession levels. There continues to be a rise in the participation of women and older workers, and youth unemployment previously apparent has started to fall. Still, underemployment remains an issue and productivity growth in Scotland (and the UK) remains weak and largely consumer-driven.

In policy terms, a new Economic Strategy for Scotland is in place. This puts the 4 ‘l’s – Internationalisation, Investment, Innovation and Inclusive Growth – as central to the strategy. Increasing exports continues to be a key policy objective, and the prominence of Inclusive Growth reflects the desire for a re-balancing form of economic growth. Innovation, including workplace innovation, continues to be highly important. Investment continues to be necessary for firms to be successful. Existing strategies and policies also remain important, including the 2010 Skills Strategy and the 2014 Developing the Young Workforce - Scotland’s Youth Employment Strategy.

The 2015 RSA update seeks to reflect some of these policy developments. For the first time the data matrix includes deprivation indicators, and there is greater attention paid to inequality issues such as age, disability and gender indicators. There is also more detail on school-level provision, migration, travel to work/study, claimant counts and employment projections.

The Edinburgh and the Lothians RSA

This 2015 RSA update covers the geographic area of Edinburgh City, East Lothian and Midlothian. Data for the region has been calculated by aggregating the data from the three local authority areas, although individual local authority data is presented where this illustrates key differences between the three.
Skills Assessment Update: Edinburgh and the Lothians

Selected headline indicator changes

<table>
<thead>
<tr>
<th></th>
<th>2014 RSA</th>
<th>2015 RSA</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic performance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Value Added (GVA) (£m)</td>
<td>£20,487 (2012)</td>
<td>£21,226 (2013)</td>
<td>+3.6%</td>
</tr>
<tr>
<td>GVA per worker</td>
<td>£61,500 (2012)</td>
<td>£64,300 (2013)</td>
<td>+4.6%</td>
</tr>
<tr>
<td>Number of businesses</td>
<td>25,660 (2013)</td>
<td>26,625 (2014)</td>
<td>+3.8%</td>
</tr>
<tr>
<td>Business births per 10,000</td>
<td>40 (2012)</td>
<td>50 (2013)</td>
<td>+25.0%</td>
</tr>
<tr>
<td>BERD per head</td>
<td>n/a</td>
<td>£306 (2013)</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Profile of the workforce</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total employment</td>
<td>369,500 (2013)</td>
<td>378,300 (2014)</td>
<td>+2.4%</td>
</tr>
<tr>
<td>Professional occupations</td>
<td>94,000 (2013)</td>
<td>92,400 (2014)</td>
<td>-1.7%</td>
</tr>
<tr>
<td><strong>People and skills supply</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total population</td>
<td>673,600 (2013)</td>
<td>681,000 (2014)</td>
<td>+1.1%</td>
</tr>
<tr>
<td>ILO unemployed</td>
<td>23,200 (2013/14)</td>
<td>15,500 (2014/15)</td>
<td>-33.2%</td>
</tr>
<tr>
<td>16-24 unemployed</td>
<td>2,394 (Sep 2014)</td>
<td>1,071 (Sep 2015)</td>
<td>-55.3%</td>
</tr>
<tr>
<td>18-24 unemployed (claimants)</td>
<td>2,330 (Aug 2014)</td>
<td>960 (Aug 2015)</td>
<td>-58.8%</td>
</tr>
<tr>
<td><strong>Deprivation</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Workless households</td>
<td>46,400 (2012)</td>
<td>41,326 (2013)</td>
<td>-10.9%</td>
</tr>
<tr>
<td>% of children with free school meals</td>
<td>n/a</td>
<td>39% (2015)</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Education and training</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MA starts</td>
<td>2,300 (2013/14)</td>
<td>2,395 (2014/15)</td>
<td>+4.1%</td>
</tr>
<tr>
<td>MA achievements as % of all leavers</td>
<td>72% (2013/14)</td>
<td>72% (2014/15)</td>
<td>No change</td>
</tr>
<tr>
<td>Employability Fund starts</td>
<td>-</td>
<td>1,705 (2014/15)</td>
<td>-</td>
</tr>
<tr>
<td>College provision (headcount)</td>
<td>n/a</td>
<td>21,007 (2013/14)</td>
<td>n/a</td>
</tr>
<tr>
<td>College provision of HE</td>
<td>22% (2012/13)</td>
<td>25% (2013/14)</td>
<td>+3 percentage points</td>
</tr>
<tr>
<td>Total Higher Education students</td>
<td>n/a</td>
<td>60,221 (2013/14)</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Skills mismatches</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of employers reporting hard to fill vacancies</td>
<td>7%* (2014)</td>
<td>(next updated 2016)</td>
<td>n/a</td>
</tr>
<tr>
<td>% of employers reporting skills shortage vacancies</td>
<td>6%* (2014)</td>
<td>(next updated 2016)</td>
<td>n/a</td>
</tr>
</tbody>
</table>

*Please note, these figures are for the Edinburgh, Fife and the Lothians (City of Edinburgh, Fife, Midlothian and East and West Lothian)
1 Economic performance

Headline summary

- GVA continued to rise between 2012 and 2013, 18% of Scotland’s total output, largely due to the financial and insurance sector and the public sector.
- Productivity levels remain significantly higher than the Scotland and UK averages, and increased at a faster rate than the previous year.
- Average workplace earnings in the City of Edinburgh remain well above Scottish and UK averages, although they are below average in East Lothian and Midlothian.
- The business base continues to grow at a higher rate than nationally, where almost 20% of the base comprises the professional, scientific and technical sector.
- Business Expenditure on Research and Development (BERD) per head continues to be more than double the Scottish average.

Gross Value Added (GVA)

Edinburgh and the Lothians continues to generate a significant proportion of Scotland’s output (18%), one percentage higher than the previous year, dominated by public administration, education and health (21% of the region’s output) and financial and insurance sectors (20%). These account for £2 in every £5 of output from the region.

The growth rate from 2012 to 2013 (latest data) continued at 3.6%, a slightly slower pace than the 4.3% growth for the previous year, but still above the Scottish average of 2.9%. The annual average GVA growth rate for the region from 2010 to 2013 was 3.9%.

Productivity

Productivity in the region is above the Scottish and UK averages, increasing in recent years. GVA per worker as a measure of productivity was £64,300 in 2013, higher than the £61,500 in 2012. This is 37% higher than the Scottish average of £47,000 and 26% above the UK average of £51,000. However, this ranges widely from £29,100 in East Lothian to £77,100 in City of Edinburgh. GVA per worker in the region increased by 13% 2006 and 2013, although a lower rate of growth than the 18% for Scotland and 17% for the UK.

Earnings

Most recent (2014) data shows that jobs in the City of Edinburgh, at £570 per week, pay well above the Scotland average of £519 and UK average (£518). By contrast, jobs in East Lothian (£508) and Midlothian (£480) pay below average. Median full-time workplace earnings increased in both City of Edinburgh and East Lothian 2013 and 2014, but fell in Midlothian.

However, those living in East Lothian earn more – £539 per week – than those working in the area, and above the Scottish average of £518, suggesting that many in East Lothian commute to better-paid jobs in the City. Those living in Edinburgh and Midlothian earn a similar amount to those working in each area, for median residence-based full-time work.
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Business base

There were 26,625 VAT/ PAYE registered businesses in the region in 2014, up 3.8% from 2013, higher than the 2.8% Scotland increase.

The business base has grown by 9% between 2010 and 2014, which is higher than the 5% increase across Scotland and 6% in the UK.

Professional, scientific and technical businesses accounted for 19% of all businesses in 2014, higher than the Scotland proportion, and higher than the 17% in 2013. There are also a higher proportion of retail, accommodation and food services and arts businesses than the Scotland average (given Edinburgh’s function as a regional centre) and an above average proportion of information and communication businesses.

The profile of businesses by size in Edinburgh and the Lothians mirrors Scotland. 80% of registered businesses are micro firms employing fewer than 10 people, and 4% employ more than 50 people. At the same time in 2014, there were 195 businesses in the region employing more than 250 people. There were 3,390 business births in 2013; 50 per 10,000 total population, up from 40 in the previous year, above the Scotland rate of 40. In the same year, there were 2,280 business deaths; 34 per 10,000 population, a rate which has remained stable in recent years, above the Scotland rate of 28.

Levels of Business Expenditure on R&D (BERD) continue to be more than double the Scottish average – at £306 per head compared to £150 per head nationally. There are 352 Scottish Enterprise account managed companies (up from 293 the previous year) and 16% of the lowland Scotland total, above the region’s 13% share of total businesses.

1 This percentage includes West Lothian in Edinburgh and the Lothians.
2 Profile of the workforce

Headline summary

- Total employment increased in Edinburgh and the Lothian region between 2013 and 2014, although at a rate below the Scottish average, returning the region to employment growth.
- The health, financial and insurance and education sectors dominate the employment base, with over 130,000 jobs, a quarter of all jobs in the region.
- Financial services, information and communications and professional, scientific and technical sector jobs are more concentrated in the region than across Scotland.
- Over 92,000, or 27%, are employed in professional occupations in the region, significantly higher than the Scottish average of 20%.

Total employment

This update provides new employment data for 2013 and 2014. Total employment increased between 2013 and 2014 to 378,300, having fallen to 369,500 in the intervening year. At 2.3% growth in the region 2013 to 2014, this was below the Scotland average of 3.2%. However, overall Edinburgh and the Lothians experienced an employment growth rate of 3% between 2009 and 2014, above that of Scotland, at 1%.

Index of Total Employment, 2009-14

**Source:** Business Register and Employment Survey

Employment structure by industry

The importance of the public sector and financial services is reflected in the employment base. A quarter of all employment is in health (15% and almost 57,000 jobs) or education (10%, and 36,300 jobs) and 10% of all jobs are in finance and insurance. There are some large employers in these sectors. Overall, some **37,300 are employed in the financial sector**, almost **three times more concentrated than the Scotland average**. Retail (35,700, 9%) and accommodation and food services (31,200, 8%) and business services (28,500, 8%) are the other large employment sectors.
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Relative to Scotland, it is the financial and insurance, information and communication and professional, scientific and technical sectors which continue to be concentrated in the area. The region continues to have a below average share in production jobs.

<table>
<thead>
<tr>
<th>Edinburgh &amp; the Lothian region sector specialisation (2014)</th>
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<tbody>
<tr>
<td>Financial &amp; insurance</td>
<td>289%</td>
<td>Retail</td>
</tr>
<tr>
<td>Information &amp; communication</td>
<td>158%</td>
<td>Health</td>
</tr>
<tr>
<td>Professional, scientific &amp; technical</td>
<td>132%</td>
<td>Transport &amp; storage (inc postal)</td>
</tr>
<tr>
<td>Education</td>
<td>128%</td>
<td>Wholesale</td>
</tr>
<tr>
<td>Arts, entertainment &amp; recreation</td>
<td>125%</td>
<td>Construction</td>
</tr>
<tr>
<td>Property</td>
<td>116%</td>
<td>Motor trades</td>
</tr>
<tr>
<td>Accommodation &amp; food services</td>
<td>115%</td>
<td>Production</td>
</tr>
<tr>
<td>Public administration &amp; defence</td>
<td>104%</td>
<td>Agriculture, forestry &amp; fishing</td>
</tr>
<tr>
<td>Business admin. &amp; support services</td>
<td>97%</td>
<td>Source: Business Register and Employment Survey</td>
</tr>
</tbody>
</table>

The 2014 RSA identifies the top 20 sectors in 2012 (of 616 sectors). Change over the 2012-2014 include a fall in temporary employment agency employment, over 20,000 jobs as the economy strengthens and more are permanent positions. There was further growth in human health, but also business consultancy and restaurants.

<table>
<thead>
<tr>
<th>Other human health activities (+39%)</th>
<th>Temporary employment agency (-74%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business/management consultancy (+24%)</td>
<td>General cleaning of buildings (-32%)</td>
</tr>
<tr>
<td>Restaurants (+22%)</td>
<td>Life insurance (-25%)</td>
</tr>
</tbody>
</table>

In 2013, there were over 120,000 jobs in the Scottish Government identified growth sectors in the region, half in Financial and business services (60,200) with Sustainable tourism (38,000) also important. Edinburgh and the Lothian region has specialisation in Financial and business services (186%), Creative industries (143%) and Sustainable tourism (120%), and under-representation in Energy (42%) and Food and drink (26%).

Of the total £2.8m Regional Selective Assistance awarded to businesses in the region between 2011 and 2014, the greater amount has been awarded to firms in the Food and drink (£0.8m) and Digital media and enabling technologies sectors (£0.75m). Overall, the RSA grants are estimated to have created/safeguarded some 270 jobs in the region.

**Occupational profile**

A far greater share of the workforce is employed in professional occupations. Some 27% (some 92,400 residents) are professionals, higher than the 20% for Scotland as a whole and similar to the previous year. This is highest in the City of Edinburgh (29%) and lowest in Midlothian (19%). Further, the region continues to have a lower proportion of skilled trades than nationally.
The number of administrative and secretarial jobs in the region continues to fall. Over one fifth of these jobs have been lost or moved out of the region since 2004 and the trend continued in the last year. Over the same period, there has been strong growth in professional occupations (+31%), associate professional and technical occupations (+22%) and also in elementary occupations (+26%), each above the Scotland average.

3 People and skills supply

Headline summary

• The population continues to grow, again at a rate higher than the Scotland average in the last year, with the largest increases in 25-34 year olds, attracted by jobs in the region.
• The employment rate in the region is in line with the Scotland average, and slightly higher in East and Midlothian.
• Unemployment has fallen significantly between 2012/13 and 2014/15. The number of young people out of work and not in education or training are well below 2013 levels.
• Around 50,000 in the region are work-limiting disabled, although the proportion of the workforce this represents is below the Scotland average.
• The proportion of school leavers in the region entering Higher Education increased in the year to 2013/2014. More also have high level qualifications than in Scotland and the UK.

Population

The Edinburgh and the Lothians population has continued to grow in recent years. At an estimated 681,000, the 2014 population was a further 1.1% higher than 2013, higher than the 0.4% increase across Scotland. Over the 10 year period from 2004, the population has increased by 10% compared to 5% in Scotland and 8% in the UK.
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The largest increases have been those aged 25-34 (of almost 20%), twice the rate of growth for this age group in Scotland, with the next largest increase in those aged 45-54 (17%), as per the Scotland average. There is a reasonable level of churn in the population and 61,000 have left the area over the 10 years, although population has increased overall.

Labour market participation

In 2014, the employment rate for Edinburgh and the Lothians was 73% in line with Scotland and UK averages. In East and Midlothian, the rate is slightly higher at 75%. For the region, the 2014 rate was one percentage point higher than in 2013.

73% of jobs in the region are full time, marginally lower than 74% in Scotland. Jobs in the City of Edinburgh are less likely to be part time positions. 74% of jobs in the City are full time, with 26% part time. The proportion of part time employment is higher in Midlothian (29%) and East Lothian (30%).

In 2012/2013 there were 20,100 ILO unemployed (those out of work and actively seeking work), and this decreased to 15,500 in 2014/2015, although there had been an increase in the intervening year. The ILO unemployment rate in 2014/2015 had fallen to just 5% in the region, and lower still at 4% in the City of Edinburgh and 4% in East Lothian, compared to 6% in Scotland and the UK.

In 2015 there were 1,071 unemployed young people aged 16-24 in the region, down 55% from the previous year, and faster than the 34% fall across Scotland. There were 960 young people aged 18-24 out of work and claiming Jobseekers Allowance (as of August 2015), down almost 60% on the year before. There were also 1,650 young people described as Not in Employment, Education or Training in 2014. This has fallen by almost 40% since 2010, close to the Scottish average. The rate at 5% is lower than the 6% average across Scotland.
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In all, 11% of all those aged 16-64 in Edinburgh and the Lothians are work-limited through disability, compared to the 15% in Scotland and the UK. Within the region this varies from 16% in Midlothian, 14% in East Lothian and 10% in City of Edinburgh. However, this still indicates that some 50,400 people in the region are work-limited through disability.

Travel to work distances are shorter overall than the Scotland averages. One in ten works from home (11% nationally) and 12% travel less than 2km (13% nationally). However, 46% - ten percentage points more than nationally – travel between 2km and 10km which reflects shorter journeys to work for those living in Edinburgh itself. Only 8% travel more than 20km, compared to 14% nationally.

Qualifications and attainment

There was a decrease in the proportion of school leavers entering Higher Education in 2014/2015, 36% of the total, down from 39% in 2013/2014. The proportion entering Further Education, at 25% represents an increase from previous years. A quarter entered employment, just below the previous year. Those unemployed (seeking or otherwise) remain the same, at 7% in 2014/2015 (from 9% the previous year). In all, 92% entered a positive destination, in line with the Scotland level.

6% of those aged 16-64 years in Edinburgh and the Lothians have no qualifications; in Scotland and the UK this is 9%. Fewer also have lower level of qualifications – 7% in the region, compared to 11% in Scotland and 12% in the UK. Within the region this is lower in the City of Edinburgh than East Lothian and Midlothian). By contrast, more have high level qualifications – 53% regionally at SCQF 7-12. Within the region, this is 56% in the City of Edinburgh, 45% in East Lothian and 39% in Midlothian, compared to 35% in Scotland and 36% in the UK – reflecting the high level of those in professional occupations in parts of the region, particularly in the City of Edinburgh.

In terms of 16-24 year olds, 6% have no qualifications in the region, compared with 7% of this age range in Scotland. A comparable proportion of young people have high level qualifications in the region as nationally (24%).

4 Deprivation

Headline summary

- Average household earnings throughout the region are higher than those nationally.
- However, there are still more than 41,000 workless households in the region.
- There are concentrations of deprivation in parts of Edinburgh in particular.
- The proportion of school pupils entitled to free school meals is in line with the Scotland average in the region although it is lower in East Lothian.

The 2015 data matrix includes data on deprivation for the first time. This affects both labour market supply and the skills support needs of individuals. On the whole, Edinburgh and the Lothians is more affluent than the Scottish average, yet this masks concentrations of residents on low incomes and some quite high numbers suffering relative deprivation.
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**Key messages**

There are fewer households in the region that have average earnings of less than £10,000 per year than the Scotland average. Still, 12% of households in the City of Edinburgh and in East Lothian, and 11% in Midlothian have average household earnings of less than £10,000 per year. This compared to 13% across Scotland.

By contrast, **more households have incomes over £30,000** per year, 36% in East Lothian, 35% in City of Edinburgh and 33% in Midlothian have incomes above £30,000, compared to 31% across Scotland.

16% of East Lothian households and 17% of those in the City of Edinburgh are workless households, compared to 20% in Scotland, and 17% in the UK. The rate in Midlothian is higher, 21%. **This is more than 41,000 workless households in the region** (2013).

The employment domain of the latest (2012) Scottish Index of Multiple Deprivation (SIMD) provides further information on employment deprivation. 7% of the region’s 781 datazones (54) are in the 15% most deprived datazones in Scotland. Of these 54 datazones, 46 are in the City of Edinburgh (more than 30,000 residents), with 4 each in East and Midlothian. Whilst there are concentrations of unemployment, these are far less widespread than in other parts of Scotland.

In all, **39% of those at school in the region are entitled to free school meals**, comparable with the Scottish average of 39%. In Edinburgh this is higher at 41%, while in East Lothian the proportion is lower, at 34%.
5 Education and training provision

Headline summary

- The number of MA starts in the region increased slightly on last year, with hospitality, business and administration, retail and social services being the most popular frameworks.
- There were over 21,000 FE students at Edinburgh College in 2013/14, with art and design, business management and the performing arts the most common courses taken. 25% of these students were studying HE at college.
- Over 60,000 students were studying at the five Higher Education Institutions in the region in 2013/2014, a similar number to the previous year, with more than four fifths from outwith the region.
- There were nearly 23,000 graduates from the region in 2013/14 which is 27% of all Scotland graduates. Almost two thirds of these went into full-time work and one in four into the health or education sectors.

Modern Apprenticeships (MAs)

There were 2,395 MA starts in 2014/2015 supported by SDS, an increase on the 2,300 in 2013/2014. The majority of these starts were in the City of Edinburgh (62%), while East Lothian accounted for 20% and Midlothian the remaining 18%. In each area there was a slight increase on the number of starts from the previous year. There were more male MA starts (56%) than females (44%) in 2013/14 although this is a more even than the 59 male:41 female split at the Scotland level. There were 2,420 leavers in 2014/2015.

The most popular frameworks for starts were in hospitality (345), business and administration (290), retail (230), social services (205), building construction (145) and hairdressing (140). Some of these remain dominated by one gender or the other, including building construction (male), hairdressing and social services (both female). In other sectors, however, such as business and administration, hospitality and retail, there is more of a gender balance.

In all, 56% of MA starts in Edinburgh and the Lothians in 2014/2015 were aged 16-19, and this was highest in Midlothian at 60%. The region has a slightly older profile of MA starts, with the average in Scotland aged 16-19 being 53%.

Achievements at 72% in 2014/2015, as a percentage of all leavers, were the same as in the previous year, and this was similar across the region. The rates in general have not risen over the last five years and are two percentage points below the Scotland average.

Employability Fund (EF)

The EF supports a range of interventions to support employability. There were 1,705 EF starts in 2014/2015 (1,180 in City of Edinburgh, 280 in Midlothian and 245 in East Lothian). Three in five of these (60%) were male, lower than the 63% in Scotland. EF starts are typically younger than the Scotland average.

Within this, there were 230 starts on the Certificate of Work Readiness (CWR), the new national work placement and class-based Award, involving up to 90 employers.
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School and Further/ Higher Education provision

School provision

For the first time, the data matrix provides information on school provision. There were 29,001 pupils enrolled at secondary school across the region in 2014, 29% of whom were S5 and S6, in line with that across Scotland. The school roll is projected to remain stable until 2018, although dipping slightly between 2015 and 2017. Across Scotland, the trend is for a 2% fall over the period to 2018.

College provision

College provision is via Edinburgh College (formed from the merger of Edinburgh’s Telford College, Jewel and Esk College and Stevenson College in 2012/2013). 77% of Edinburgh and the Lothians residents who are at College study locally.

21,007 students (headcount) were studying at Edinburgh College in 2013/2014. 75% of this was at FE level, 25% at HE level. In all, 19% were from outside the region, marginally up from 18% in 2012/2013. A similar proportion to those in Scotland as a whole are aged below 20, as was previously the case. As in 2012/13, a higher proportion of students aged 16-19 were on full time courses.

52% of College students in the area are female, in line with the Scottish figure; overall 10% are from the most deprived 10% datazones (compared to 16% in Scotland) – reflecting the relative affluence of the area.

As with the previous year, full time College provision in the region is spread over a wide range of subjects. Art and design (10% of courses), Business management and administration and Performing arts (both 9%) were those most taken up, with the two art courses both above the Scottish average and higher than in 2012/2013. The take up of full time care courses has fallen from 11% in 2012/13 to 7% in 2013/14 and below the 12% in Scotland as a whole.

University provision

In all, 60,221 students (headcount) were studying at the five Higher Education Institutes (HEIs) in the region in 2013/2014 (University of Edinburgh, Edinburgh Napier University, Heriot-Watt University, Queen Margaret University and the Edinburgh Campus of the Scottish Agricultural College). This was unchanged on the previous year. 19% of these students were from within the region, compared with 22% in 2012/13, reflecting that these are national institutions, particularly the University of Edinburgh where only 15% of students are from within the region. A slightly lower proportion than the Scotland average are aged over 25 (31% compared to 34%).

Overall, 57% of HEI students in the area are male, a similar proportion to the Scotland average. Business and administrative studies (16%), Medicine (11%), and Engineering (9%) were the most popular courses in 2013/14.
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Graduates

There were 22,606 graduates from HEIs in Edinburgh and the Lothians in 2013/14 and this was 27% of all graduates from Scotland’s HEIs. This included 13,827 graduates with a first degree (61%), and a further 8,779 postgraduates (39%). In all, there were 6,223 graduates in Scotland in 2013/14 who were from the Edinburgh and the Lothians region.

Six months after graduating, almost two thirds of graduates were in full time work (65%), more than the 61% nationally and higher than the 58% in the previous year. A further 9% were in part time work, 15% were in further study and 5% were working and studying. 5% were unemployed, and this is the same as across Scotland.

Where known, Edinburgh and the Lothians graduates were most commonly employed in the public sector - human health and social work and education (both 14%) – as was the case across Scotland as a whole. A similar proportion, however, were employed in professional, scientific and technical activities (13%), compared to 9% nationally – reflecting the predominance of medicine and biological subjects.

6 Skills mismatches

Headline summary

- The majority of employers in the wider Edinburgh and the Lothians region (which included Fife and West Lothian) recruited in the past 2-3 years, with many employing leavers from Scottish education institutions.
- FE/HE and school leavers in the wider region are deemed more work-ready by employers than the Scottish average.
- Employers were more likely to report vacancies than the Scottish average, including those hard to fill or skills shortages.
- Skills gaps span a variety of occupational groups including skilled trades, care, leisure, sales and customer services, operatives and elementary occupations.

There is no new data on skills mismatches from the previous year, given that the survey is undertaken every two years. The previous dataset of skills mismatches was for the wider regional data set for Edinburgh and the Lothians which included Fife and West Lothian. The key messages to re- emphasise are:

Almost three quarters (72%) of employers in the wider region had recruited in the 2-3 years prior to the survey, and 32% had taken on leavers from Scottish education institutions (both above the Scotland averages of 67% and 26%).

Of those recruiting leavers, 91% of those from universities were regarded as well or very well prepared for work, and 79% of those from colleges. However, 68% of school leavers were regarded as well or very well prepared for work, although this was still above the Scottish average of 65%.

Of those reported to be poorly prepared, the main reasons cited are a lack of world/ life experience or maturity, poor attitude/personality or lack of motivation or lack of required skills or competencies.

Employers in the wider Edinburgh, Fife and Lothians region were more likely to report current vacancies than the Scotland average (18%, compared to 12%); more hard to fill vacancies (7% compared to 6% nationally) and skills shortage vacancies (6% compared to 4%).
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Just over a fifth (21%) of employers in the wider region reported that not all of their staff are fully proficient, with at least one skill gap, above the average for Scotland of 19% - with skills gaps across different occupational groups such as care, skilled trades, leisure, sales and customer services, operatives and elementary occupations.

The wider region has high concentrations of employment in financial services. A Skills Investment Plan has been produced for this sector and highlights a series of priority actions to address current and future skills gaps and shortages in alignment with the Scottish Government’s economic strategy.

The Skills Investment Plans can be found here:
sds.co.uk/what-we-do/partnerships/skills-investment-plans/

7 Looking forward

Headline summary
- The population of the region is forecast to continue to increase, by almost 72,000 and 11% to 2024, much faster than Scotland and UK growth rates.
- The greatest increases are forecast for those of retirement age, although school roll numbers are also set to remain stable until 2018 when they are falling at the Scotland level.
- Employment growth is also forecast for more than 5% to 2022, with the proportion growing fastest in information technology and health and social work.

Population projections

2012 based-projections indicate that the population of Edinburgh and the Lothians is forecast to increase by 71,894 over the 2014-2024 period; an increase of 11%. This significantly outstrips projected growth of 5% at the UK level, and 4% at the Scotland level.

 Until 2022, the largest proportionate increases in Edinburgh and the Lothians are expected in those of retirement age, although a lower proportionate increase than elsewhere in Scotland. There is anticipated to be a 22% increase in those aged over 75 (below the average of 28%) and a 22% increase in those aged 65-74 (above the Scottish average of 16%). This may have implications for the region in terms of pressure on health and social care services. There is, however, an increase projected in all age bands, except for 16-29 year olds where there, is an anticipated 7% decline, the same rate as Scotland as a whole.

Education provision projections

As the summary indicates, the school roll is projected to remain stable to 2018, although there is expected to be a small dip by 1-2% between 2015 and 2017. Across Scotland, the trend is for a 2% fall over the period to 2018.
Employment projections

There is no new data on employment projections since the last RSA. Based on 2012 figures, national employment figures are projected to rise by 5.3% between 2012 and 2022, with the fastest increases occurring between 2017 and 2020.

The sectors with the largest projected employment growth over the period are Information technology (32%), health and social work (17%), real estate (14%) and electricity and gas, finance and insurance and construction (all 13%). As a key employer in Edinburgh and the Lothians, a 13% rise in finance and insurance employment could see the sector become further specialised in the region.

There is, however, projected to be a considerable fall in employment in agriculture (-15%), other manufacturing (-12%), public administration (-11%) and mining and quarrying (-10%). In employment terms, agriculture and production are of much lesser importance in Edinburgh and the Lothians than they are across Scotland and so the region is likely to experience less damaging impacts from the decline in these sectors.

8 Conclusions and considerations

The 2015 RSA update indicates growth in the Edinburgh and the Lothians region, where business and output growth is at a pace faster than the Scottish economy as a whole. This is driven by the City of Edinburgh and the dominance of both the financial services sector and public services as the administrative capital of Scotland. Between them the sectors account for 40% of the region’s output and 25% of all employment.

The region is characterised by higher paid jobs for those in the City of Edinburgh and East Lothian in particular, with high proportions employed in professional occupations and strong sector representation in growing/higher value added sectors of information and communications and professional, scientific and technical sectors. Many from East Lothian commute to better paid jobs in the City, although the effect is less pronounced in Midlothian where residence-based earnings are below average.

Overall employment growth in the last year has nonetheless been slower than for Scotland as a whole, and employment rates have now only just returned to the national average. Whilst there are high levels of output and productivity, driven by the region’s sectoral mix, there remains scope to widen the labour market. That said, ILO unemployment rates have fallen to between 4% and 5%, below the national average, indicating a general tightening of the labour market.

Still, the region has large concentrations deprivation, particularly in parts of Edinburgh, where more than 30,000 live in Scotland’s 15% most deprived areas. There are also more than 41,000 workless households across the region, and the rate of workless households in Midlothian exceeds the Scotland average. Youth unemployment has fallen considerably in the last couple of years, yet many in older age groups do not participate in the labour market, or the region’s economic success.

The challenge for the region is to continue to supply the skills to meet the demand for higher skilled labour, whilst including more in the region’s success. The number of MA starts was marginally higher than the year before, and more than 20,000 students were at Edinburgh College in 2013/2014. More than 60,000 study at the five HEI, generating more than a quarter of Scotland’s graduates although most are from outside the region. More young people have benefited from Employability Fund support and the Certificate of Work Readiness.
Employers in the region are however more likely to report vacancies than the Scottish average, including those hard to fill or skills shortages, with skills gaps span a variety of occupational groups including skilled trades, care, leisure, sales and customer services, operatives and elementary occupations. Population and employment are forecast to grow, and there will continue to need to be the skills to service this growth, including the needs of a growing retirement age population.

Some key considerations are therefore:

- Is the skills provision right to help Edinburgh and the Lothians to continue to develop and grow its economy, both meeting the needs of the public sector and financial services sector, whilst diversifying its employment base?

- Does the occupational structure of the region mean that skills provision needs to change? Given the higher proportion of professionals, are there sufficient skills in other occupations including caring, leisure and other services and customer services to meet the needs of the regional economy?

- How can employment rates increase further when there is already a relatively tight labour market and when unemployment rates have fallen beneath the Scotland average? How can participation in the labour market be extended further? Is there more that can be done to help those more disadvantaged in the region?

- Is there enough that is being done to ensure all in the region are benefiting from the economic growth of Edinburgh? Does this extend to those in Midlothian and parts of the City of Edinburgh, for example, in the same way as it does in other parts of the region?

- How can the supply of skills be increased, for example in care, to meet the needs of a growing (and ageing) population?

- How can the gender domination in certain College/MA subjects be overcome when this has persisted over time?

- How can skills shortage and hard-to-fill vacancies be filled – and is enough being done to take account of expansion and replacement demand – particularly in finance, tourism and social care? Is there sufficient throughput of young people into the care and customer services?