Highlands and Islands
Skills Assessment
January 2016

Skills Development Scotland
Acknowledgement

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# Skills Assessment Update: Highlands and Islands

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Introduction

What is this report?

This is the summary Regional Skills Assessment (RSA) for the Highlands and Islands based on available data as at the end of 2015. It has been developed by Skills Development Scotland (SDS) in partnership with Highlands and Islands Enterprise (HIE), the Scottish Funding Council (SFC) and the Scottish Local Authorities Economic Development (SLAED) Group. It supports the 2014 Skills Investment Plan for the region by providing the latest data and refreshing what this means for skills planning.

This is the first time that an RSA summary has been developed for the Highlands and Islands. The RSA area aligns with the Regional Outcome Agreement area. The RSA is 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 series of 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 it 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 set of RSAs 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, under-employment 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 ‘I’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 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 Highlands and Islands RSA

This 2015 RSA update covers the geographic area of Highland, Argyll and Bute, Moray, Eilean Siar, Orkney Islands and Shetland Islands. Data for the region has been calculated by aggregating the data from the six local authority areas, although individual local authority data is presented where this illustrates key differences between the six.
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Selected headline indicator changes

<table>
<thead>
<tr>
<th>Economic performance</th>
<th>Previous Year</th>
<th>2015 RSA</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Value Added (GVA) (£m)</td>
<td>£8,211 (2012)</td>
<td>£8,471 (2013)</td>
<td>+3.2%</td>
</tr>
<tr>
<td>GVA per worker</td>
<td>£35,200 (2012)</td>
<td>£36,000 (2013)</td>
<td>+2.3%</td>
</tr>
<tr>
<td>Number of businesses</td>
<td>25,945 (2013)</td>
<td>26,385 (2014)</td>
<td>+1.7%</td>
</tr>
<tr>
<td>Business births per 10,000</td>
<td>32 (2012)</td>
<td>38 (2013)</td>
<td>+18.8%</td>
</tr>
<tr>
<td>Business deaths per 10,000</td>
<td>31 (2012)</td>
<td>28 (2013)</td>
<td>-9.7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Profile of the workforce</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Total employment</td>
<td>215,700 (2013)</td>
<td>222,900 (2014)</td>
<td>+3.3%</td>
</tr>
<tr>
<td>Professional occupations</td>
<td>35,800 (2013)</td>
<td>37,800 (2014)</td>
<td>+5.6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>People and skills supply</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ILO unemployed</td>
<td>12,200 (2013/14)</td>
<td>11,200 (2014/15)</td>
<td>-8.2%</td>
</tr>
<tr>
<td>16-24 unemployed</td>
<td>1,022 (2014)</td>
<td>746 (2015)</td>
<td>-27.0%</td>
</tr>
<tr>
<td>18-24 unemployed (claimants)</td>
<td>945 (Aug 2014)</td>
<td>590 (Aug 2015)</td>
<td>-37.6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deprivation</th>
<th></th>
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</tr>
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<tbody>
<tr>
<td>Workless households</td>
<td>21,681 (2012)</td>
<td>20,430 (2013)</td>
<td>-5.8%</td>
</tr>
<tr>
<td>% of children with free school meals</td>
<td>n/a</td>
<td>33% (2015)</td>
<td>n/a</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Education and training</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>MA starts</td>
<td>2,285 (2013/14)</td>
<td>2,340 (2014/15)</td>
<td>+2.4%</td>
</tr>
<tr>
<td>MA achievements as % of all leavers</td>
<td>76% (2013/14)</td>
<td>73% (2014/15)</td>
<td>-3 percentage points</td>
</tr>
<tr>
<td>Employability Fund starts</td>
<td>-</td>
<td>855 (2014/15)</td>
<td>-</td>
</tr>
<tr>
<td>College provision (headcount)</td>
<td>19,686 (2012/13)</td>
<td>20,225 (2013/14)</td>
<td>+2.7%</td>
</tr>
<tr>
<td>Total Higher Education students</td>
<td>8,100 (2012/13)</td>
<td>5,878 (2013/14)</td>
<td>-27.4%*</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Skills mismatches</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>% of employers reporting hard to fill vacancies</td>
<td>6% (2014)</td>
<td>(next updated 2016)</td>
<td>n/a</td>
</tr>
<tr>
<td>% of employers reporting skills shortage vacancies</td>
<td>4% (2014)</td>
<td>(next updated 2016)</td>
<td>n/a</td>
</tr>
</tbody>
</table>

* Please note that this decrease is a result of the re-allocation of UHI’s Perth Campus data to the Tayside region.
1 Economic performance

Headline summary

- GVA rose by 3.2% in the region between 2012 and 2013 after a decline the previous year; it comprises 7% of the national total, and almost a third is the production sector.
- Productivity levels remain lower than the Scotland and UK averages, although they have increased at a faster rate than average in recent years.
- Average workplace earnings in Shetland and Orkney are in line with Scottish and UK averages, but below in Highland, Moray, Argyll and Bute and Eilean Siar.
- The business base grew between 2013 and 2014 but at a lower rate than nationally. Agriculture, forestry and fishing sector businesses are more than twice as concentrated as they are in Scotland as a whole.
- Business births have increased and are now close to the Scottish average, and survival rates after three years are slightly above average.

Gross Value Added (GVA)

The Highland and Islands region continued to generate a significant proportion of Scotland’s output (7%) in 2013, in line with the proportion the previous year, although this remains below its share of the Scotland population. GVA is dominated by the production sector (29% of the region’s total); by the public sector services of public administration, education and health (21%); and by distribution, transport, accommodation and food (19%) sectors. Combined this account for nearly 70% of the region’s GVA.

The growth rate from 2012 to 2013 (latest data) was 3.2%, a strong increase on the 1.5% decline recorded for the previous year.

Productivity

Productivity in the region is below the Scottish and UK averages although they have increased in recent years. GVA per worker as a measure of productivity was £36,000 in 2013, higher than £35,200 in 2012, but 31% lower than the Scottish average of £47,000 and 42% below the UK average of £51,000. GVA per worker in the region increased by 20% between 2006 and 2013, faster than the 18% for Scotland and 17% for the UK.

Earnings

Most recent (2014) data shows that jobs in Shetland (£518 per week) and Orkney (£516) pay in line with the Scotland average of £519 and the UK average of £518. However, jobs in Argyll and Bute (£511), Highland (£477), Moray (£452) and Eilean Siar (£446) pay below the average. This is for median full time workplace earnings.

Those living in Orkney (£533), Shetland (£519), Highland (£488) and Eilean Siar (£462) earn more than those working in those areas. This suggests some commute to better paid jobs nearby (notably in Aberdeen or offshore). Even for residence-based earnings, however, the majority earn less than the Scotland average of £518, except for Shetland and more notably Orkney. This is for those in full time work.
Business base

There were 26,385 VAT/PAYE registered businesses in 2014, up 1.7% from 2013, but lower than the 2.8% Scotland increase.

The business base has grown by 3% between 2010 and 2014, again lower than the 5% in Scotland and 6% in the UK.

Agriculture, forestry and fishing accounted for 20% of all businesses in 2014, more than double the Scotland proportion (9%), and in line with the year previously. Construction and retail businesses (both 10%) account for broadly similar proportions to that of the Scotland business base, while the region is under-represented in the professional, scientific and technical sector (10% compared to 15% nationally) and in the information and communications sector.

<table>
<thead>
<tr>
<th>Business Base by Sector</th>
<th>H&amp;I</th>
<th>Scotland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry &amp; fishing</td>
<td>20%</td>
<td>9%</td>
</tr>
<tr>
<td>Construction</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Retail</td>
<td>10%</td>
<td>11%</td>
</tr>
<tr>
<td>Professional, scientific &amp; technical</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>Accommodation &amp; food services</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Production</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Arts, entertainment, other services</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Health</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Business admin &amp; support</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>Transport &amp; storage</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Education</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Wholesale</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>Motor trades</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Public admin &amp; defence</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Information &amp; communication</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td>Property</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>Finance &amp; insurance</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26,385</strong></td>
<td><strong>203,760</strong></td>
</tr>
</tbody>
</table>

There is a higher proportion of micro-businesses employing fewer than 10 people in the Highlands and Islands than across Scotland as a whole. In 2014, 83% of registered businesses in Highlands and Islands were micro firms employing fewer than 10 people (compared to 80% nationally). Just over 2% employ more than 50, compared to 4% nationally, and 40 businesses employ more than 250.

There were 1,840 business births in 2013; 38 per 10,000 total population, up from 32 the previous year although still a little below the Scotland rate of 40. In the same year, there were 1,375 business failures, a rate of 28 per 10,000 population, down from 31 the previous year, and in line with the national rate. The region had a three year business survival rate of 60% for those businesses established in 2010, higher than 57% for across Scotland.
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There are 549 Highlands and Islands Enterprise account managed companies and social enterprises in 2015, which comprises 2.1% of the region’s business base, and includes 249 with an Active Growth Plan.

Infrastructure

There are some major planned developments over the coming years. The Inverness and Highlands City Deal Region proposes some £300m in City Deal investment over the next 20 years. This is in addition to planned partner infrastructure spend, including local authority capital spend (such as Rothesay pavilion (£9m until 2017) and Dunoon Queens Hall (£9m until 2017) in Argyll and Bute, the £59m NHS Orkney Hospital and Healthcare facilities, to be started in 2016; the new £30m Elgin High School to be completed in 2017; and upgrades to the Western Link Road and carriageway resurfacing across Moray over the next few years). There are also other non-council capital spend (e.g. Network Rail Aberdeen to Inverness Rail Improvements until 2025) which will continue to increase demand for construction, engineering and related skills.

2 Profile of the workforce

Headline summary

- Total employees in employment increased strongly between 2012 and 2014, and a rate that was above the Scottish average. Numbers are now back to pre-recession levels.
- Between them the health sector and accommodation and food services sectors linked to tourism employ a third of all those in the Highlands and Islands.
- The region remains under-represented in professional, scientific and technical sectors and in other higher value added sectors such as information and communications, although the proportion in these sectors is rising.
- Employees in employment in VAT-registered firms under-represents some sectors in the Highlands and Islands in particular given self-employment and very small businesses in agriculture and the creative industries in particular.
- The proportion in professional occupations remains below the Scotland average but has increased over the last 10 years. A higher proportion are employed in skilled trades.

Total employment

This update provides new employment data for 2013 and 2014. Total employment rose strongly in the region over the period 2012 to 2014 to 222,900. At 6.4%, this is above the Scotland rate of 4.6% – with the rate of growth between 2013 and 2014 continuing the strong growth of the previous year. Total employment has now returned to 2009 levels for the first time.
Employment structure by industry

Health is the top employing sector in the Highlands and Islands, and at 38,800 people, or 17% of the workforce, this is slightly above the 16% for Scotland. Accommodation and food services is the next largest employer, and at 10% of the workforce, or 23,300 jobs, this is more concentrated than the Scotland and UK averages of 7%. The retail and production sectors also each employ 10% of the region’s workforce, both in line with the Scotland and UK proportions.

Along with accommodation and food services, it is transport and storage, construction, public administration and defence and motor trades employment sectors that are concentrated in the area. The region is under-represented in the typically higher paid professional, scientific and technical, information and communication and financial and insurance employment sectors, and in business administration and support services, although the picture is changing, with the under-representation in professional, scientific and technical sector narrowing in recent years.

Sectoral specialisation exists for those sectors with a value which is above 100%. Employment is far more concentrated in the agriculture, forestry and fishing sector when those not VAT-registered are taken into account, as is the case with the creative industries.

<table>
<thead>
<tr>
<th>Highlands and Islands Region Sector Specialisation (2014)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation &amp; food services</td>
<td>145%</td>
<td>Property</td>
</tr>
<tr>
<td>Transport &amp; storage (inc postal)</td>
<td>132%</td>
<td>Production</td>
</tr>
<tr>
<td>Construction</td>
<td>126%</td>
<td>Wholesale</td>
</tr>
<tr>
<td>Public administration &amp; defence</td>
<td>117%</td>
<td>Professional, scientific &amp; technical</td>
</tr>
<tr>
<td>Motor trades</td>
<td>113%</td>
<td>Agriculture, forestry &amp; fishing</td>
</tr>
<tr>
<td>Arts, entertainment, recreation</td>
<td>109%</td>
<td>Business admin. &amp; support services</td>
</tr>
<tr>
<td>Health</td>
<td>108%</td>
<td>Information &amp; communication</td>
</tr>
<tr>
<td>Retail</td>
<td>105%</td>
<td>Financial &amp; insurance</td>
</tr>
<tr>
<td>Education</td>
<td>99%</td>
<td>Source: Business Register and Employment Survey</td>
</tr>
</tbody>
</table>
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There are 616 four-digit Standard Industrial Classification sectors. Changes in these sectors over the 2012-2014 period include a large rise in hospital jobs (+5,100), building construction (+1,200) and restaurants (+2,100) . However, there have been declines in civil engineering, and other human health and social work employment, although these losses 600, 1,900 and 900 jobs respectively are lower than sector employment gains elsewhere. 

- Hospital activities (+46%)
- Construction of civil engineering projects (-28%)
- Construction of buildings (+43%)
- Other human health activities (-28%)
- Restaurants (+39%)
- Other social work activities (-16%)

In 2013, there were almost 78,000 jobs in the Scottish Government identified growth sectors in the region, the largest proportions being in Food and drink (32,600) and Sustainable tourism (29,300). Highlands and Islands has a particularly high specialisation in Food and drink employment, at over three times the Scotland proportion (321%), and also in Sustainable tourism (158%). The region is under-represented in Creative industries (75%), Financial and business services (49%) and Energy (40%).

Of the total £10.3m Regional Selective Assistance awarded to businesses in the region between 2011 and 2014, the majority has been awarded to firms in the Financial Services (£5.1m) and Life Sciences (£3.1m) sectors. Over £6m of this Regional Selective Assistance has been awarded to businesses in the Highland area. These grants are estimated to have created/safeguarded some 986 jobs in the region.

Occupational profile

The occupational profile in the Highlands and Islands show a much greater share of the workforce is employed in skilled trades (17% compared to 11%). At 20% and 18% skilled trade occupations are particularly high in Shetland and Moray. 37,800 are employed in professional occupations, however at 16% of the workforce this is much lower than the 20% across Scotland. This is lowest in Orkney (11%) and highest in Shetland (24%). The Highlands and Islands also has a lower proportion than average in associate professional and technical occupations and a higher proportion employed as operatives and in elementary occupation.

![Occupational Profile, 2014](source: Annual Population Survey)
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Although still below the Scottish average, the proportion of professional occupations has risen from 14% to 16% over this period since 2004, while the proportion of elementary occupational employment fell from 14% to 12%, in line with the national average. All other occupational levels have remained broadly the same proportion of the workforce.

3 People and skills supply

Headline summary

- The population of the Highlands and Islands has remained largely the same since 2011 at a time of modest growth across Scotland and faster UK growth.
- The largest increases over the last 10 years have been in those 65 year olds and above.
- The employment rate continues to be higher in the region than the Scottish average.
- Unemployment fell 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.
- Over 40,000 in the region are work-limiting disabled, although the proportion of the workforce this represents is slightly below the Scotland average.
- The proportion of school leavers in the region entering Higher Education stayed the same in the year to 2013/2014. Fewer also have high level qualifications than in Scotland.

Population

The Highlands and Islands population growth has slowed in recent years. At an estimated 487,700, the 2014 population was the same as in 2013, with the level similar to that of 2011 at a time of UK population growth. Overall, there has been in population 5% since 2004 in line with the 5% growth in Scotland but lower than the 8% growth in the UK over the same period.

The largest population increase has been in those aged 65 and above, and this has been a growing age group in Scotland. There has been a reasonable level of in and out-migration from the region over the last 10 years, with close to 20,000 moving in to the Highlands and Islands over that period.
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Labour market participation

In 2014/15, the employment rate for Highlands and Islands was 78%, five percentage points higher than the Scottish average of 73%. The employment rates has been consistently higher than the average over the last ten years; the gap was one percent higher in the Highlands and Islands in 2014/15 than the previous year.

73% of jobs in the region are full time, slightly lower than 74% in Scotland. The proportion of part time jobs in the region, at 27%, is correspondingly slightly higher than the Scottish average of 26%.

In 2013/14 there were 12,200 ILO unemployed (those out of work and actively seeking work), and this decreased to 11,200 in 2014/15, after six successive years of increases. The ILO unemployment rate in 2014/15 was lower in the Highland and Islands at 5%, compared to 6% in Scotland and the UK respectively.

In 2015 there were 746 unemployed young people aged 16 to 24 in the region, down from 1,022 in the previous year. There were 590 young people aged 18-24 out of work and claiming Jobseekers Allowance (as of August 2015). There were also 1,100 young people described as Not in Employment, Education or Training in 2014. This has fallen by 41% since 2010, higher than the Scottish average of 35%. The rate for this group at 5% in Highlands and Islands is lower than the 6% average across Scotland.

In all, 14% of all those aged 16-64 in Highlands and Islands are work-limited through disability, slightly lower than the 15% in Scotland and the UK. However, this still indicates that 40,400 people in the region are work-limited through disability.

Travel to work distances differ from the Scottish averages. Nearly one in five travel less than 2km (19% compared to 13% in Scotland) and 16% work from home compared to 11% nationally. At the other end of the spectrum, the proportion who travel more than 20km is also higher, at 15%, than the 13% Scotland figure.

Qualifications and attainment

The proportion of school leavers entering Higher Education stayed the same in 2014/15, 36% of the total. The proportion entering Further Education, at 25% continues an upward trend from previous years. Almost a third entered employment, and this proportion has remained broadly the same since 2011/2012. The proportion unemployed (seeking or otherwise) was 5% in 2014/15, down slightly from 6% the previous year. In all, 94% progressed into a positive destination, higher than the 92% figure for Scotland.

6% of those aged 16-64 years in Highlands and Islands have no qualifications; in Scotland and the UK this is 9%. Fewer also have lower level of qualifications – 9% in the region, compared to 11% in Scotland and 12% in the UK.
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By contrast, **fewer have high level qualifications** (at SCQF 7-12), 37% in the Highlands and Islands, compared to 41% in Scotland and 36% in the UK.

In terms of 16-24 year olds, 6% have no qualifications in the region, compared with 7% of this age range in Scotland. At the same time, a smaller proportion of young people have high level qualifications in the region than nationally - 19% versus 24%, in part reflecting historic out-migration from the region for Higher Education.

4 Deprivation

**Headline summary**

- More households in Orkney, Eilean Siar and Argyll and Bute have incomes of less than £10,000 per year, and higher proportions have incomes above £30,000 in Shetland, Moray, Highland and Argyll and Bute, reflecting some polarisation of incomes within the region.
- Although a lower proportion than average, there are still some 20,000 workless households in the region.
- The proportion of school pupils entitled to free school meals is lower than across Scotland, particularly so in the island areas of the region.

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, the Highlands and Islands is more affluent than the national average, yet this masks differences within the region with significant numbers in some areas suffering relative deprivation.

**Key messages**

In all, 18% of households in Orkney, 16% in Eilean Siar and 15% in Argyll and Bute have average household earnings of less than £10,000 per year, compared to 13% across Scotland.

By contrast, 42% of households in Shetland have incomes above £30,000, as do 36% in Moray, 33% in Highland and 32% in Argyll and Bute, compared to 31% across Scotland.

All local authority areas in the region have workless household proportions below the national average. The proportion is 20% across Scotland (and 17% in the UK) but just 8% in Shetland, 13% in Moray, and 15% in both Highland and Orkney. Still, across the region this equates to over 20,000 workless households in the Highlands and Islands (2013). The number has decreased from 22,000 in 2011.

The employment domain of the latest (2012) Scottish Index of Multiple Deprivation (SIMD) provides further information on employment deprivation. 4% of the region’s 623 datazones (24) are in the 15% most deprived datazones in Scotland. Where known, of these 24 datazones, 15 are in Highland and 8 in Argyll and Bute, mainly in more urban areas, with the SIMD traditional under-representing rural deprivation which is less spatially concentrated.
In all, 33% of those at school in the region are entitled to free school meals, below the national average of 39%. This is below the national average in all six local authorities, and lowest in Shetland (29%), Eilean Siar (29%) and in Orkney (30%).

5 Education and training provision

Headline summary

- The number of MA starts in the region was higher than the previous year, with hospitality, construction: building and food and drink operations being the most popular frameworks.
- There were over 20,200 FE students at the Colleges in Highlands and Islands in 2013/14, an increase on the previous year, with engineering and care the most common courses taken. None of these College students were studying HE level.
- There were 5,878 students studying at the Higher Education Institutions in the region in 2013/14, 11% are from outwith the region.
- There were nearly 2,210 graduates from the region in 2013/14, 3% of all Scotland graduates. Just over a third of these went into full time work, below the Scotland average but higher than the year previously.

Modern Apprenticeships (MAs)

There were 2,340 MA starts supported by SDS in 2014/15, higher than the 2,285 starts in 2013/14. Over two thirds of these starts were male (68%) and just below a third were female (32%). There were 2,350 leavers in 2014/15.

The most popular frameworks for SDS supported starts were in hospitality (280), construction: building (200), food and drink operations (185), freight logistics (170), retail (160), engineering (155), and automotive (125). Some of these remain dominated by one gender or the other, including automotive and building construction, with all starts male. Almost two thirds of hospitality starts (63%) are female.

In all, 51% of MA starts in the Highlands and Islands region in 2014/15 were aged 16 to 19 years. This is slightly lower than the Scottish average of 53%.

Achievements at 73% in 2014/15, as a percentage of all leavers, were lower than the previous year at 76%, although they remain close to the Scotland average of 74%. The rates are above the 69% in 2010/11 but down from the peak of 78% in 2012/13.

Employability Fund (EF)

The EF supports a range of interventions to support employability. There were 855 EF starts in Highlands and Islands in 2014/15. Over two thirds of these (67%) were male, higher than the 63% in Scotland. EF starts are typically older than the Scotland average.

Within this, there were 235 starts on the Certificate of Work Readiness (CWR), the new national work placement and class-based Award, involving up to 125 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 27,742 pupils enrolled at secondary school across the region in 2014, 29% of whom were S5 and S6, in line with the Scotland figure. The school roll is projected to fall year on year until 2018 (by 7% in total). This is greater than the predicted trend for Scotland, which is a fall of 2%.

College provision

College provision is via University of the Highlands and Islands (UHI) colleges: Argyll College, Inverness College, Lews Castle College, Moray College, North Highland College, Orkney College, Shetland College and West Highland College. 68% of Highlands and Islands residents who are at College study locally.

20,225 students (headcount) were studying at UHI Colleges in Highlands and Islands in 2013/14, an increase from 19,686 in 2012/13. All of these students were studying at FE level. In all, 11% of students were from outside the region. A lower proportion than the national average are aged under 20 (41% compared to 44%) and this was the same as the previous year. As in 2012/13, a higher proportion aged 25 and above are on full-time courses.

52% of College students in the area are female; and overall just 2% are from the most deprived 10% datazones in Scotland- (compared to 16% nationally) – reflecting the relative affluence of the area.

Engineering (17% of courses) and care (14%) were those most taken up, both above the national average. Hairdressing, beauty and complementary therapies is the third most popular choice (13%), above the 10% nationally. This is for full time courses only.

University provision

In all, 5,878 students (headcount) were studying at the two Higher Education Institute (HEIs) in the region in 2013/14 (University of The Highlands and Islands and the University of Stirling’s Inverness campus). It is not possible to compare this to the year previously given that the UHI Perth campus was included in the Highlands and Islands region in 2012/13 (it now sits with the Tayside region). 82% of these students were from within the region. A significantly higher proportion than the national average are aged over 25 (51% compared to 34%).

Overall, 39% of HEI students in the area are female, a similar proportion to the national average. Business and administrative studies (19%), Social studies (15%) and Subjects allied to medicine (14%) were the most popular courses in 2013/14.

Graduates

There were 2,210 graduates from Highlands and Islands in 2013/14, which amounts to 3% of all graduates from Scotland’s HEIs. This included 2,109 graduates with a first degree (95%), and a further 101 postgraduates (5%).
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Six months after graduating, 38% of graduates were in full time work, less than the 61% nationally but higher than the previous year at 27%. A further 10% were in part time work, 36% were in further study and 10% working and studying. Just 5% were unemployed, in line with the Scottish figure.

Highlands and Islands graduates were most commonly employed in the public sector - human health and social work (16%) and education (7%) – as was the case nationally. A further 5% were employed in construction and another 5% were employed in the wholesale and retail trade.

6 Skills mismatches

Headline summary

- Over two thirds of employers in the region had recruited 2-3 years prior to the survey.
- FE/HE leavers in the region were deemed more work-ready by employers than the national average, although this is the reverse for school leavers.
- Employers were just as likely to report current vacancies as those across Scotland. Hard to fill and skills shortages gaps are also in line with average.
- Skills gaps are most likely in elementary staff, sales and customer service staff and amongst care, leisure and other services and in skilled trades.

There is no new data on skills mismatches beyond that presented in last year’s RSA, given that the survey is undertaken every two years. This information was gathered from 693 interviews conducted with businesses in the Highlands and Islands. The key messages to re-emphasise are:

68% of employers in Highlands and Islands had recruited in the 2-3 years prior to the survey, and 27% had taken on leavers from Scottish education institutions (both above the Scotland averages).

Of those recruiting leavers, 88% of those from universities were regarded as well or very well prepared for work, and 79% of those from colleges, above the Scottish averages. However, 61% of school leavers were regarded as well or very well prepared for work, below the national average of 65%.

For most employers, skills is not the biggest issue for their business with other factors being more important such as challenges and barriers around the availability of training at a local level.

Employers in the region reported current vacancies in line with the Scotland average (15%); as well as an average level of hard to fill vacancies (6%) and skills shortage vacancies (4%).

Over one fifth of Highlands and Islands employers (21%) reported that not all of their staff are fully proficient, above the average for Scotland of 19% - with skills gaps most likely in elementary staff, sales and customer service staff, caring, leisure and other services and in skilled trades.

The Highlands and Islands region has high concentrations of employment in sustainable tourism, energy and in food and drink. Skills Investment Plans have been produced for these sectors in Scotland, highlighting a series of priority actions to address current and future skills gaps and shortages.
Skills Assessment Update: Highlands and Islands

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 increase to 2024, but only modestly and at a lower rate than Scotland and UK growth rates.
- The population is forecast to age, with higher than average growth in those of retirement age and a greater decrease in young people. School roll numbers are set to fall to 2018, faster than they are falling at the Scotland level.
- Employment growth is forecast of more than 5% to 2022 at a national level, with the proportion growing fastest in information technology and health and social work.

Population projections

2012 based-projections indicate that the population of Highlands and Islands is forecast to increase by 3,233 over the 2014-2024 period; an increase of 1%. This is lower than the projected growth of 5% at the UK level, and the 4% rise at the Scotland level.

Until 2022, the largest proportionate increases in the Highlands and Islands are expected in those of retirement age, forecast to be a 37% increase in those aged 75+ (above the Scottish average) and a 15% rise in those aged 65-74 (similar to the Scottish average). This is likely to have implications for the region in terms of pressure on health and social care services.

At the same time there is a decline projected in those aged 30-49 years (-12%, three times the Scotland forecast rate of decrease), 16 to 29 year olds (-7%, similar to nationally) and amongst 0 to 15 year olds (-5%, while there is a 4% rise anticipated across Scotland).

Education provision projections

As the summary indicates, the school roll is projected to fall by around 7% to 2018, a larger projected decrease than any other region in Scotland. Across the country, the trend is for a 2% fall over the period to 2018.

Employment projections

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%). For the Highlands and Islands, health and social work, which is already a top employing sector, is likely to continue to create employment in the region in the future.
There is, however, projected to be a considerable fall in agriculture employment (-15%), other manufacturing (-12%), public administration (-11%) and mining and quarrying (-10%). Comprising 20% of the business base in the region, the expected decline in agriculture may have negative implications for employment in Highlands and Islands.

8 Conclusions and considerations

The 2015 RSA update indicates a strengthening of the Highlands and Islands regional economy, although challenges remain to increase the number and proportion of higher value added jobs and to reduce reliance on traditional and lower paid sectors in some parts of the region in particular. The Highlands and Islands region is large geographically and diverse, from a relatively strong economic performance (driven by the energy sector) in Shetland, to weaker economy in other areas, such as parts of Argyll and Bute.

The picture is one of ongoing change. There has been business and employment growth in recent years, and the increase in total jobs since 2012 has out-paced that of Scotland. There is new jobs growth in Inverness and the surrounding area. Although there remains under-representation in professional, scientific and technical sectors in the region, the extent of this under-representation is falling. The proportion employed in these occupations still lags the Scotland average, yet the proportion has increased over the last decade.

At the same time, familiar challenges remain. Jobs continue to pay considerably lower than the Scotland average and this is true in all parts of the region except Shetland and Orkney, and even there they are no higher than the average. Tourism and agriculture, forestry and fishing, and food and drink are key employment sectors, but typically lower paid. There continues to be a need for higher skilled opportunities in traditional sectors, the ability to progress careers within the region, and for new jobs to be created.

The population in the region has not increased significantly since 2011, and is forecast to increase only modestly over the next 10 years and at rate lower than for Scotland as a whole. It is also an ageing on which presents challenges in ensuing a sufficient supply of skills. Stemming out-migration from the region has been a policy priority – with are indications that more would stay if there were opportunities to do so, including young people.

There are increasing numbers studying in the region, with more than 20,000 FE students at Highlands and Islands Colleges in 2013/14, and an increasing number of MA starts in 2014/15. More than 5,000 studied at UHI in 2013/14 which continues to establish its reputation and offer within the region.

Whilst there is the need to continue to stimulate demand for higher skilled jobs, and to meet this demand through appropriately skilled labour, skills gaps are most prevalent in lower skilled, care and service occupations. School leavers are less work ready than those on average in the rest of Scotland. Increasing employability, and in work progression and development, remain core objectives for the region.

Within the region there are considerable local area differences, and there will continue to need to be the requirement for bespoke local responses to the local social and economic context, including the need to address other issues which affect the supply of and demand for skills. These can cause constraints to skills supply in particular, including housing and transport issues, which therefore requires a holistic approach to skills investment planning in each part of the Highlands and Islands.
Skills Assessment Update: Highlands and Islands

Some **key considerations** arising are therefore:

- How can the region continue to create more higher value added jobs and to diversify its economy, particular in sectors such as professional, scientific and technical sectors? How can the success of some centres/areas, including Inverness, Shetland, Orkney and Oban be extended more widely throughout the region?

- How can the region continue to attract people to, and retain people in, the region, including young people? How can their aspirations – including those for career progression – be best met?

- How can the presence of UHI be developed further, including the breadth of the offer, and how are links best made with businesses in the region which bring benefits to learners, businesses and UHI itself?

- How can the employability of school leavers be improved given their lack of relative work readiness recorded in the last completed employer survey? Is more in-work skills development needed in service and lower skilled occupations?

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

- Is more required to meet the needs of certain sectors, including key sectors such as tourism, food and drink and energy?

- The region faces challenges of an ageing population. Given this, are there enough people entering the care sector to meet the high forecast demand for health occupation employment?