Acknowledgement

The Regional Skills Assessment Steering Group (Skills Development Scotland, Scottish Enterprise, the Scottish Funding Council and the Scottish Local Authorities Economic Development Group) would like to thank Ekosgen for their highly professional support in the analysis and collation of the data that forms the basis of this Skills Assessment Update.
## Contents

**Introduction**
- What is this report?  
- What has changed in Scotland since 2014?  
- The Edinburgh and South East Scotland City Deal RSA  

**Selected headline indicator changes**  

1 **Economic performance**  
   - Headline summary  
   - Gross Value Added (GVA)  
   - Productivity  
   - Earnings  
   - Business base  

2 **Profile of the workforce**  
   - Headline summary  
   - Total employment  
   - Employment structure by industry  
   - Occupational profile  

3 **People and skills supply**  
   - Headline summary  
   - Population  
   - Labour market participation  
   - Qualifications and attainment  

4 **Deprivation**  
   - Headline summary  
   - Key messages  

5 **Education and training provision**  
   - Headline summary  
   - Modern Apprenticeships (MAs)  
   - School and further/ higher education provision  

6 **Skills mismatches**  
   - Headline summary  

7 **Looking forward**  
   - Headline summary  
   - Population projections  
   - Education provision projections  
   - Employment projections  

8 **Conclusions and considerations**
Introduction

What is this report?
This is the 2015 summary Regional Skills Assessment (RSA) for the Edinburgh and South East Scotland City Deal region (the City Deal region). 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 provides the latest data for the City Deal region, refreshing what this means for skills planning.

The 2015 RSAs have been designed to support the SFC and Regional Colleges in negotiating Regional Outcome Agreements, and to support SDS in planning its provision for individuals and businesses. Here, the City Deal region RSA is also designed to help regional partners with skills investment planning at the Edinburgh and South East Scotland City Deal spatial level. Individual local authority level summary reports have also been produced.

The 2015 series of reports highlight some of the key messages for the City Deal regions. They are summary reports, underpinned by the full data matrix, available at sds/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 is now 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.

This 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 Edinburgh and South East Scotland City Deal RSA
This 2015 City Deal Skills Assessment covers the geographic area of Edinburgh City, East and West Lothian, Midlothian, Fife and Scottish Borders. 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.
## Selected headline indicator changes

<table>
<thead>
<tr>
<th>Economic performance</th>
<th>Previous Year</th>
<th>Current Year</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Value Added (GVA) (£m)</td>
<td>£31,008 (2012)</td>
<td>£31,998 (2013)</td>
<td>+3.2%</td>
</tr>
<tr>
<td>GVA per worker</td>
<td>£48,400 (2012)</td>
<td>£50,400 (2013)</td>
<td>+4.1%</td>
</tr>
<tr>
<td>Number of businesses</td>
<td>46,995 (2013)</td>
<td>48,435 (2014)</td>
<td>+3.1%</td>
</tr>
<tr>
<td>Business births per 10,000</td>
<td>33 (2012)</td>
<td>42 (2013)</td>
<td>+27.3%</td>
</tr>
<tr>
<td>BERD per head</td>
<td>n/a</td>
<td>£274 (2013)</td>
<td>n/a</td>
</tr>
</tbody>
</table>

| Profile of the workforce | | | |
|--------------------------|--------------------------|--------------------------|
| Total employment | 614,000 (2013) | 634,900 (2014) | +3.4% |
| Professional occupations | 153,600 (2013) | 145,900 (2014) | -5.0% |

| People and skills supply | | | |
|---------------------------|--------------------------|--------------------------|
| Total population | 1,330,500 (2013) | 1,339,500 (2014) | +0.7% |
| ILO unemployed | 46,300 (2013/14) | 34,900 (2014/15) | -24.6% |
| 16-24 unemployed | 5,694 (Sep 2014) | 3,494 (Sep 2015) | -38.6% |
| 18-24 unemployed (claimants) | 6,760 (Aug 2014) | 3,405 (Aug 2015) | -49.6% |

| Deprivation | | | |
|--------------|--------------------------|--------------------------|
| Workless households | 90,327 (2012) | 80,821 (2013) | -10.5% |
| % of children with free school meals | n/a | 40% (2015) | n/a |

| Education and training | | | |
|------------------------|--------------------------|--------------------------|
| MA starts | 5,425 (2013/14) | 5,160 (2014/15) | -4.9% |
| MA achievements as % of all leavers | 75% (2013/14) | 73% (2014/15) | -2 percentage points |
| Employability Fund starts | - | 3,940 (2014/15) | - |
| College provision (headcount) | n/a | 53,009 (2013/14) | n/a |
| College provision of HE | 22% (2012/13) Excl. Scottish Borders | 21% (2013/14) | -1 percentage point |
| Total Higher Education students | n/a | 71,966 (2013/14) | n/a |

| Skills mismatches | | | |
|-------------------|--------------------------|--------------------------|
| % of employers reporting hard to fill vacancies | 7%* (2014) | (next updated 2016) | n/a |
| % of employers reporting skills shortage vacancies | 6%* (2014) | (next updated 2016) | n/a |

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

Headline summary

- GVA continued to rise in the Edinburgh and South East Scotland City Deal region between 2012 and 2013, accounting for 27% of Scotland’s total output, from the public sector, production, distribution and financial sectors.
- Productivity levels remain higher than the Scotland average and only slightly below the UK average, increasing 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 Fife and Scottish Borders.
- The business base continues to grow and at a slightly higher rate than nationally, where the professional, scientific and technical sector accounts for 16% all businesses.
- Business Expenditure on Research and Development (BERD) per head continues to be almost double the Scottish average.

Gross Value Added (GVA)

The Edinburgh and South East Scotland City Deal region continues to generate a significant proportion of Scotland’s output (27% in 2013), a similar proportion to the previous year, with the largest contributions from public administration, education and health (21% of the region’s output) and production (19%). These account for £2 in every £5 of output from the region. Distribution (15%) and financial and insurance activities (14%) account for a further £1.50 in every £5 of output.

The growth rate from 2012 to 2013 (latest data) continued at 3.2%, a slightly slower pace than the 3.3% 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 3.1%.

Productivity

Productivity in the City Deal region is above the Scottish and UK averages, increasing in recent years. GVA per worker as a measure of productivity was £50,400 in 2013, higher than the £48,500 in 2012. This is 7% above the Scottish average of £47,000 although 1% lower than the UK average of £51,000. This ranges widely from £29,100 in East Lothian to £77,100 in City of Edinburgh. GVA per worker in the region increased by 17% 2006 to 2013, on a par with the UK although a lower rate of growth than the 18% for Scotland.

Earnings

Most recent (2014) data shows that jobs in the City of Edinburgh, at £570 per week full time, pay well above the Scotland average of £519 and UK average (£518). By contrast, jobs in Fife (£479) and Scottish Borders (£456) pay below average. Median full-time workplace earnings increased in both City of Edinburgh and East Lothian between 2013 and 2014, but fell in Midlothian.

However those living in East Lothian and Fife earn more – £539 and £516 per week full time respectively – than those working in the area. For those in East Lothian, this is above the Scottish average of £518, reflecting that many in East Lothian, and to a certain extent in Fife, commute to better-paid jobs in the City. Those living in Edinburgh and Midlothian earn a similar amount to those working in each area.
Business base

There were 48,435 VAT/PAYE registered businesses in the region in 2014, up 3.1% from 2013, higher than the 2.8% Scotland increase.

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

Professional, scientific and technical sector businesses accounted for 16% of all businesses in 2014, higher than the Scotland proportion (15%), although lower than the 17% in 2013. There are also a higher proportion in the retail, arts and information and communications sectors than the Scotland average (given Edinburgh’s function as a regional centre) and an above average proportion of financial and insurance businesses.

The profile of businesses by size in the City Deal region mirrors that across Scotland. 80% of registered businesses are micro firms employing fewer than 10 people, and 4% employ more than 50 people. In all, there were 290 businesses in the region employing more than 250 people in 2014. There were 5,630 business births in 2013; 42 per 10,000 total population, up from 33 in the previous year and above the Scotland rate of 40. In the same year, there were 3,810 business deaths; 29 per 10,000 population, just, above the Scotland rate of 28.

Levels of Business Expenditure on R&D (BERD) continue to be well above the Scottish average – at £274 per head compared to £150 per head nationally. There are 629 Scottish Enterprise account managed companies (up from 539 the previous year) and 28% of the lowland Scotland total, above the region’s 24% share of total businesses.

---

1 This percentage excludes Scottish Borders and Fife.
2 Profile of the workforce

Headline summary

• Total employment increased in the City Deal region between in 2014, at a rate above the Scottish average, returning the region to 2009 employment levels.
• The health, retail and education sectors dominate the employment base, over 219,000 jobs, over a third of all jobs in the City Deal region.
• Financial services, information and communications and arts, entertainment and recreation sector jobs are all more concentrated in the region than across Scotland.
• Around 146,000, or 22%, are employed in professional occupations in the region, higher than the Scottish average of 20%.

Total employment

This update provides new employment data for 2013 and 2014. Total employment increased strongly in 2014 to 634,900, having fallen to 614,000 in 2013. At 3.4% growth in the region between 2013 and 2014, this was above the Scotland increase of 3.2%. The 2014 employment now exceed 2009 levels, with overall growth of 2% between 2009 and 2014, above that for Scotland of 1%.

![Index of Total Employment, 2009-14](source: Business Register and Employment Survey)

Employment structure by industry

Public sector, retail and financial services employment is important in the City Deal region. Over a quarter of all employment is either in health (16%, 99,000 jobs) or education (a further 9%), and retail accounts for 10%, 65,100 jobs. There are some large employers in these sectors. Overall, some 41,800 (almost 7%) are employed in the financial sector, almost twice as concentrated as the Scotland average, notably in Edinburgh City. Production (47,900, 8%), accommodation and food services (46,800, 7%) and professional, scientific and technical (46,300, 7%) are other large employment sectors.
Relative to Scotland, it is the financial and insurance and information and communication sectors that are most concentrated, both high value added sectors, followed by the arts, entertainment and recreation and education sectors. The professional, scientific and technical sector is also well-represented. Overall, the City Deal region has a below average share in production jobs, although it comprises a larger share of employment, such as in Fife and Scottish Borders, than it does in Edinburgh City.

| Edinburgh and South East Scotland City region sector specialisation (2014) |
|-----------------------------|--------------------------|------------------|
| Financial & insurance       | 193%                     | Property         |
| Information & communication | 151%                     | Business admin. & support services |
| Arts, entertainment & recreation | 117%                   | Health           |
| Education                   | 116%                     | Construction     |
| Professional, scientific & technical | 110%     | Motor trades     |
| Public administration & defence | 109%              | Transport & storage (inc postal) |
| Retail                      | 103%                     | Production       |
| Accommodation & food services | 102%                | Agriculture, forestry & fishing |
| Wholesale                   | 100%                     | Source: Business Register and Employment Survey |

Key changes in the top 20 sectors (of all 616, four-digit SIC code sectors) in the City Deal region over the 2012-2014 period include a rise in health and social work employment, such as other human health activities (2,800 jobs) and other social work activities (3,400). Service employment growth has also been strong in the restaurants sector, by around 4,300 jobs, whilst there were large declines in temporary employment agency activities of almost 19,000 jobs.

Other human health activities (+33%)  Temporary employment agency (-64%)
Restaurants (+25%)                      General cleaning of buildings (-36%)
Business & management consultancy (+23%) Life insurance (-25%)

In 2013, there were over 174,000 jobs in the Scottish Government identified growth sectors in the City Deal region, with 12% in Financial and business services (73,300) and 9% in Sustainable tourism (56,300). The City Deal region has employment specialisation in Financial and business services (137%), Creative industries (121%) and Sustainable tourism (107%), and under-representation in Energy (43%) and Food and drink (58%).

Of the total £21.1m Regional Selective Assistance awarded to businesses in the City Deal region between 2011 and 2014, the greater amount has been awarded to firms in Energy (£7.3m), Digital media and enabling technologies (£3.1m) and Food and drink (£3.1m). Overall, these grants are estimated to have created/safeguarded some 3,067 jobs in the region.

**Occupational profile**

A far greater share of the workforce is employed in professional occupations. Some 22% (145,900 residents in work) are professionals, higher than the 20% for Scotland and similar to the previous year. This is highest in the City of Edinburgh (29%) and lowest in Fife (16%). Further, the City Deal region has a lower proportion occupied in skilled trades, caring, leisure and other service occupations and as operatives than the Scotland average.
There have been significant changes in the occupational profile of the City Deal region between 2004 and 2014. The proportion of those employed in professional occupations has risen from 18% to 22%, and there has been a one percentage point increase in the share of the workforce in associate professional and technical and elementary occupations. Employment has declined in administrative and secretarial roles, which fell from 14% to 11% of the workforce, and in operative occupations, from 7% to 5%.

3 People and skills supply

Headline summary

- The population of the City Deal region continues to grow, with the largest increases in 65+ and 45-54 year olds.
- The employment rate is above average, highest in Scottish Borders and West Lothian.
- Unemployment has fallen significantly between 2012/13 and 2014/15. The number of young people out of work and not in education or training is well below 2013 levels.
- 113,000 in the region are work-limiting disabled, although a lower proportion than average.
- The proportion of school leavers in the region entering Higher Education fell in the year to 2013/2014, however more have high level qualifications than in Scotland and the UK.

Population

The Edinburgh and South East Scotland population has continued to grow in recent years. At an estimated 1,339,500, the 2014 population was a further 0.7% higher than 2013, higher than the 0.4% increase across Scotland. Over the 10 year period from 2004, the population has increased by 8% compared to 5% in Scotland and 8% in the UK.
The largest increases have been those aged 65+ (of almost 20%), higher than the rate of growth for this age group in Scotland, with the next largest increase in those aged 45-54 (18%), also above the Scotland average. Some 88,000 people have entered the area over the 10 years between 2004 and 2014, helping support population growth.

**Labour market participation**

In 2014, the employment rate for City Deal region was 74%, slightly above Scotland and UK averages of 73%, and one percentage point higher than 2013. **In Scottish Borders and West Lothian the rate is highest at 77%**, whilst East Lothian and Midlothian rates are also above average, at 75%. City of Edinburgh has an employment rate of 73%.

74% of jobs in the region are full time, in line with the rate across Scotland. Jobs in West Lothian are less likely to be part time positions, where 80% of jobs are full time, with 20% part time. The proportion of part time employment is highest in Midlothian (29%) and East Lothian (30%).

In 2012/2013 there were 46,800 ILO unemployed (those out of work and actively seeking work), and this decreased to 34,900 in 2014/2015. The ILO unemployment rate in 2014/2015 had fallen to 5% in the City Deal region, lower still at 4% in the City of Edinburgh, East Lothian and Scottish Borders, compared to 6% in Scotland and the UK.

In 2015 there were 3,494 unemployed young people aged 16 to 24 in the region, down 39% from the previous year, and faster than the 34% fall across Scotland. There were 3,405 young people aged 18-24 out of work and claiming Jobseekers Allowance (as of August 2015), down 50% on the year before. There were also 3,880 young people described as Not in Employment, Education or Training in 2014. This has fallen by 36% since 2010, close to the Scottish average. The rate at 6% is in line with the 6% average across Scotland.

In all, 13% of all those aged 16-64 in the Edinburgh and South East Scotland City Deal region are work-limited through disability, compared to 15% in Scotland and the UK. Within the region this varies from 16% in Midlothian and Fife to 10% in City of Edinburgh.
However, this still indicates that some 113,300 people in the region are work-limited through disability.

Travel to work distances are comparable with Scotland averages. One in 10 works from home (11% nationally) and 12% travel less than 2km (13% nationally). Almost four in 10 (38%), two percentage points higher than nationally, travel between 2km and 10km which reflects some relatively short commuting distances into the Edinburgh City. 13% travel more than 20km, compared to 14% nationally.

Qualifications and attainment

There was a decrease in the proportion of school leavers entering Higher Education (HE) in 2014/2015, 36% of the total, down from 39% in 2013/2014. This masks variation within the City Deal region, with 42% of those in the Scottish Borders entering HE and 27% of those in Midlothian doing so. The proportion entering Further Education, at 29% represents an increase from previous years. Just over one in five (22%) entered employment, slightly lower than the year previously. Those unemployed (seeking or otherwise) continues to fall, to 7% in 2014/2015 (from 8% the previous year, and 9% in 2012/13). In all, 93% entered a positive destination, in line with Scotland.

6% of those aged 16-64 years in the City Deal region have no qualifications; in Scotland and the UK this is 9%. Fewer also have a lower level of qualifications – 9% in the region, compared to 10% in Scotland and 12% in the UK. Within the region this is lowest in the City of Edinburgh. By contrast, more have high level qualifications – 46% regionally at SCOF 7-12. Within the region, this is 56% in the City of Edinburgh, 45% in East Lothian and 40% in Fife and Scottish Borders, compared to 41% 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, 5% 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 (23%).

4 Deprivation

Headline summary

- Average household earnings throughout the region are higher than those across Scotland.
- However, there are still more than 80,800 workless households in the region.
- There are concentrations of deprivation in parts of the City of Edinburgh in particular, and in Fife.
- The proportion of school pupils entitled to free school meals is comparable 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, the Edinburgh and South East Scotland City Deal region is more affluent than the Scottish average, yet this masks concentrations of residents on low incomes and some quite high numbers suffering relative deprivation.
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, 16% of households in the Scottish Borders and 15% in Fife have average household earnings of less than £10,000 per year. In both these areas, this is above the 13% across Scotland.

By contrast, more households have incomes over £30,000 per year, comprising 36% of all households in East Lothian, 35% in City of Edinburgh and 33% in Midlothian, all above the 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 highest, at 21%. This is more than 80,800 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. 9% of the region’s 1,575 datazones (139) are in the 15% most deprived datazones in Scotland. Of these 139 datazones, 65 are in Fife and 46 are in the City of Edinburgh (almost 60,000 residents in total), with four each in East Lothian and Midlothian. Whilst there are concentrations of unemployment, these less widespread than in other parts of Scotland.

In all, 40% of those at school in the region are entitled to free school meals, comparable with the Scottish average of 39%. In the City of Edinburgh, Fife and West Lothian this is higher at 41%, whilst in East Lothian the proportion is lower, at 34%.
5 Education and training provision

Headline summary

- The number of SDS-supported MA starts in the region decreased slightly in 2014/2015, with hospitality, business and administration, retail and social services being the most popular frameworks.
- There were over 53,000 students at FE colleges in the region in 2013/14, with care, hairdressing and beauty and engineering the most common courses taken. 21% of college students were studying at HE level.
- Almost 72,000 students were studying at the six 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 more than 27,000 graduates from the region in 2013/14, just under a third 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 5,160 MA starts in 2014/2015 supported by SDS, a decrease on the 5,425 in 2013/2014. Fife had the largest share of these (18%), followed by City of Edinburgh (16%) and West Lothian (9%). In East Lothian, Midlothian and Scottish Borders, there was a slight increase in the number of starts from the previous year. There were more male MA starts (57%) than females (43%) in 2014/15, although this is more even than the 59 male:41 female split at the Scotland level. There were 5,375 leavers in 2014/2015.

The most popular frameworks for starts were in hospitality (640), business and administration (535), retail (530), social services (205), and construction (building) (295).

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 hospitality and retail, there is more of a gender balance.

More than half (53%) of MA starts in the City Deal region in 2014/2015 were aged 16-19, and this was highest in Midlothian at 60%. The region has a comparable age profile of MA starts to Scotland, with the average in Scotland aged 16-19 being 53%.

Achievements at 73% in 2014/2015, as a percentage of all leavers, were lower than the previous year (75%). Fife and Scottish Borders saw a similar two percentage point drop but from higher achievement levels, whilst there was an increase to 72% in City of Edinburgh. This is the first decrease in achievement levels over the past five years.

Employability Fund (EF)

The EF supports a range of interventions to support employability. There were 3,940 EF starts in 2014/2015 (1,180 in City of Edinburgh, 1,395 in Fife). 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 780 starts on the Certificate of Work Readiness (CWR), the new national work placement and class-based Award, involving up to 300 employers.
School and Further/ Higher Education provision

School provision

For the first time, the data matrix provides information on school provision. There were 66,353 pupils enrolled at secondary school across the City Deal region in 2014, 28% of whom were S5 and S6, in line with that across Scotland. The school roll is projected to remain stable until 2018, although falling slightly between 2016 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); West Lothian College; Borders College; Fife College; and the Elmwood and Oatridge campuses of the Scottish Rural College (SRUC). 87% of Edinburgh and South East Scotland residents who are at college study locally.

53,009 students (headcount) were studying at FE Colleges in 2013/2014. 79% of this was at FE level, 21% at HE level. In all, 17% were from outside the region. 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.

50% of College students in the area are female, lower than the Scottish figure; overall 9% 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 City Deal region is spread over a wide range of subjects. Care (11% of courses), Hairdressing, beauty & complementary therapies (10%) and Engineering (9%) were those most taken up.

University provision

In all, 71,966 students (headcount) were studying at the six Higher Education Institutes (HEIs) in the region in 2013/2014 (University of Edinburgh, Edinburgh Napier University, Heriot-Watt University, Queen Margaret University, University of St. Andrews and the SRUC). 17% 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 lower proportion than the Scotland average are aged over 25 (29% 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.

Graduates

There were 27,111 graduates from HEIs in the Edinburgh and South East Scotland City Deal region in 2013/14 and this was 32% of all graduates from Scotland’s HEIs. This included 17,129 graduates with a first degree (63%), and a further 9,982 postgraduates (37%). In all, there were 10,874 graduates in Scotland in 2013/14 who were from the City Deal region.
Six months after graduating, almost two thirds of graduates were in full time work (62%), more than the 61% nationally and higher than the 58% in the previous year. A further 9% were in part time work, 12% were in further study and 5% were working and studying. 5% were unemployed, and this is the same as across Scotland.

Where known, the City Deal region graduates were most commonly employed in the education (14%), professional, scientific and technical (12%) and human health and social work (12%) sectors – with more in professional, scientific and technical and less in human health/education than Scotland as a whole. This reflects the predominance of medicine and biological subjects.

6 Skills mismatches

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

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 Edinburgh and the Lothians which included Fife and West Lothian, but excluded Scottish Borders. 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%).

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.**

---

2 This section excludes Scottish Borders, as the Skills Mismatch data is based on UKCES regions; Scottish Borders is included in the wider South of Scotland data.
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 over 97,000 and 7% 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 South East Scotland is forecast to increase by 97,022 over the 2014-2024 period; an increase of 7%. This is greater than projected growth of 5% at the UK level, and 4% at the Scotland level.

Until 2022, the largest proportionate increases in the City Deal region are expected in those of retirement age, and this is a larger proportionate increase than elsewhere in Scotland. There is anticipated to be a 30% increase in those aged over 75 (above the Scotland average of 28%) and an 18% 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 forecast to be a 4% decline, a lower rate of decline than 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 fall in numbers between 2016 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 2014 RSA reports. 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 South East Scotland, 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 South East Scotland 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 indicates economic growth in the Edinburgh and South East Scotland City Deal region, where business and output growth has been faster than the Scottish economy as a whole. This is driven largely by the City of Edinburgh and the dominance of public services and financial services located there as the administrative capital of Scotland, alongside the continued importance of production in output terms in the wider region. These sectors account for 70% of the region’s output and almost half 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 on average employed in professional occupations and strong sector representation in growing/higher value added sectors of information and communications and professional, scientific and technical. Many from East Lothian in particular commute to better paid jobs in the City, although also from Scottish Borders and Fife, although the effect appears less pronounced in Midlothian where residence-based earnings are below average.

Overall employment growth has been strong in the City Deal region between 2013 and 2014, following job losses 2011 to 2013, with increases over the last five years strongest in East Lothian and Midlothian. 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 5%, below the national average, indicating a general tightening of the labour market.

Still, the region has concentrations of deprivation, particularly in parts of the City of Edinburgh, where more than 30,000 live in Scotland’s 15% most deprived areas. There are also more than 80,000 workless households across the region, and the rate of workless households in Midlothian exceeds the Scotland average. A higher than average proportion have low incomes in the Scottish Borders and Fife. 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, particularly in the City of Edinburgh, whilst including more in the region’s success. There is a need to increase the number of higher value jobs outside Edinburgh (as is starting to happen in East Lothian).

The number of MA starts was lower than the year before, although more than 53,000 students were at an FE College in 2013/2014. Almost 72,000 study at the six HEIs, generating almost a third 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. This reflects a more traditional sector employment mix in parts of the region, including the Scottish Borders and Fife. 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.