

Skills  
Development  
Scotland

# Highland

Skills Assessment  
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Scottish Funding Council  
Promoting further and higher education



Highlands and Islands Enterprise  
Iomairt na Gàidhealtachd 's nan Eilean



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## **Acknowledgement**

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## Introduction

### What is this report?

This is a specific skills summary report for the Highland local authority area, one of a series of 32 local authority reports across Scotland. These follow the preparation of 2015 summary Regional Skills Assessments (RSA) which have 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.

The preparation of local authority-specific reports are designed to help support local authorities and partners with skills investment planning by providing local authority level data where this exists. The reports also support SDS in planning its provision for individuals and businesses.

This series of local authority reports sits alongside the 2015 RSA update reports which highlight some of the key messages for the regions. The local authority and regional updates are summary reports, underpinned by the full data matrix, available at [sds.co.uk/what-we-do/partnerships/regional-skills-assessments/](https://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 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, 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 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.

## Selected headline indicator changes

Highland	Previous year	Most recent year	% change
<b>Economic performance</b>			
Gross Value Added (GVA) (£m)	£3,915 (2012)	£4,006 (2013)	+2.3%
GVA per worker	£34,400 (2012)	£35,400 (2013)	+2.9%
Number of businesses	12,830 (2013)	13,115 (2014)	+2.2%
<b>Profile of the workforce</b>			
Total employment	109,800 (2013)	112,700 (2014)	+2.6%
Professional occupations	15,300 (2013)	19,200 (2014)	+25.5%
<b>People and skills supply</b>			
Total population	233,000 (2013)	233,100 (2014)	<+0.1%
ILO unemployed	6,600 (2013/14)	4,800 (2014/15)	-27.3%
16-24 unemployed	385 (2014)	211 (2015)	-45.2%
<b>Deprivation</b>			
Workless households	10,108 (2012)	9,328 (2013)	-7.7%
% of children with free school meals	n/a	34% (2015)	n/a
<b>Education and training</b>			
MA starts	1,160 (2013/14)	1,270 (2014/15)	+9.5%
College provision (headcount)*	19,686 (2012/13)	20,225 (2013/14)	+2.7%
Higher Education provision (headcount)*	8,100 (2012/13)	5,878 (2013/14)	-27.4% <sup>†</sup>
<b>Skills mismatches</b>			
% of employers recruited in past 2-3 years	68%* (2014)	(next updated 2016)	n/a
% of employers reporting not all staff fully proficient	21%* (2014)	(next updated 2016)	n/a

\*Please note, this data is only available at the regional level, covering Argyll and Bute, Eilean Siar, Highland, Moray, Orkney and Shetland Islands authorities.

<sup>†</sup>Please note that this decrease is a result of the reallocation of UHI's Perth Campus to the Tayside region.

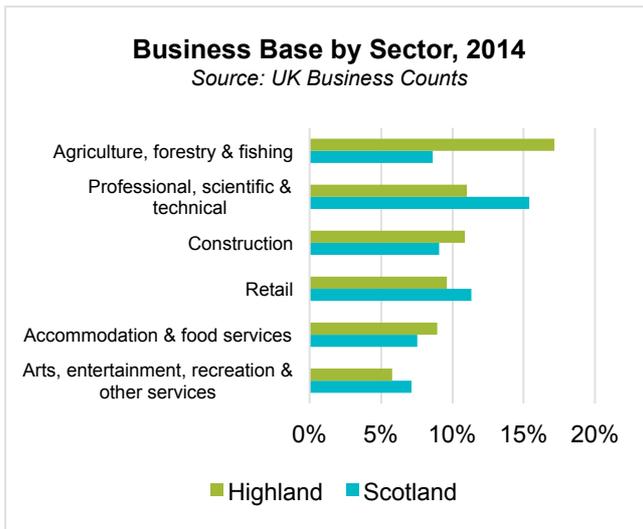
## 1 Economic performance

Highland continues to generate a reasonable proportion of Scotland's output – 3.4% of the total, in line with the previous year, dominated by the production sector, which accounts for almost £1 in every £3 of output from the area (31%). The annual change in GVA was 2.3% growth in 2013 following -1.3% decline in 2012, although this was below national level growth of 2.0% in 2012 and 2.9% in 2013.

Productivity levels in Highland are below the Scottish and UK averages, although they are increasing. GVA per worker was £35,400 in 2013, 25% below the Scottish average of £47,000 and 31% below the UK average of £51,000. Positively, GVA per worker increased by 21% between 2006 and 2013, above the Scotland (18%) and UK (17%) rates of growth.

Most recent (2014) data shows that jobs in Highland, at £477 per week, pay well below the Scottish (£519) and UK (£518) averages. This increased 2% between 2013 and 2014, similar to that across Scotland. Those *living* in Highland earn slightly more, £488 per week.





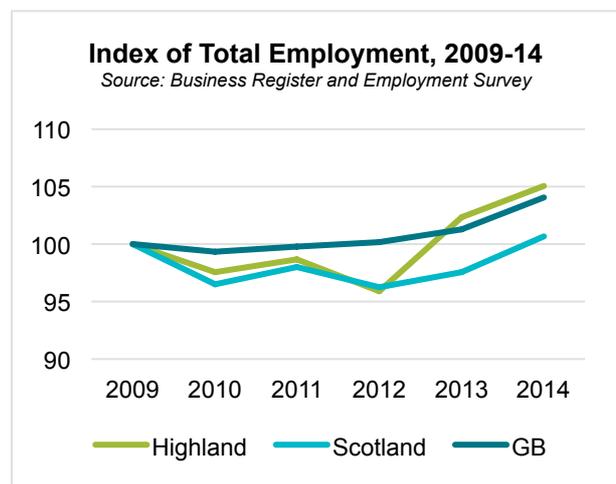
There were 13,115 VAT/PAYE registered businesses in 2014, up 2.2% from 2013 to 2014, slightly below the 2.8% Scotland increase. Since 2010, the business base has by 4%, just below the 5% growth in Scotland and 6% growth in the UK.

The Highland business base is dominated by the agriculture, forestry and fishing sector, which accounts for 17% of registered businesses, almost double the Scotland proportion (9%). The proportion is higher still when non-registered businesses are

considered. Professional, scientific and technical businesses are under-represented in Highland, although their proportion of the total is increasing.

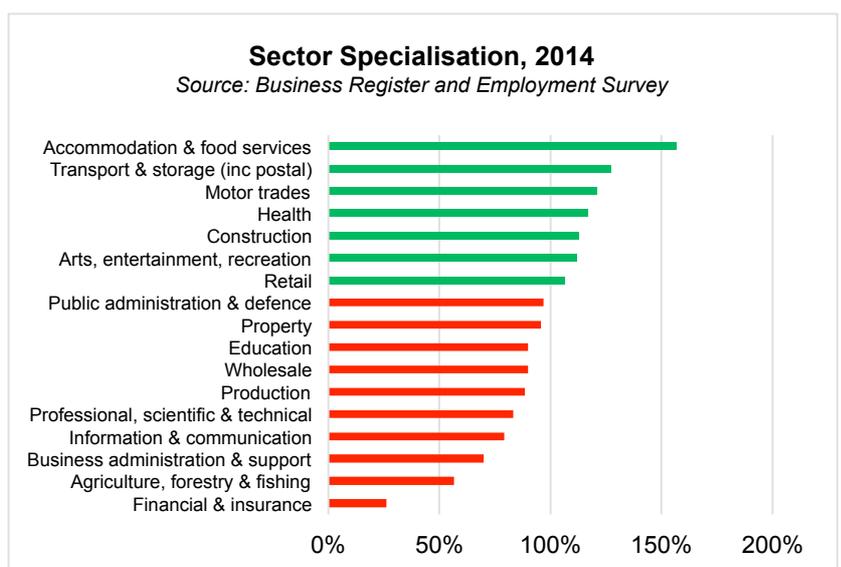
## 2 Profile of the workforce

After a fall in employment between 2009 and 2012 post-recession, total employment in Highland has grown strongly over the period to 2012-2014, to a total of 112,700, faster than the Scottish and GB averages. Between 2012 and 2014 the rate of growth was almost 10%, compared to 5% in Scotland and 4% in GB. The growth rate from 2009, at 5%, is now higher than the 1% growth in Scotland and 4% across Great Britain.



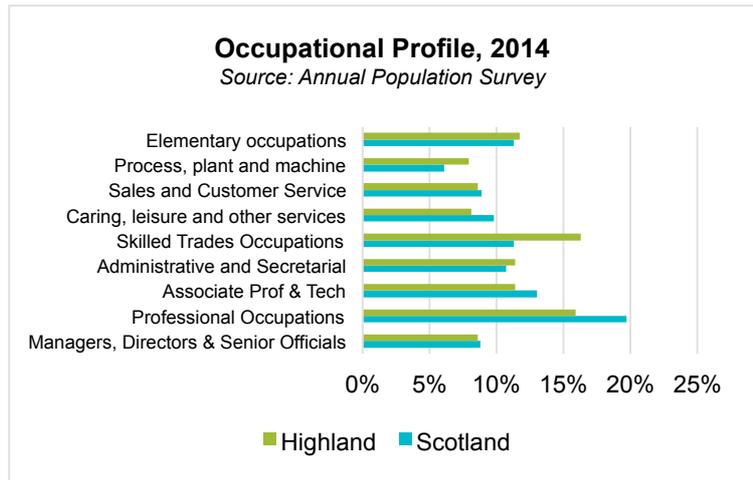
There is still a slight dependency on public sector employment, with health the top employment sector (19%, 21,200), above the Scotland (16%) and Great Britain (13%) proportions.

Highland has a high employment concentration in accommodation and food services (around 1.6x the national average). Health and retail, both major employment sectors, as well as transport and storage, motor trades and construction, are also concentrated in the area, as are the creative industries.



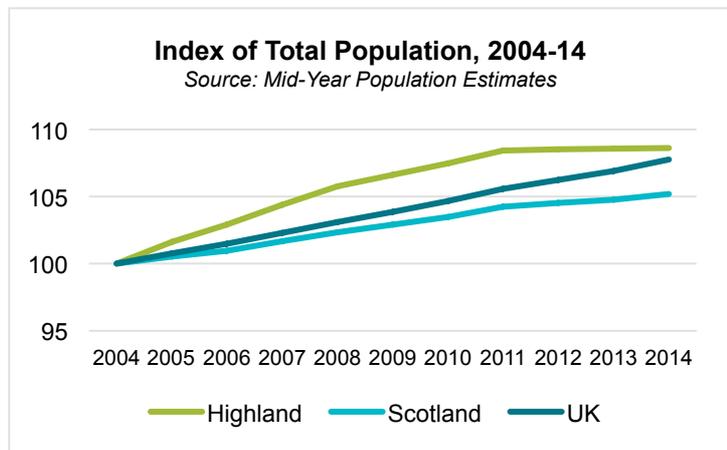
Knowledge-based sectors including professional, scientific and technical employment, and information and communications remain however under-represented. Sectoral specialisation exists for those sectors with a value which is above 100%.

The occupational profile is also changing. Although Highland remains under-represented in professional occupations at 16% (19,200 employees) compared to 20% in Scotland and the UK, the proportion is rising. Highland continues to have a much larger proportion of the workforce employed in skilled trades (16%) than across Scotland (11%).



### 3 People and skills supply

The population of Highland grew strongly between 2004 and 2011, although this has levelled out over the period before to 2014. The population remained largely the same between 2013 and 2014, at a time of modest growth across Scotland (0.4%). Overall, since 2004, Highland's population has grown by 9%, above the rate of growth in Scotland (5%) and the UK (8%) over the same period.



The employment rate for Highland in 2014/15 was 79%. This is six percentage points above Scotland and Great Britain, and up considerably from 74% in 2013/14, although still below pre-recession employment rate of 81% respectively in 2007/2008.

In 2014/15 there were 4,800 ILO unemployed (those out of work and actively seeking work), down from 6,600 in 2013/14. The ILO rate in 2014/15 fell to 4% in Highland, below the Scotland and UK rates (6%), reflecting strong employment growth. In 2015 there were 211 unemployed young people aged 16 to 24, a fall of 45% since 2014.



The proportion of school leavers entering Higher Education in 2014/15 was 34%, a similar proportion to the 2013/14 rate, and below the Scotland rate of 38%. Just over one in four (26%) went in to Further Education in 2014/2015, up from 22%, while the proportion entering employment fell from 34% to 29%.

A broadly similar proportion of those aged 16-64 years in Highland have high level qualifications (40% at SCQF 7-12), compared to 41% in Scotland. 6% have no qualifications, below the 9% in Scotland. Amongst 16-24 year-olds, 25% have Higher-level qualifications (SCQF 6) – slightly below the 27% in Scotland.

#### 4 Deprivation

In all 15%, or 9,328, of Highland households are workless (2013), compared to 20% in Scotland, and 17% in the UK. One third (33%) of households have incomes above £30,000, compared to 31% across Scotland.

Just over a third (34%) of those at school in Highland are entitled to free school meals. This is below the national average of 39%.



#### 5 Education and training provision

There were 13,654 pupils enrolled at secondary school across Highland in 2014, 30% of whom were S5 and S6, broadly in line with the 29% across Scotland.

There were 1,270 SDS-supported MA starts in 2014/15, an increase on the 1,160 in 2013/14. 67% of starts were male and the remainder female (33%). There were 1,220 SDS-supported MA leavers in 2014/15.

8,314 students (headcount) were studying Further Education at UHI's Inverness College (4,004), North Highland College (2,466) and West Highland College (1,844) in 2013/14. Within the wider Highlands and Islands region in 2013/14, 20,225 students (headcount) were studying across eight UHI FE colleges, all studying at FE level. 68% of Highlands and Islands residents who are at college study in the Highlands and Islands region.<sup>1</sup>

3,268 students (headcount) were studying Higher Education at UHI's Inverness College (1,677), North Highland College (635), Stirling University's Inverness Campus (481), Sabhal Mor Ostaig (198), West Highland College (142), Highland Theological College (129) and the UHI Centre for Health Sciences (6) in 2013/14. Within the wider region in 2013/14, 5,878 students (headcount) were studying HE across UHI's 13 campuses and Stirling University's Inverness and Stornoway campuses. There were 2,210 graduates from the region in 2013/14; 2,109 with a first degree (95%) and 101 postgraduates (5%).<sup>2</sup>

#### 6 Skills mismatches<sup>3</sup>

Just over two thirds (68%) of employers in Highlands and Islands had recruited in the 2-3 years prior to the UKCES survey, and 27% had taken on leavers from Scottish education institutions (similar to the 67% and 26% across Scotland).

Over a fifth (21%) of employers in Highlands and Islands 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 services, care and leisure and skilled trade occupations.

<sup>1</sup> Please note, this data is only available at the regional level, covering Argyll and Bute, Eilean Siar, Highland, Moray, Orkney and Shetland.

<sup>2</sup> *ibid.*

<sup>3</sup> Please note, data is from 2013 as the UKCES Employer Skills Survey is only undertaken every two years. Further, data is only available at the regional level, covering Argyll and Bute, Eilean Siar, Highland, Moray, Orkney and Shetland local authorities.

## 7 Looking forward

The population of Highland is forecast to increase by 6,597 over the period from 2014 to 2024, a rise of 3%. This compares to 5% growth at the UK level, and a 4% rise across Scotland.



The school roll is projected to decrease by 5% to 12,900 by 2018. Across Scotland, the trend is for a 2% fall over the period to 2018.

Based on 2012 figures, national employment figures are projected to rise by 5.3% from 2012 to 2022, with the fastest increases occurring between 2017 and 2020. The greatest levels of growth are expected in information technology (32%) and health and social work (17%). There is projected to be a fall in agriculture employment (-15%), other manufacturing (-12%) and public administration (-11%).

## 8 Summary

The Highland economy has performed well over the last couple of years, notably in terms of employment growth, which has been double the Scottish rate of increase between 2012 and 2014. The area was hit hard by the recession, however employment rates are now close to pre-recession levels. There has been a corresponding fall in unemployment at the same time.

Productivity levels have also been rising, although they are still well below Scotland and UK averages. Output remains dominated by the production sector. Since 2006, the productivity gap between Highland and Scotland has been narrowing.

The sector mix of employment is also changing, as is the occupational profile, although the business base remains dominated by the low value agricultural sector and by tourism, and there is a higher proportion employed in the skilled trades. The challenge is to continue to grow the base of higher value businesses and employment, including the professional, scientific and technical sector, information and communications and businesses services which remain under-represented. There continues to be a strong creative industries sector, which is more concentrated than average in the Highland area.

Overall, the population is qualified to a similar level as the average nationally. Fewer school leavers than the Scottish average continue to progress into HE from the area, and the proportion remained constant in the latest year, although there is an increasing proportion going into FE. The number of SDS-supported MAs is also rising. The total population has grown strongly over the decade from 2004, although the rate of increased has levelled off and is expected to increase at a slower rate than for Scotland into the future. Overall, there remains the need to retain and attract young people back/into the area, with the role of the University of the Highlands and Islands and Inverness Campus important in helping meet the future needs of employers.