

# Aberdeen City

Skills Assessment  
January 2016



## **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.

## Introduction

### What is this report?

This is a specific skills summary report for the Aberdeen City 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 Scottish Enterprise (SE), 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 the matrix 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

Aberdeen City	Previous year	Most recent year	% change
<b>Economic performance</b>			
Gross Value Added (GVA) (£m)	£8,042 (2012)	£8,232 (2013)	<b>+2.4%</b>
GVA per worker	£65,400 (2012)	£66,800 (2013)	<b>+2.1%</b>
Number of businesses	11,020 (2013)	11,470 (2014)	<b>+4.1%</b>
<b>Profile of the workforce</b>			
Total employment	181,200 (2013)	192,000 (2014)	<b>+6.0%</b>
Professional occupations	26,900 (2013)	32,900 (2014)	<b>+22.3%</b>
<b>People and skills supply</b>			
Total population	227,100 (2013)	229,000 (2014)	<b>+0.8%</b>
ILO unemployed	7,500 (2013/14)	5,300 (2014/15)	<b>-29.3%</b>
16-24 unemployed	412 (2014)	454 (2015)	<b>+10.2%</b>
<b>Deprivation</b>			
Workless households	10,381 (2012)	10,533 (2013)	<b>+1.5%</b>
% of children with free school meals	n/a	37% (2015)	<b>n/a</b>
<b>Education and training</b>			
MA starts	915 (2013/14)	920 (2014/15)	<b>+0.5%</b>
College provision (headcount)*	18,070 (2012/13)	20,238 (2013/14)	<b>+7.3%</b>
Higher Education provision (headcount)*	31,830 (2012/13)	30,625 (2013/14)	<b>-3.8%</b>
<b>Skills mismatches</b>			
% of employers recruited in past 2-3 years	70%* (2014)	(next updated 2016)	<b>n/a</b>
% of employers reporting not all staff fully proficient	24%* (2014)	(next updated 2016)	<b>n/a</b>

\*Please note, this data is only available at the regional level, including Aberdeen City and Shire

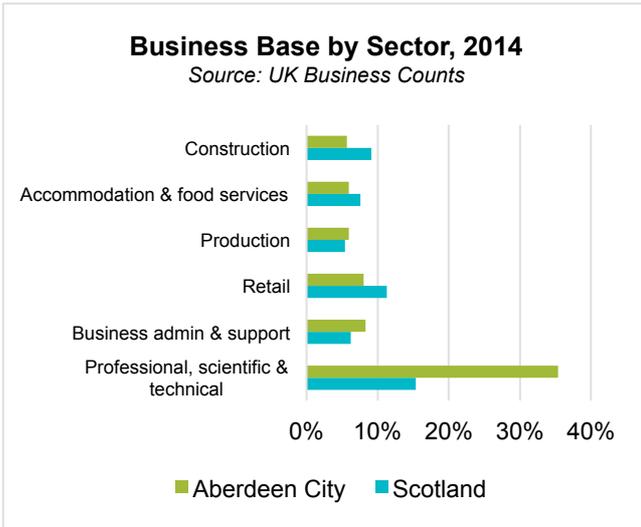
## 1 Economic performance

Aberdeen City continued to generate a sizeable proportion of Scotland's output in 2013, the latest available data, 7%, and similar to the previous year. This is dominated by the production sector, accounting for 40% of all GVA, notably oil and gas. GVA increased by 2.4% in 2013 (and by 4.7% in 2012), compared to growth rates of 2.9% in 2013 and 2% in 2012 for Scotland. Here however, as with much of the report, the data pre-dates uncertainties and job losses in the oil and gas sector in 2015.

Productivity levels in Aberdeen City have been well above the Scottish and UK averages, largely due to the oil and gas sector. GVA per worker was £66,800 in 2013, 42% above the Scottish average of £47,000 and 31% above the UK average of £51,000. GVA per worker increased by 39% between 2006 and 2013, more than double above the Scotland (18%) and UK (17%) average increases over the same period.

Most recent (2014) data shows that jobs in Aberdeen City, at £632 per week full time, pay well above the Scottish (£519) and UK (£518) averages. This increased by 5% from 2013, above the 2% across Scotland. Those living in Aberdeen City earn slightly less on average, £574 per week full time, indicating in-commuting from Aberdeenshire, although pay is still well above average.





There were 11,470 VAT/PAYE registered businesses in 2014, up 4.1% in 2014, above the 2.8% Scotland increase. Since 2010, the base has grown by 17%, significantly above the 5% growth in Scotland and 6% in the UK.

The professional, scientific and technical sector accounts for more than a third of the business base in the City (35%), more than double the Scotland proportion. The next most prominent sectors are business services, retail, production, accommodation and food services, and construction.

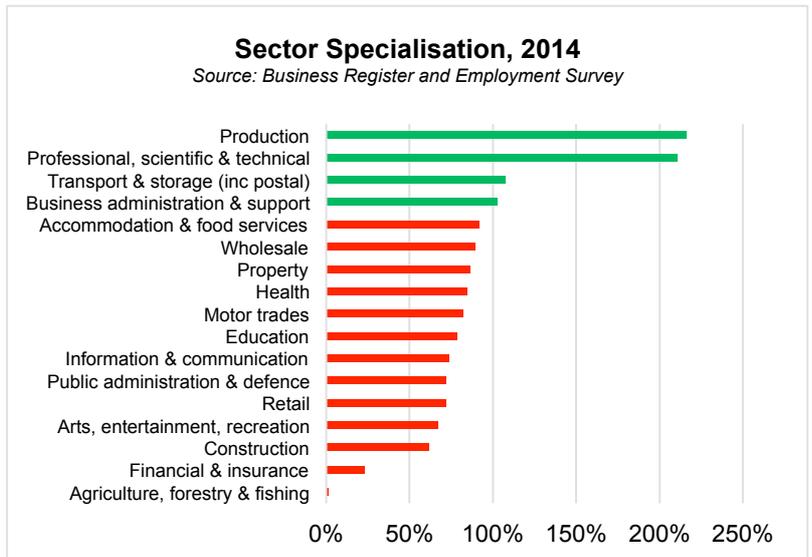
and construction.

## 2 Profile of the workforce

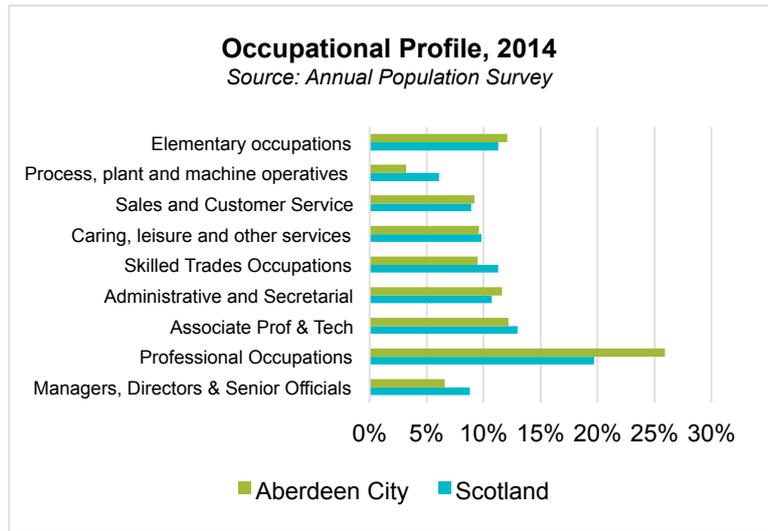
Total employment increased by some 6% between 2013 and 2014, continuing a trend of employment growth from 2010 onwards. Aberdeen City experienced only a modest loss of employment following the economic downturn of 2008/2009. The 192,000 total jobs in 2014 is more than 6% higher than it was in 2009, well above the 1% increase across Scotland over the same period.

Production (oil and gas) continues to comprise the greatest share of employment, accounting for some 22% of all jobs, or 42,500. This is well in excess of the proportion employed in the sector in Scotland and Great Britain.

Aberdeen City also has a very high employment concentration in the professional, scientific and technical sector, also twice the Scotland average. Although smaller, transport and storage and business services are also concentrated in the local authority area. Sectoral specialisation exists for those sectors with a value which is above 100%.

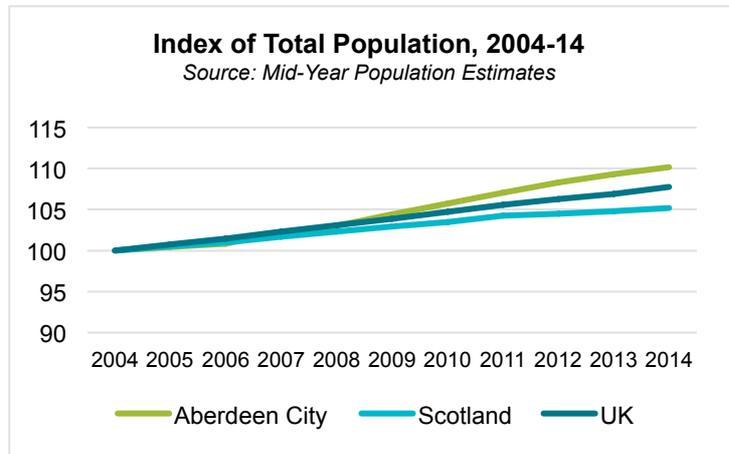


Those resident in Aberdeen City and in employment are more likely to be employed in the professional occupations than average, accounting for 26%, and 32,900, above the Scotland and UK averages of 20%. There are also lower proportions employed as operatives and as managers, directors and senior officials. The proportion in elementary occupations is also slightly above the Scotland average, again linked to the production sector.



### 3 People and skills supply

At an estimated 229,000, the 2014 population increased further by almost 1% from 2013, with a 10% increase overall over the period from 2004. This compares to 5% growth in Scotland and 8% growth in the UK over the same period.



The employment rate for Aberdeen City in 2014/15 was 78%. This is five percentage points higher than for Scotland and Great Britain. This

suggests a tight labour market, with strong competition for jobs at this time, although recent (2015) job losses in the oil and gas sector may have started to change this picture.

In 2014/15 there were 5,300 ILO unemployed (those out of work and actively seeking work), down from 7,500 in 2013/14. The ILO rate in 2014/15 was 4% in Aberdeen City, compared to 6% in Scotland and the UK. In 2015 there were 454 unemployed young people aged 16 to 24, an increase of 10% since 2014.



The proportion of school leavers entering Higher Education in 2014/15 was 38%, up from 36% in 2013/2014. The percentage entering Further Education (27%) increased from 23% in 2013/14. Just over a fifth (22%) entered employment, lower than the previous year (30%).

A higher proportion of those aged 16-64 years in Aberdeen City have high level qualifications (47% at SCQF 7-12), compared to 41% in Scotland. 6% have no qualifications, compared to 9% in Scotland and the UK. Amongst 16-24 year-olds, 38% have Higher-level qualifications (SCQF 6) – 11 percentage points higher than Scotland.

### 4 Deprivation



12% of Aberdeen City households are workless households (2013), compared to 20% in Scotland, and 17% in the UK, 10,500 households. More than four in 10 households (43%) have incomes above £30,000, compared to 31% across Scotland.

In all, 37% of those at school in Aberdeen City are entitled to free school meals. This is below the national average of 39%.

## **5 Education and training provision**

There were 8,850 pupils enrolled at secondary school across Aberdeen City in 2014, 26% of whom were S5 and S6, a little lower than the 29% across Scotland.

There were 920 SDS-supported MA starts in 2014/15, a small increase on the 915 in 2013/14. 65% of starts were male and the remainder female (35%). There were 980 SDS-supported MA leavers in 2014/15.

20,238 students (headcount) were studying at North East Scotland College (with campuses in Aberdeen City and Shire) in 2013/14; 79% of these were studying at FE level and 21% at HE level. 89% of Aberdeen City and Shire residents who are at college study locally.<sup>1</sup>

30,625 students (headcount) were studying at the University of Aberdeen (16,175), Robert Gordon University (14,232) and the Aberdeen Campus of the Scottish Agricultural College (218) in 2013/14, all based in Aberdeen City. There were 9,961 graduates. This included 6,510 graduates with a first degree (89%), 49 with another undergraduate degree, and a further 3,402 postgraduates (11%).<sup>2</sup>

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

70% of employers in Aberdeen City and Shire had recruited in the 2-3 years prior to the UKCES survey, and 28% had taken on leavers from Scottish education institutions (both slightly above the Scotland averages).

Around a quarter of employers in Aberdeen City and Shire (24%) reported that not all of their staff are fully proficient, above the average for Scotland of 19% - with skills gaps most likely in caring, leisure and other, sales and customer service and elementary staff occupations.

## **7 Looking forward**

The population of Aberdeen City is forecast to grow by a further 26,209 over the 2014-2024 period, a further increase of 10%. This compares to 5% growth at the UK level, and a 4% rise at the Scotland level.



<sup>1</sup> Please note, this data is only available at the regional level, covering Aberdeen City and Shire.

<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 Aberdeen City and Shire.

The school roll is projected to increase slightly to 2018, by around 1%. 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. 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 Aberdeen City economy continued to grow significantly over the years to 2014, with strong employment growth which had been accelerating, increasing above Scotland and Great Britain growth rates. The economy was demonstrating strong increases in GVA, with employment rates in 2014 high and indicative of a tight labour market. The ILO unemployment rate in 2014/2015 was down to 4%, below the UK and Scotland rates of 6%.

The data in this report predates the difficulties experienced in the oil and gas sector in 2015, as the falling price of oil has led to job losses in the sector. This is likely to feature in subsequent report updates. Given that the sector directly accounts for 22% of jobs in Aberdeen City, more than 40,000, then this will clearly have a negative impact. Many other jobs in the City are indirectly related to the success of the sector, including related professional, scientific and technical sector jobs and services sustained by oil and gas sector worker expenditure.

Aberdeen City is clearly not entirely dependent on the oil and gas sector, and large numbers are employed in the professional and related sector that are not connected to oil and gas. Nonetheless, the effects of a prolonged downturn in the sector may be severe.

Until 2014, there was strong growth in the business base, again well above the Scotland and UK averages. The professional, scientific and technical sector base is particularly well represented, and this may provide a platform for reduced dependency on the production sector. The City needs to continue to broaden and diversify its business and employment base, to offset any production sector cycles or longer-term issues.

Despite the strong economic growth, there remain pockets of deprivation and there are still more than 10,000 workless households. Those living in the City earn less than jobs in the area pay on average, given that many of the higher paid jobs are taken by those from Aberdeenshire. One of the challenges has been to widen access to the labour market even further, given the relatively high employment rates.

Aberdeen City has also experienced strong population growth since 2004, above the Scottish and UK rates, and this is expected to continue to grow by a further 10% by 2024. This will create further challenges in meeting the needs of this growing population, with the highest increases expected in those of retirement age.

Overall, there appears to be difficult times ahead for the Aberdeen City economy, if job losses in the oil and gas sector grow in number. Until 2014, the greatest challenge was to meet the skills needs of production and service sector employers looking to grow and expand further. In the context of the growing economy, there have been particular difficulties for the public services (and some private sector service sectors) in terms of competing for labour, including the health and social care sectors. The growing and ageing population in the future may exacerbate this challenges.