

Introduction

The world of work is changing. At a time of unprecedented change and opportunity, it has never been more important to have a clear and comprehensive picture of the skills landscape.

The first report by Skills Development Scotland (SDS) on **Jobs and Skills in Scotland: The Evidence** is part of our ongoing work to develop a robust evidence base that can be used to inform and guide our investment, and that of partners.

Jobs and Skills in Scotland: The Evidence draws together a range of published data sources and commentary to provide an overview of the current health of Scotland's labour market, its performance since the financial crisis of 2008 and an analysis of future projections. It is designed to summarise the available evidence and provides analysis of known and emerging issues affecting the Scottish skills system.

It is important to note that the report highlights many strengths in the Scottish Jobs and Skills landscape which we can build on. These include:

- productivity in Scotland has grown at a faster rate than the UK
- employment in Scotland has recovered and is now above pre-recession levels
- many key sectors have had good employment growth despite a challenging economic environment
- Scotland has a highly skilled workforce
- the economy offers a range of opportunities for young people entering the labour market.

At the same time the report highlights some significant challenges and opportunities in relation to jobs and skills.

The remainder of this overview document is designed to provide a summary of high level messages from the report, and present these in the context of:

- recommendations for further focus
- how SDS is responding.



Boosting productivity will be vital for our long term prosperity

What the report tells us	Recommendations for further focus	How Skills Development Scotland is responding
<ul style="list-style-type: none"> • Scotland's productivity, like the rest of the UK, remains significantly behind other advanced economies • Increasing productivity is critical if we are to raise the competitiveness of the Scottish economy and boost wages • Scotland's record in terms of Business Research and Development remains weak • Exporting remains concentrated in too small a number of businesses and sectors 	<ul style="list-style-type: none"> • Sustain the Scottish Government's commitment to work-based learning with an emphasis on linking skills investment with economic need • Raising our competitiveness in areas of technology improvements and process innovation • Commitment to in-work training which focuses on future potential rather than current tasks • Increasing levels of Business Research and Development • Further need for entrepreneurship and leadership skills to develop and realise solutions 	<ul style="list-style-type: none"> • Working with the Scottish Government's Strategic Board to critically review the return on investment from skills investment in Scotland • Strengthening linkages between what employers need and what the education and skills system provides through: <ul style="list-style-type: none"> – skills alignment – Sector Skills Investment Plans – Regional Skills Investment Plans – Scottish Apprenticeship Advisory Board • Greater emphasis on work-based learning <ul style="list-style-type: none"> – rapid expansion of Foundation Apprenticeships – rapid expansion of Graduate Level Apprenticeships – further expansion of Modern Apprenticeships – establishing Centre for Work-Based Learning

“We need to find a way to become more productive and efficient, but at the same time, what we want to generate is not only more growth, but better shared growth, more inclusive growth. We want a skilled productive workforce but also one that can enjoy well paid, secure jobs right across Scotland.”

Nora Senior, Chair of The Scottish Government's Strategic Board for Enterprise and Skills

Our growth needs to be more inclusive

What the report tells us	Recommendations for further focus	How Skills Development Scotland is responding
<ul style="list-style-type: none"> • Employment has now recovered to beyond pre-recession levels, but this has been driven primarily by part time, temporary and self employment • The rise of ‘non-standard’ employment, low wage growth and the persistence of in-work poverty raises important questions about the quality of employment growth • There are significant regional variations in wage levels, productivity and employment growth across Scotland • Employment in the majority of rural areas has not reached pre-recession levels • Underemployment continues to be a concern, as is underutilisation of skills • Economic inactivity is rising 	<ul style="list-style-type: none"> • Focus on the creation of good quality jobs and skills utilisation translating to increased earnings and greater prosperity • Developing a stronger understanding of ‘place’ and how geography and demographic characteristics affect growth • Skills is crucial to inclusive economic growth – but only one part of the solution • Further work to understand economic inactivity 	<ul style="list-style-type: none"> • Partnering with City regions and other localities to strengthen local understanding and action on the economy • In the early stages of looking at new frameworks to measure performance and equality in the economy • Developing Regional Skills Investment Plans, which take an evidence-based approach to defining skills requirements and drive a joined-up approach to addressing these requirements at a regional level • Developing Sector Skills Investment Plans, which take an evidence-based approach to defining skills requirements and drive a joined-up approach to addressing these requirements at a sector level

“Scotland has a real opportunity to take a big step forward in its performance by embracing the concept of Inclusive Growth. By deliberately pursuing policies which are rooted in the demands of the future economy, but which focus on maximising the contributions of individuals, growth and fairness can exist in a virtuous cycle.”

Gerry Rice, Director, International Monetary Fund

Scotland's demographics represent significant challenges – and Brexit may exacerbate these

What the report tells us	Recommendations for further focus	How Skills Development Scotland is responding
<ul style="list-style-type: none"> • Scotland's population is ageing (42% growth in over 65s in the UK in the period to 2030) • The number of young people entering the labour market may not match the flow of older workers leaving the labour market • Recent population growth in Scotland has been driven by net migration and Brexit may have a significant impact on labour flow • Rural regions in particular have significant vulnerability in relation to potential reduction in inward migration combined with a reduction in working age population • Growing diversity, with women expected to take two thirds of net job growth • Employers report recruiting people with the right skills is becoming more challenging 	<ul style="list-style-type: none"> • Continued need to understand and evidence the economic and labour market impacts of Brexit • Developing a distinctive post-Brexit migration strategy to meet Scotland's specific labour market requirements • Vigilance around potential tightening in labour market and disproportionate impacts on specific sectors • Maximising the ability of all to participate in the labour market 	<ul style="list-style-type: none"> • Developing Regional Skills Investment Plans, which take an evidence-based approach to defining skills requirements and drive a joined up approach to addressing these requirements at a regional level • Developing Sector Skills Investment Plans, which take an evidence-based approach to defining skills requirements and drive a joined up approach to addressing these requirements at a sector level • Greater emphasis on work-based learning <ul style="list-style-type: none"> – rapid expansion of Foundation Apprenticeships – rapid expansion of Graduate Level Apprenticeships – further expansion of Modern Apprenticeships – establishing Centre for Work-Based Learning • Responsive interventions to address specific shortages (e.g. CodeClan, Transition Training Fund)

“If free movement from the EU is curtailed, developing a shared understanding of the consequent economic impact is critical if we are to face the challenge.”

Professor Sir Anton Muscatelli, Principal and Vice Chancellor, University of Glasgow

The world of work is changing – we need to support businesses and individuals to navigate and embrace that change

What the report tells us	Recommendations for further focus	How Skills Development Scotland is responding
<ul style="list-style-type: none"> • The nature of work is continuously and rapidly changing • Technology means people will be required to work more flexibly and adaptably, jobs are becoming more complex, and skills requirements are shifting • Automation, converging technology, digitalisation of production and ICT development have potential to further reshape the labour market and the demand for skills • Broader societal changes include desire for increased work-life balance including flexible working. • An ‘hourglass’ labour market structure is emerging which presents challenges for progression in the workplace 	<ul style="list-style-type: none"> • Responding to changes will require focus on new skills, and greater flexibility and agility in skills delivery • Focus on giving people the metaskills (e.g. leadership, resilience and self development) to adapt and thrive in new work environments • Increasing our commitment to digital skills – including fluency in programming 	<ul style="list-style-type: none"> • Focus on development of Career Management Skills in young people • Increasing awareness of the likely future skills requirements aligned to the 4th industrial revolution through the Centre for Work-Based Learning • SDS work around digital skills, including Digital Foundation Apprenticeships

“Without question, equipping today’s workforce – and the workforce of the future – with the right skills is critical to ensuring improvements in productivity, particularly in a world of increased automation and ever faster technological processes.”

Graeme Roy, Fraser of Allander Institute, 2017

“Skills like leadership, resilience and self development are taught as much outside the classroom as within it.”

Olly Newton, Edge Foundation 2017