Regional Skills Assessment
Edinburgh, East and Midlothian
Summary Report 2019
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Skills Assessments</td>
<td>3</td>
</tr>
<tr>
<td>Introduction</td>
<td>4</td>
</tr>
<tr>
<td>The Edinburgh, East and Midlothian Economy</td>
<td>10</td>
</tr>
<tr>
<td>Employment in Edinburgh, East and Midlothian</td>
<td>16</td>
</tr>
<tr>
<td>Total Labour Market Requirement in Edinburgh, East and Midlothian</td>
<td>25</td>
</tr>
<tr>
<td>Supply of People in Edinburgh, East and Midlothian</td>
<td>29</td>
</tr>
<tr>
<td>Skills Shortages, Gaps and Challenges in Edinburgh, East and Midlothian</td>
<td>32</td>
</tr>
<tr>
<td>Conclusion</td>
<td>38</td>
</tr>
</tbody>
</table>
Regional Skills Assessments (RSAs)
First launched in 2014, the RSA’s purpose is to provide a robust evidence base to support partners in strategic skills investment planning. They have evolved over time based on an independent review carried out in 2015 and feedback from partners.

To ensure an inclusive approach to their development, dissemination and utilisation, RSAs are produced by Skills Development Scotland (SDS) in partnership with Highlands and Islands Enterprise, Scottish Enterprise, Scottish Government, the Scottish Funding Council (SFC), the Scottish Local Authorities Economic Development Group and the South of Scotland Economic Partnership.

RSAs include the use of published data sets. Inevitably, when using published data there is a time lag but the data contained is the most up to date available at the time of writing. The section on the Supply of People in the region is an exception to this rule. Whilst 2018 estimates exist, we have used data for 2016 for consistency with the 2016 based population projections which are the latest available.

RSAs also include forecast data that has been commissioned through Oxford Economics. A number of caveats need to be applied when using forecast data. The Technical Note¹ provides full detail on this but broadly it should be noted that forecasts are based on what we know now and include past and present trends projected into the future. Their value is in identifying likely directions of travel rather than predicting exact figures. The more disaggregated they become, especially at smaller geographical units, the less reliable they are likely to be. Standard occupational classifications (SOC) and standard industrial classifications (SIC) are used to define occupations and industries. ONS has useful SIC² and SOC³ hierarchy tools that can be used to understand the classifications in more detail.

In addition, we provide analysis by Key Sector. Key Sectors are central to our Skills Investment Planning approach. Each Key Sector has a tailored Skills Investment Plan (SIP) which gives a picture of the economic and labour market situation, trends in skills and qualification supply and employers’ perspectives on the big skills issues affecting sector growth. Regional SIPs have also been developed. SIPs and RSIPs are available on the SDS website⁴.

This year’s RSA is in three parts:
1. This report outlining Demand for Skills, Supply of People; and Skills Mismatches;
2. An infographic detailing key data for the area; and
3. A new interactive RSA Data Matrix⁵ that was launched in August 2019 that provides more detailed data.

Finally, in the sections which follow, the numbers and figures in the body of the text are rounded for ease of reference and readability and therefore may differ slightly from:
• The Oxford Economics data in the RSA Data Matrix; and
• The accompanying charts in the report which are also based on the Oxford Economics data.

This RSA report is for Edinburgh, East and Midlothian which covers the City of Edinburgh, East Lothian and Midlothian local authorities.

¹ https://www.skillsdevelopmentscotland.co.uk/what-we-do/skills-planning/regional-skills-assessments/
⁴ SDS, Skills Investment Plans. http://www.skillsdevelopmentscotland.co.uk/what-we-do/skills-planning/skills-investment-plans/
⁵ https://www.skillsdevelopmentscotland.co.uk/what-we-do/skills-planning/regional-skills-assessments/
1 Introduction
Introduction

We live in a world that is complex and is constantly evolving. Scotland’s businesses and people need the skills, knowledge and capabilities, not just to cope with this change but to thrive in it and influence it.

Scotland’s Economy

The latest ‘State of the Economy’ reported that Scotland’s economy continued its recent pattern of strong performance at the start of 2019 with the unemployment rate falling to record lows and strong growth in exports and output. Output growth increased in the first quarter to 0.5 per cent but this was driven partly due to temporary factors such as stockpiling and firms completing orders in anticipation of the original end March Brexit deadline. Short term outlooks for the economy will be dominated by Brexit uncertainty with the potential for more exposure to downturns in international demand and growth.

Labour productivity grew by 0.5 per cent in Q4 2018 and by 3.8 per cent in 2018 as a whole – its fastest pace of growth since 2010. Whilst positive, Scotland’s ranking among Organisation for Economic Co-operation and Development (OECD) countries is 16th of 37 countries, placing it in the second quartile. This ranking of 16th place has been unchanged since 2007. Scottish Government has the aspiration of improving Scotland’s productivity to match the performance of the top quartile of OECD countries.

Boosting productivity is vital for our long-term prosperity

Scotland’s People

Scotland’s population has grown and is projected to grow in future. National Records of Scotland (NRS) confirms that Scotland’s population in 2018 was 5,438,100 and is expected to grow to 5.58 million in 2026 and to 5.69 million by 2041. This estimate for growth is based on a continuation of EU migration at pre-Brexit levels which is not guaranteed.

Despite this past and projected growth, Scotland is facing an ageing demographic structure. Based on the population in 2016, just under one in five people (18 per cent) were aged 65 and over but by 2041, one in four people (25 per cent) are projected to be in this age group.

If we examine dependency ratios for Scotland’s population this shows a growing dependency ratio at Scotland level and indeed some areas – particularly some of Scotland’s rural areas – having much higher rates of dependency than the national average. At Scotland level, the dependency ratio will increase from 55 per cent in 2016 to almost 70 per cent in 2041. Put simply, for every 100 people of working age there will be 70 people dependent by 2041.

This suggests that the supply of labour might contract over the longer term if projections are realised. This points to a tighter labour market and greater competition for skilled labour in the future. Uncertainty regarding the implications of Brexit also remain, and any decisions taken on the free movement of people could exacerbate this further.

A tight labour market will result in more competition for skilled labour – Brexit could exacerbate this.
Although we are seeing record levels in relation to high employment and low unemployment and relative economic prosperity since the recession, not everyone is benefitting equally in this prosperity:

• The gender pay gap for women working full-time in Scotland was 5.7 per cent in 2018.\(^{12}\)
• The unemployment rate was 4.2 per cent for working age people in Scotland, but this increases to 9.9 per cent for 16-24 year olds and to 10.8 per cent for males aged 16-24.\(^{13}\)
• The employment rate for people aged 16-64 was 74.5 per cent, but 57.4 per cent for people from an ethnic minority and 45.9 per cent for disabled people.\(^{14}\)

There are disparities in regional performance across Scotland. Based on an assessment of employment growth, productivity, earnings and unemployment, recovery since the recession has been stronger in Scotland’s urban areas and weaker in rural areas.

Since the recession we have seen a rise in ‘nonstandard’ jobs (such as part time and temporary employment), low wage growth and continued ‘in work’ poverty:

• Self-employment has risen by 22 per cent, compared to one per cent for full-time employment since the recession.\(^{15}\)
• Median weekly earnings (gross) grew by 19 per cent in the five years leading up to the financial crash in 2008. A slower rate of 11 per cent has occurred over the past five years.\(^{16}\)
• More than half a million (550,000) people in Scotland were living in relative poverty (after housing costs) in a household where at least one adult was in paid employment.\(^{17}\)

Both people and place are considerations when working towards a more inclusive labour market.

**Our growth needs to be inclusive**

**Scotland’s Response to the Climate Emergency**

In April 2019, Scotland’s First Minister declared a climate change emergency with targets being set to reduce greenhouse gas emissions to net-zero by 2045. In May 2019, Scotland’s Climate Change Secretary set out Scotland’s response to the climate change emergency including action such as:

• A change in approach to airport departure tax;
• Funding to strengthen the rail freight industry and reduce the amount of freight that travels by road; and
• A new farmer-led initiative to drive low-carbon, environmentally sustainable farming practices.

The Cabinet Secretary for Environment, Climate Change and Land Reform confirmed that Scottish Government will be “placing climate change at the heart of everything we do” and this is at the core of the recently published Programme for Government.

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13 Annual Population Survey (April 2018-March 2019)
14 Annual Population Survey (April 2018-March 2019), EA core disabled has been used for the employment rate of disabled people.
All parts of Government will be expected to play a role in achieving these ambitious targets and SDS is to develop a Climate Emergency Skills Action Plan, as outlined in the Programme for Government. The development of appropriate skills will have a significant part to play in enabling this transition to a low carbon economy.

**Our growth needs to be sustainable**

**Scotland’s Resilience**

The world of work is constantly changing and the rate of change is rapid. Technological and societal disruptions are occurring at an increasing pace. Whilst we cannot predict the future, we can prepare for a future that is increasingly unpredictable. SDS has developed a Skills 4.0 model that focuses on developing ‘meta-skills’ to equip people with skills in resilience to thrive in a complex and ever-changing world (see Figure 1).

**We need skills for resilience to thrive in a complex and ever-changing world**

![Figure 1: Skills 4.0](https://www.skillsdevelopmentscotland.co.uk/what-we-do/skills-planning/skills4-0)
**Issues and Challenges**

A fit for purpose, skilled workforce will be essential to address the challenges facing Scotland (see Figure 2).

The development of skills that are fit for Scotland now and in the future is essential to achieving a high performing, inclusive and sustainable labour market. To meet these challenges, a step change in how we align skills provision to meet labour market demand is planned.

**Figure 2:**
**Drivers for change**

<table>
<thead>
<tr>
<th>Scotland’s Economy</th>
<th>Scotland’s People</th>
<th>Scotland’s Climate Change Emergency</th>
<th>Scotland’s Resilience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boosting productivity is vital for our long-term prosperity</td>
<td>A tight labour market</td>
<td>Our growth needs to be sustainable</td>
<td>We need skills for resilience to thrive in a complex and ever-changing world</td>
</tr>
</tbody>
</table>

**Scotland’s Skills Issues**

- We need innovative workplaces and skills to boost productivity with employers and employees as active participants in the skills system
- We need to maximise Scotland’s indigenous talent and attract new talent to fill jobs in future. We need to enable all of Scotland’s people to share in the nation’s prosperity
- We need to develop fit for purpose skills to enable Scotland to achieve its ambitious target for greenhouse gas emissions
- We need to develop sector specific skills for the economy and skills for resilience – ‘meta skills’

**To support this we will need:**

Greater flexibility and responsiveness in skills provision to better align with the needs of employers and the Scottish economy

- Investment in upskilling and reskilling throughout individual’s careers to respond to a rapidly changing environment
- More personalised, relevant and flexible work-based pathways

Source: Skills Development Scotland
Scotland’s Skills Alignment Ambition
Skills Alignment (one of the workstreams in the Scottish Government’s Future Skills Action Plan) is focused on improving the skills system in Scotland.

Its purpose is “to ensure that Scotland’s people and businesses are equipped with the right skills to succeed in the economy, not just now but in the future.” To achieve this end, a new joint planning process is in development to align the relevant functions of SDS and the SFC (see Figure 3).

To lead this process a Director of Skills Alignment has recently been appointed and three pilot projects have been established to test approaches in:
• Regions – Glasgow College region; and
• Sectors – Early Years and Child Care and Financial and Professional Services.

Having a robust evidence base is crucial if we are to ensure a fit for purpose skills system. SDS and partners are working to develop evidence on the key strategic issues and challenges for Scotland. This and the evidence contained in the RSAs will help inform Step 1 of this model – the Demand Assessment.

Figure 3: Five-step Skills Alignment model

1. Demand Assessment
2. Provision Planning
3. Outcome Agreements/Commissioning
4. Performance Management/Monitoring
5. Review and Evaluation

Source: Skills Development Scotland
The Edinburgh, East and Midlothian Economy
Regional Skills Assessment 2 The Edinburgh, East and Midlothian Economy

The Edinburgh, East and Midlothian Economy

Current Economic Performance

Gross Value Added (GVA) is a measure of the value of goods and services produced in an area and is an indicator of the economy’s health.

GVA in Edinburgh, East and Midlothian in 2019 was £26.6bn, 19 per cent of Scotland’s output (£138.8bn).

This share of GVA ranks Edinburgh, East and Midlothian as the largest contributing RSA region to the Scottish economy.

In 2019, the highest value sectors in Edinburgh, East and Midlothian were:

- Financial and Insurance Activities, £4.9bn;
- Real Estate Activities, £3.2bn;
- Professional, Scientific and Technical activities, £2.4bn;
- Human Health and Social Work, £2.3bn; and
- Wholesale and Retail, £2.1bn.

Past Economic Performance

From 2009 to 2019 the Edinburgh, East and Midlothian economy, measured by GVA, grew by 1.8 per cent on average each year. This was a higher rate of growth than Scotland, which over the same period experienced 1.4 per cent growth on average each year.

Future Economic Performance

GVA in Edinburgh, East and Midlothian is forecast to grow by 2.2 per cent on average each year from 2019 to 2029. This rate of growth would be above that of Scotland (1.7 per cent) and the UK (2.0 per cent) and would be higher than the average annual growth rate that Edinburgh, East and Midlothian experienced from 2009 to 2019.

Economic growth across Scotland is expected to be relatively modest in the short term, as businesses show their reluctance to invest while operating under Brexit-related uncertainties. Slower GVA growth in Scotland is largely explained by its industrial mix, and specifically, the most dynamic sectors such as high value business services and digital sectors being underrepresented in Scotland compared to the UK.

GVA growth in Edinburgh, East and Midlothian is expected to be driven by the dominant Real Estate sector from 2019 to 2029. The GVA produced by the Real Estate sector is however inflated by owner-occupier imputed rent. Imputed rent captures, economically, the value of the service homeowners are providing to themselves by owning and living in their own home19.

In addition to Real Estate, sectors forecast to have the greatest increases in GVA output are:

- Financial and Insurance Activities, £934.1m;
- Professional, Scientific and Technical Activities, £930.1m;
- Human Health and Social Work, £605.2m; and
- Wholesale and Retail Trade, £475.1m.

When compared to GVA output in 2019, the sectors that had the greatest GVA output in 2019 are expected to have the greatest actual growth from 2019 to 2029.

Percentage change provides an alternative viewpoint for considering the future GVA contribution from sectors. This approach captures sectors that might make smaller GVA contributions but are forecast to grow at a faster rate. The Professional, Scientific and Technical Activities sector is expected to have the greatest rate of GVA growth from 2019 to 2029 in Edinburgh, East and Midlothian. This is one of the largest sectors in 2019 (in economic terms) and it is forecast to have an average annual grow rate of 3.3 per cent. Administrative and Support Service Activities is expected to have fast rate of growth from 2019 to 2029, averaging 3.2 per cent each year up to 2029. Its overall contribution to GVA will however be lower due to its smaller size.

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Fiscal policy is likely to remain tight over the forecast period and, as a result, will weigh on the economic growth prospects for the Public Sector. Public Administration and Defence Activities, Education and Human Health and Social Work are expected to have GVA growth from 2019 to 2029 in Edinburgh, East and Midlothian. The forecast average annual rates of growth are 0.1 per cent, 1.2 per cent and 2.3 per cent respectively (see Figure 4). Growth in Human Health and Social Work will be as a result of increased demand for these services due to changes in the region’s population structure.

Figure 4
Forecast average annual GVA change by Industry (%) (2019 - 2029), Edinburgh, East and Midlothian

Source: Oxford Economics
The key sectors contributing most to GVA growth in Edinburgh, East and Midlothian from 2019 to 2029 are expected to be Financial and Business Services, Health and Social Care and Engineering (see Figure 5). These sectors are expected to have a higher overall contribution to growth as they have a relatively large presence in the regional economy already.

**Figure 5**
Forecast absolute GVA growth by Key Sector (£m) (2019 - 2029), Edinburgh, East and Midlothian

- Financial and business services: £1,526.9
- Health and social care: £605.2
- Engineering: £446.0
- Digital: £378.9
- Creative industries: £354.1
- Construction: £341.0
- Tourism: £269.0
- Life sciences: £191.5
- Energy: £175.3
- Child-day care activities: £85.9
- Food and drink: £26.0
- Chemical sciences: £21.0

Source: Oxford Economics
Looking instead at percentage change for the key sectors for 2019 to 2029, Child-Day Care Activities is forecast to be the fastest growing. It is forecast to grow 4.8 per cent each year on average. This strong outlook reflects the Scottish Government’s childcare policy to double the number of hours of funded childcare by 2020. However, its small size in absolute terms means that its impact on overall growth is limited.

Relatively fast growth is also forecast in the Engineering, Life Sciences, Creative Industries and Digital sectors. However, like Child-Day Care Activities their contribution, except for Engineering, will be lower due to their smaller size relative to the much larger, dominant key sectors in the region currently (see Figure 6).

### Figure 6
**Forecast average annual GVA growth by Key Sector (%) (2019 - 2029), Edinburgh, East and Midlothian**

- Child-day care activities: 4.8%
- Engineering: 2.7%
- Life sciences: 2.6%
- Creative industries: 2.6%
- Digital: 2.6%
- Health and social care: 2.3%
- Construction: 2.2%
- Financial and business services: 2.1%
- Tourism: 2.1%
- Energy: 1.8%
- Food and drink: 1.1%
- Chemical sciences: 1.0%

Source: Oxford Economics
**Productivity**

Productivity is the measure of goods and services produced per unit of labour input. Productivity has been calculated by dividing total regional GVA by total regional employment (measured by jobs).

The productivity of a region is influenced by the industrial mix that is present. Within the same industries productivity may differ from business to business.

Office for National Statistics (ONS) analysis tells us that GVA per worker [productivity] is generally lower in the accommodation and food service activities, administrative and support services activities, and wholesale and retail trade industries than in most other industries. The production sector, by contrast, has relatively high productivity.

Among the service sectors, the professional, scientific and technical activities, financial and insurance activities, and the information and communication sector also tend to have relatively high productivity. Therefore, a relatively high aggregate productivity in a region may sometimes be a reflection of a relatively large share of more productive industries in that location.

In 2019, productivity in Edinburgh, East and Midlothian was £61,700. This was higher than the Scottish average of £50,400 (see Figure 7).

From 2009 to 2019, productivity in Edinburgh, East and Midlothian grew by one per cent on average each year. This rate of growth was slower than what occurred across Scotland. Average annual productivity growth across Scotland was 1.3 per cent over the period. The equivalent for the UK was 0.8 per cent.

Productivity in Edinburgh, East and Midlothian is forecast to grow at an average of 1.3 per cent per year from 2019 to 2029. This is below the growth rate expected for Scotland as a whole (1.4 per cent), and below that of the UK (1.5 per cent).

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**Figure 7**

**Productivity (2019)**

<table>
<thead>
<tr>
<th>Region</th>
<th>Productivity (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scottish Borders</td>
<td>£37,900</td>
</tr>
<tr>
<td>South of Scotland</td>
<td>£38,700</td>
</tr>
<tr>
<td>Dumfries and Galloway</td>
<td>£39,400</td>
</tr>
<tr>
<td>Ayrshire</td>
<td>£40,300</td>
</tr>
<tr>
<td>Lanarkshire</td>
<td>£44,000</td>
</tr>
<tr>
<td>Glasgow College Region</td>
<td>£44,700</td>
</tr>
<tr>
<td>Highlands and Islands</td>
<td>£44,900</td>
</tr>
<tr>
<td>West</td>
<td>£47,000</td>
</tr>
<tr>
<td>Scotland</td>
<td>£50,400</td>
</tr>
<tr>
<td>Forth Valley</td>
<td>£50,800</td>
</tr>
<tr>
<td>Fife</td>
<td>£52,300</td>
</tr>
<tr>
<td>West Lothian</td>
<td>£52,500</td>
</tr>
<tr>
<td>Tayside</td>
<td>£53,900</td>
</tr>
<tr>
<td>Aberdeen City and Shire</td>
<td>£60,600</td>
</tr>
<tr>
<td>Edinburgh, East and Midlothian</td>
<td>£61,700</td>
</tr>
</tbody>
</table>

Source: Oxford Economics

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Employment in Edinburgh, East and Midlothian
**Employment in Edinburgh, East and Midlothian**

**Current Employment**

Total employment in Edinburgh, East and Midlothian (measured by jobs) was estimated to be 430,700 in 2019, 16 per cent of Scottish employment.

The employment rate for the working age population (aged 16-64) in Edinburgh, East and Midlothian was 78.0 per cent, which was above the rate for Scotland (74.5 per cent). Compared to Scotland, the region had above average employment rates for:

- Young people (aged 16-24), 61.8 per cent compared to 58.3 per cent;
- Males, 83.8 per cent compared to 78.1 per cent;
- Females, 72.7 per cent compared to 71.1 per cent; and
- Disabled people, 52.6 per cent compared to 45.9 per cent.

The employment rate for ethnic minorities was lower in Edinburgh, East and Midlothian compared to Scotland, 56.7 per cent compared to 57.4 per cent.22

The region’s overall employment rate means that approximately two in ten of the region’s working age population were unemployed (4.4 per cent) or economically inactive (18.4 per cent). Inactivity includes people who are studying, retired or looking after their family or home.

Across Scotland and within the region full-time jobs were most numerous, 299,200 jobs (69 per cent) were full-time in Edinburgh, East and Midlothian in 2019. This was a higher percentage share compared to Scotland where 68 per cent of jobs were full-time.

Within the region almost two thirds of full-time jobs (189,500; 63 per cent) were held by males, and approximately one third (109,700; 37 per cent) were held by females.

Part-time jobs accounted for a lower percentage share of employment in the region compared to Scotland, 31 per cent compared to 32 per cent. Overall there were 131,500 part-time jobs in Edinburgh, East and Midlothian. Females accounted for more than two thirds of these jobs (88,600; 67 per cent), whilst males accounted for 33 per cent, 42,800 jobs (see Figure 8).

**Figure 8**

*Employment by gender and full-time/part-time (2019), Edinburgh, East and Midlothian*

Source: Oxford Economics

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21 Equalities Act (EA) Core Disabled
22 Employment rate figures from Annual Population Survey, April 2018 – March 2019
23 Employment rate, unemployment rate and economic inactivity rate may not sum to 100 due to rounding.
In Edinburgh, East and Midlothian, the largest employing sectors, and their regional share of employment, in 2019 were (see Figure 9):

- Human Health and Social Work, 14 per cent;
- Wholesale and Retail Trade, 12 per cent;
- Education, ten per cent;
- Professional, Scientific and Technical Activities, also ten per cent;
- Accommodation and Food Services, nine per cent; and
- Financial and Insurance activities, eight per cent.

Real Estate Activities, the sector that made the second greatest GVA contribution in 2019 (irrespective of the imputed rent consideration) accounted for a small share of regional employment. The sector accounted for 6,100 jobs, a one per cent share.

**Figure 9**
Employment by Industry and share of total employment (2019), Edinburgh, East and Midlothian

Source: Oxford Economics
Large sectors are an important source of jobs, however regions also have sectoral strengths that make them unique. It means that smaller sectors can be more important than their size suggests as they are more concentrated in the region compared to the national average. In Edinburgh, East and Midlothian, Financial and Insurance Activities was the greatest specialism with the percentage of employment in this sector two and a half times greater than the Scottish average. Other sectors that had above average concentrations in Edinburgh, East and Midlothian were Information and Communication (1.7 times more concentration), Professional, Scientific and Technical Activities (1.3 times more concentration) and Education (1.3 times more concentration). The attraction of Edinburgh, East and Midlothian as a destination for tourists is also likely to have contributed to the increased presence of the Accommodation and Food Services and Art, Entertainment and Recreation sectors in the region. These sectors were both 1.2 times more concentrated in the region.

Of the key sectors, Financial and Business Services, as might be expected given the sectoral insight above, was the largest in Edinburgh, East and Midlothian in 2019. The sector accounted for 63,600 jobs. Health and Social Care was the second largest with a total of 61,600 jobs (see Figure 10).

**Figure 10**
Employment by Key Sector and share of total employment (2019), Edinburgh, East and Midlothian

<table>
<thead>
<tr>
<th>Sector</th>
<th>Employment (2019)</th>
<th>Share of Total Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial and business services</td>
<td>63,600; 15%</td>
<td></td>
</tr>
<tr>
<td>Health and social care</td>
<td>61,600; 14%</td>
<td></td>
</tr>
<tr>
<td>Tourism</td>
<td>38,500; 9%</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>24,700; 6%</td>
<td></td>
</tr>
<tr>
<td>Creative industries</td>
<td>24,300; 6%</td>
<td></td>
</tr>
<tr>
<td>Digital</td>
<td>20,000; 5%</td>
<td></td>
</tr>
<tr>
<td>Engineering</td>
<td>19,500; 5%</td>
<td></td>
</tr>
<tr>
<td>Child-day care activities</td>
<td>5,300; 1%</td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>5,200; 1%</td>
<td></td>
</tr>
<tr>
<td>Food and drink</td>
<td>4,600; 1%</td>
<td></td>
</tr>
<tr>
<td>Life sciences</td>
<td>4,500; 1%</td>
<td></td>
</tr>
<tr>
<td>Chemical sciences</td>
<td>500; 0%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Oxford Economics
Sectors tell us about the industries that people work in, and occupations provide insight on the type of jobs people do. In 2019, more than half of all occupations (54 per cent) in Edinburgh, East and Midlothian were ‘higher level’, 25 per cent were ‘mid-level’ and 21 per cent were ‘lower level’. Compared to Scotland, the occupational structure of Edinburgh, East and Midlothian had a greater percentage of the workforce in ‘higher level’ occupations and fewer in ‘lower level’ occupations. Scotland had a smaller percentage in ‘higher level’ (45 per cent) and higher percentage in ‘lower-level’ (30 per cent) occupations, while the percentage of workforce in ‘mid-level’ occupations was the same in Edinburgh, East and Midlothian and Scotland.

A detailed look at the occupational structure shows that the largest occupations in the region in 2019 were (see Figure 11):

- Science and Technology Professionals, ten per cent;
- Business and Public Service Professionals, nine per cent;
- Clerical and Services Elementary Occupations, also nine per cent;
- Business and Public Service Associate Professionals, eight per cent; and
- Administrative Occupations, also eight per cent.

### Figure 11
Employment by occupation and share of total employment (2019), Edinburgh, East and Midlothian

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Employment (2019)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Science and Technology Professionals</td>
<td>43,500</td>
<td>10%</td>
</tr>
<tr>
<td>Business and Public Service Professionals</td>
<td>37,300</td>
<td>9%</td>
</tr>
<tr>
<td>Clerical and Services Elementary Occupations</td>
<td>37,100</td>
<td>9%</td>
</tr>
<tr>
<td>Business and Public Service Associate Professionals</td>
<td>35,400</td>
<td>8%</td>
</tr>
<tr>
<td>Administrative Occupations</td>
<td>33,600</td>
<td>8%</td>
</tr>
<tr>
<td>Caring Personal Service Occupations</td>
<td>25,500</td>
<td>6%</td>
</tr>
<tr>
<td>Corporate Managers</td>
<td>24,500</td>
<td>6%</td>
</tr>
<tr>
<td>Teaching and Research Professionals</td>
<td>23,600</td>
<td>6%</td>
</tr>
<tr>
<td>Sales Occupations</td>
<td>21,900</td>
<td>5%</td>
</tr>
<tr>
<td>Health Professionals</td>
<td>19,500</td>
<td>5%</td>
</tr>
<tr>
<td>Customer Service Occupations</td>
<td>12,900</td>
<td>3%</td>
</tr>
<tr>
<td>Skilled Construction and Building Trades</td>
<td>10,700</td>
<td>3%</td>
</tr>
<tr>
<td>Science and Technology Associate Professionals</td>
<td>10,500</td>
<td>3%</td>
</tr>
<tr>
<td>Health and Social Welfare Associate Professionals</td>
<td>9,700</td>
<td>2%</td>
</tr>
<tr>
<td>Skilled Metal and Electrical Trades</td>
<td>9,100</td>
<td>2%</td>
</tr>
<tr>
<td>Leisure and Other Personal Service Occupations</td>
<td>9,000</td>
<td>2%</td>
</tr>
<tr>
<td>Transport and Mobile Machine Drivers and Operatives</td>
<td>8,800</td>
<td>2%</td>
</tr>
<tr>
<td>Secretarial and Related Occupations</td>
<td>8,600</td>
<td>2%</td>
</tr>
<tr>
<td>Managers and Proprietors in Agriculture and Services</td>
<td>8,500</td>
<td>2%</td>
</tr>
<tr>
<td>Culture, Media and Sports Occupations</td>
<td>8,400</td>
<td>2%</td>
</tr>
<tr>
<td>Textiles, Printing and Other Skilled Trades</td>
<td>7,500</td>
<td>2%</td>
</tr>
<tr>
<td>Protective Service Occupations</td>
<td>5,900</td>
<td>1%</td>
</tr>
<tr>
<td>Process, Plant and Machine Operatives</td>
<td>4,000</td>
<td>1%</td>
</tr>
<tr>
<td>Trades, Plant and Storage Elementary Occupations</td>
<td>2,100</td>
<td>0%</td>
</tr>
<tr>
<td>Skilled Agricultural Trades</td>
<td>2,100</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: Oxford Economics
**Past Employment**

Employment in Edinburgh, East and Midlothian increased by 7.5 per cent from 2009 to 2019. This was largely caused by expansion in prominent, large employing sectors including:

- Human Health and Social Work Activities, 6,900 jobs;
- Accommodation and Food Service Activities, 6,300 jobs; and
- Administrative and Support Service Activities, 5,800 jobs.

Whilst these sectors experienced growth, other sectors contracted. The greatest absolute contraction occurred in the Financial and Insurance Activities sector in Edinburgh, East and Midlothian. Compared to 2009, there were 8,300 fewer jobs in the sector in 2019. Decreases also occurred in Construction (-2,100 jobs) and Agriculture, Forestry and Fishing (-900 jobs).

Beyond the sectors, other shifts in the region’s labour market have occurred. Full-time and par-time employment increased by 11,500 jobs and 18,500 jobs from 2009 to 2019 respectively. Male and female employment also increased by 24,200 jobs and 5,900 jobs respectively.

**Employment Forecast**

The employment growth that has occurred in Edinburgh, East and Midlothian in the past is forecast to continue. From 2019 to 2029 employment growth of 9.3 per cent is forecast in the region. This equates to 0.9 per cent employment growth year to year, and 40,300 jobs in total over the forecast period. Compared to Scotland, this is a faster rate of growth and more than three times what is expected across Scotland. A three per cent increase in employment, or 0.3 per cent growth annually, over the forecast period is expected for Scotland. The growth rate for the UK is also slower than the region’s, a five per cent increase, or 0.5 per cent annual change, is forecast.

The employment forecast for the local authorities within Edinburgh, East and Midlothian shows a positive outlook. The City of Edinburgh and Midlothian local authorities are forecast to have a net increase in the number of jobs over the forecast period. Both are expected to have an annual average increase of 0.9 per cent. East Lothian is also forecast to have a net increase with an annual average increase of 0.5 per cent.

Over the period to 2029, full-time employment is expected to increase in Edinburgh, East and Midlothian with 25,300 more full-time jobs in 2029 compared to 2019. Both male and female full-time employment will increase, by 15,300 and 10,000 jobs respectively. Part-time employment is also expected to increase by 14,900 jobs. Both male and female part-time employment will increase, by 5,700 and 9,300 jobs respectively (see **Figure 12**).

**Figure 12**

**Forecast employment change, by gender and full-time/part-time (2019 - 2029), Edinburgh, East and Midlothian**

<table>
<thead>
<tr>
<th></th>
<th>Full-time</th>
<th>Part-time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>5,700</td>
<td>15,300</td>
</tr>
<tr>
<td>Female</td>
<td>9,300</td>
<td>10,000</td>
</tr>
</tbody>
</table>

Source: Oxford Economics
Although employment is forecast to increase in Edinburgh, East and Midlothian from 2019 to 2029, sectors will have varying performance. The greatest growth in jobs is forecast in Professional, Scientific and Technical Activities sector, with 8,200 more jobs expected in the sector by 2029 compared to 2019. Other sectors forecast to have growth in excess of 6,000 jobs over the forecast period are Human Health and Social Work Activities (7,700 jobs) and Administration and Support Services (6,400 jobs).

Employment growth is also forecast in Edinburgh, East and Midlothian’s public services sector. Public Administration and Defence is forecast to contract by 300 jobs over the forecast period due to continued pressure on public finances. However, this will be offset by the growth mentioned in the Health and Social Work sector and a further 4,200 jobs in Education by 2029.

Job losses in Edinburgh, East and Midlothian are also forecast in some sectors, notably in the production and Finance and Business Services sectors. Manufacturing is the sector forecast to have the greatest number of job losses from 2019 to 2029. During the forecast period a decline of 2,100 jobs is anticipated. This reflects the general trend of more capital intensive and higher value-added activity in the sector, which requires less labour-intensive methods. The Financial and Insurance Activities sector is also expected to contract by 1,100 jobs (see Figure 13).

24 Comprising Public administration and defence, Education, and Human health and social work.

### Figure 13
Forecast employment change by Industry (2019 - 2029), Edinburgh, East and Midlothian

Source: Oxford Economics
The growth and contraction of employment by sector means that Private Services\textsuperscript{25} are expected to account for a larger share of jobs in Edinburgh, East and Midlothian over the forecast period. The percentage is forecast to rise from 60 per cent in 2019 to 61 per cent in 2029. In 2019 the Construction sector accounted for four per cent of employment and this share is expected to increase by one percentage point by 2029. The share that the Public Services, Primary Industries and Manufacturing sectors each account for is expected to decline by one percentage point over the forecast period to 30 per cent, one per cent and two per cent in 2029 respectively.

Looking ahead, the outlook for the key sectors largely echoes the broad sector trends summarised above – with Health and Social Care forecast to have the greatest growth (7,700 jobs). Financial and Business Services, the largest key sector in 2019 is forecast to grow by 5,100 jobs from 2019 to 2029 in Edinburgh, East and Midlothian.

A number of other key sectors will experience growth over the forecast period, including:
- Tourism, 4,900 jobs;
- Construction, 4,200 jobs;
- Child-Day Care Activities, 2,300 jobs;
- Creative Industries, 2,000 jobs; and
- Engineering, 1,700 jobs.

Food and Drink is the key sector forecast to have the greatest employment decline in Edinburgh, East and Midlothian, with 200 fewer jobs in 2029 compared to 2019 expected (see Figure 14).

\textsuperscript{25} N.B. ‘private services’ comprise the following sectors: wholesale and retail trade; transportation and storage; accommodation and food services; information and communication; financial and insurance activities; real estate activities; profess., scientific and technical activities; administrative and support services; arts, entertainment and recreation; and other service activities.
By occupation, Business and Public Service Professionals and Business and Public Service Associate Professionals are forecast to experience the greatest increase in employment in Edinburgh, East and Midlothian from 2019 to 2029 (of 5,000 and 3,900 workers respectively). Growth in these occupations is closely related to the forecast rise in employment in the Financial and Business services and public sectors.

Other occupations anticipated to have an increase that is relatively large for the region are:
- Clerical and Service Elementary Occupations, 3,700 workers;
- Science and Technology Professionals, also 3,700 workers;
- Caring Personal Service Occupations, 3,400 workers; and
- Corporate Managers, 2,700 workers.

Occupations likely to contract over the next decade tend to be those most closely associated with Manufacturing and Public Administration and Defence, reflecting the declining numbers of jobs in each of these sectors. The decline is forecast in Protective Service Occupations (-100 people) and Skilled Metal and Electrical Trades (-100 people) (see Figure 15).

Figure 15
Forecast employment change by occupation (2019 - 2029), Edinburgh, East and Midlothian

Source: Oxford Economics
Total Labour Market Requirement in Edinburgh, East and Midlothian
Total Labour Market Requirement in Edinburgh, East and Midlothian

Total Requirement

In the previous sections we presented what has happened, is happening and what is forecast to happen in Edinburgh, East and Midlothian economy and labour market. When looking at the labour market, we have until this section focused on how many jobs there will be in any given year and how that compares to another year. However, the labour market is more complex than this.

In this section, we provide greater insight on job openings. To do this we consider the jobs that will be created or lost due to expansion or contraction in the labour market and the jobs that will arise due to people leaving the labour market. People leave the labour market and jobs become vacant for a variety of reasons, retirement being the most common cause. This is called the replacement requirement.

In Edinburgh, East and Midlothian, 201,000 job openings are forecast from 2019 to 2029. In the region, and as shown in the previous chapter, 40,300 jobs are forecast to be created from 2019 to 2029 due to expansion in the labour market. A further 160,800 job openings will arise due to the replacement requirement.

These opportunities are expected to be concentrated in a small number of sectors, with four sectors in Edinburgh, East and Midlothian forecast to account for more than half (57 per cent) of the requirement. These are (see Figure 16):

- Wholesale and Retail Trade, 35,400 jobs;
- Administrative and Support Service Activities, 26,700 jobs;
- Accommodation and Food Services, 26,600 jobs; and
- Human Health and Social Work, 26,000 jobs.

These sectors were the largest in the region in 2019 except for Administrative and Support Service Activities.

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26 Job openings can be full or part time and the job openings forecast could be higher or lower in reality. Please note that throughout this section totals may not equal the sum of constituent parts due to rounding.

27 Figures are rounded to the nearest 100 and as a result totals may not equal the sum of the constituent parts.
Figure 16
Forecast net requirement by Industry (2019 - 2029), Edinburgh, East and Midlothian

Source: Oxford Economics
To fill these jobs, and others, there is a forecast requirement for 193,800 people in the region from 2019 to 2029. The difference between the people and job requirements is due to some people having more than one job, for example someone who has two part-time jobs. The number of people working in Edinburgh, East and Midlothian is expected to increase by 37,300 over the forecast period. There will also be an expected replacement requirement of 160,800 people.

By occupation, the greatest number of people are forecast to be required in (see Figure 17):

- Clerical and Service Elementary Occupations, 24,500 people;
- Teaching and Research Professions, 21,800 people;
- Science and Technology Professionals, 21,200 people;
- Business and Public Service Professionals, 19,900 people; and
- Sales Occupations, 15,300 people.

Figure 17
Forecast net requirement by occupation (2019 - 2029), Edinburgh, East and Midlothian

Source: Oxford Economics
Supply of People in Edinburgh, East and Midlothian
Supply of People in Edinburgh, East and Midlothian

Projection of Total Population

NRS produce population estimates for Scotland biennially. Their 2016 based forecasts cover the period up to 2041, so in this chapter we present a longer forecast period than the previous chapters.

In 2016, the population of the Edinburgh, East and Midlothian was 699,900, 13 per cent of Scotland’s population.

By age, the largest group in Edinburgh, East and Midlothian were people of working age (16-64 years). There were 473,900 people in this age group, 68 per cent of the region’s population. Whilst it was the largest group, people of working age across Scotland accounted for a smaller share of the population overall (65 per cent).

The number of people of working age compared to those of non-working age has implications for the region’s dependency ratio. The dependency ratio is important when considering the demand for public services, for example schools and healthcare services, and the funds available to provide these services, the income from taxes and National Insurance. In 2016, the dependency ratio in Edinburgh, East and Midlothian was 48 per cent. This means that for every 100 people of working age, there were 48 people of non-working age. Across Scotland it was 55 per cent.

Of those who were in age groups thought to be dependent, children and young people were the largest. There were 113,200 people aged 0-15 who accounted for 16 per cent of the region’s population. Across Scotland those aged 0-15 accounted for 15 per cent of the population, this along with the information on the working age population suggests an overall younger population in Edinburgh, East and Midlothian.

The oldest age group (65 or older) accounted for the remaining 16 per cent, there were 112,700 individuals in this age group (see Figure 18).

Brexit has placed an increased focus on the nationality of people living and working in the UK. It has the potential to discourage EU migrants from coming to the UK to live and work, either through choice or eligibility. Migration is important to Scotland as without it the population would be declining. In Edinburgh, East and

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**Figure 18**

Population by age (2016), Edinburgh, East and Midlothian and Scotland

![Population by age](image_url)

The oldest age group (65 or older) accounted for the remaining 16 per cent, there were 112,700 individuals in this age group (see Figure 18).

Brexit has placed an increased focus on the nationality of people living and working in the UK. It has the potential to discourage EU migrants from coming to the UK to live and work, either through choice or eligibility. Migration is important to Scotland as without it the population would be declining. In Edinburgh, East and Midlothian...
Midlothian, there were 65,000 people who were born in the EU and a further 55,000 from the rest of the world in 2018. The EU born population accounted for nine per cent of the region’s population, and eight per cent of the region’s population were born elsewhere in the world. Compared to Scotland a greater percentage of the region’s population were born in the EU or elsewhere in the world. Across Scotland four per cent of the population were born in the EU, and four per cent were born in other countries outside of the EU.

From 2016 to 2041, the population of Edinburgh, East and Midlothian is projected to increase by approximately 122,200 people. Equating to a 17 per cent increase, this is over three times the projected growth rate for Scotland, of five per cent over the same period.

The age structure of the region’s population is projected to change over the coming decades. Those of working age are expected to continue to account for the majority of the population, although decreasing to a 64 per cent share. The number of people of working age is expected to increase, from 473,900 people in 2016 to 522,500 people in 2041 (an increase of 48,600 people), as a percentage of the overall population, it nonetheless represents a decrease.

The largest increases are expected in the 65 or older age groups, with an 85 per cent increase projected for those aged 75+ (an additional 43,900 people) and 32 per cent among those aged 65-74 (an additional 19,700 people). Taken together, the increase in the 65+ age group (63,600 people in total) is greater than the increase in the working age population (48,600 people).

The only age group forecast to decline over the period is those aged 16-29, with a three per cent (-5,100 people) decline forecast.

These shifts suggest that the region could have a larger and generally older population by 2041. This has implications for the region’s dependency ratio. Brexit may also affect the population structure and exacerbate any challenges. By 2041, the region’s dependency ratio is expected to increase to 57 per cent. Ranging across the region from 51 per cent in City of Edinburgh (the third lowest of all local authorities) to 79 per cent in East Lothian. Across Scotland the dependency ratio is expected to rise to 70 per cent (see Figure 19).

### Figure 19
Dependency ratio (2016 and 2041)

<table>
<thead>
<tr>
<th>Region</th>
<th>2016</th>
<th>2041</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glasgow College Region</td>
<td>57%</td>
<td>57%</td>
</tr>
<tr>
<td>Edinburgh, East and Midlothian</td>
<td>57%</td>
<td>57%</td>
</tr>
<tr>
<td>Aberdeen City and Shire</td>
<td>51%</td>
<td>55%</td>
</tr>
<tr>
<td>Scotland</td>
<td>70%</td>
<td>71%</td>
</tr>
<tr>
<td>West Lothian</td>
<td>55%</td>
<td>56%</td>
</tr>
<tr>
<td>Forth Valley</td>
<td>74%</td>
<td>74%</td>
</tr>
<tr>
<td>Tayside</td>
<td>74%</td>
<td>76%</td>
</tr>
<tr>
<td>Lanarkshire</td>
<td>76%</td>
<td>76%</td>
</tr>
<tr>
<td>West</td>
<td>78%</td>
<td>85%</td>
</tr>
<tr>
<td>Fife</td>
<td>63%</td>
<td>63%</td>
</tr>
<tr>
<td>Highlands and Islands</td>
<td>68%</td>
<td>68%</td>
</tr>
<tr>
<td>Ayrshire</td>
<td>94%</td>
<td>95%</td>
</tr>
<tr>
<td>Dumfries and Galloway</td>
<td>95%</td>
<td>95%</td>
</tr>
<tr>
<td>South of Scotland</td>
<td>59%</td>
<td>74%</td>
</tr>
<tr>
<td>Scottish Borders</td>
<td>57%</td>
<td>78%</td>
</tr>
</tbody>
</table>

Source: National Records of Scotland
Skills Shortages, Gaps and Challenges in Edinburgh, East and Midlothian
Skills Shortages, Gaps and Challenges in Edinburgh, East and Midlothian

The Employer Skills Survey (ESS) gathered information on the skills challenges that employers encountered when recruiting, and any challenges that they had within their existing workforces. It is the primary source for this insight as it has taken a consistent approach across sectors and regions. The survey covered:
• Recruitment and skill-shortage vacancies;
• Skills gaps in the existing workforce;
• Skills under-utilisation;
• Upskilling - the need for staff to acquire new skills or knowledge;
• Training and workforce development; and
• High Performance Working practices.

The insight presented here is from the 2017 ESS which covered Scotland, England, Wales and Northern Ireland. The next ESS will be published in 2020 and unlike previous years, Scotland’s results will be published by the Scottish Government. Future ESS results for England, Wales and Northern Ireland will still be available and will be published by the UK Government.

Skills Shortages
Skills shortages are challenges that arise when employers are recruiting but are unable to find applicants with the required skills. When a vacancy cannot be filled due to a shortage of skills it is a skill-shortage vacancy (SSV). SSVs impact on the workplace and workforce in a number of ways, including:
• Increasing the workload for other staff;
• Creating difficulties when trying to meet customer service objectives; and
• Increasing operating costs.

In 2018, skills shortages were estimated to have cost Scottish employers £361.3 million, roughly £17,000 per organisation28.

To understand the scale of the challenge that they present we can consider their incidence (how many employers are experiencing the challenge) and their density (how many vacancies are affected).

In 2017, the number of employers reporting at least one SSV in Edinburgh, East and Midlothian was seven per cent, compared to six per cent for Scotland. This suggests a challenge that extends further across the region’s labour market compared to Scotland’s. The incidence of SSVs in the region was lower in 2015 (six per cent), whereas across Scotland the incidence of SSVs has remained the same (six per cent) in 2015 and 2017.

Density, which indicates how many vacancies were SSVs, was lower in Edinburgh, East and Midlothian than Scotland in 2017 and 2015. In 2017, density in the region was 21 per cent, an increase from 17 per cent in 2015. Across Scotland, density was 24 per cent in 2015 and 2017. Whilst lower than Scotland, this suggests that employers in the region were facing difficulties across a number of roles (see Figure 20).
Across Scotland, to overcome SSVs, the most common responses employers took were to:
• Increase their expenditure on advertising and recruitment;
• Use new recruitment methods; and
• Redefine existing jobs.

Skills are not the only reason employers can find it difficult to fill vacancies. Other factors like hours and location, can make it hard to fill vacancies.

In Edinburgh, East and Midlothian, 52 per cent of employers tried to recruit non-UK nationals to overcome hard to fill vacancies, compared to 41 per cent across Scotland. Of these employers and compared to employers across Scotland, a smaller percentage in Edinburgh, East and Midlothian sought to recruit EU nationals as a response to recruitment challenges (72 per cent, compared to 89 per cent). Any changes to migration policy as a result of Brexit will affect all regions in Scotland and challenges might be greatest for employers who are reliant on sourcing talent from overseas.

Most employers took action to overcome SSVs, however 11 per cent of Scottish employers in 2017 took no action.
Skills Gaps
Skills gaps arise when existing employees are not fully proficient as they do not have all the skills necessary for their role—these can be people, personal, practical and/or technical skills. Similar to skills shortages, we consider the incidence (how many employers have at least one person not fully proficient) and density (how many employees are not fully proficient). Skills gaps have similar impacts to SSVs and can slow down innovation in the workplace. Across Scotland, the most common causes of skills gaps were:

- Employees being new to their role, or training being incomplete;
- A lack of staff motivation; and
- An inability to recruit staff with the required skills, creating a need to upskill employees/recruits.

In 2017, the number of employers who reported a skills gap in at least one employee was 16 per cent in the Edinburgh, East and Midlothian, the same as across Scotland. Since 2015, the incidence of skills gaps in the region has increased. In 2015, 13 per cent of employers experienced a skills gaps, which was the same percentage as in Scotland.

Overall, 4.2 per cent of the workforce in Edinburgh, East and Midlothian had a skills gap in 2017. This was an increase from 3.2 per cent in 2015, and below the Scottish rate of 5.0 per in 2017 and 4.9 per cent in 2015. This, alongside the insight on incidence, suggests that skills gaps were as far reaching in the Edinburgh, East and Midlothian as in Scotland, however, the concentration of skills gaps in the workforce was lower in Edinburgh, East and Midlothian than in Scotland (see Figure 21).

Across Scotland employers responded to skills gaps by:

- Increasing their expenditure on training, expanding trainee programmes and/or increasing training activity;
- Implementing more staff supervision; and
- Implementing a mentoring or buddy scheme.

**Figure 21**
Skills Gaps (2015 and 2017), Edinburgh, East and Midlothian

<table>
<thead>
<tr>
<th>Percentage of employers with a Skills Gap</th>
<th>Percentage of the workforce with a Skills Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>13%</td>
<td>3.2%</td>
</tr>
<tr>
<td>16%</td>
<td>4.2%</td>
</tr>
</tbody>
</table>

Source: Employer Skills Survey
Most employers in Edinburgh, East and Midlothian acted to overcome skills gaps, and 16 per cent sought to recruit non-UK nationals as a response, compared to 15 per cent across Scotland. Of these employers and compared to employers across Scotland, a greater percentage in Edinburgh, East and Midlothian sought to recruit EU nationals as a response to skills gaps challenges (99 per cent, compared to 93 per cent).

Most employers took action to overcome SSVs, however 15 per cent of Scottish employers took no action in 2017.

**Skills Under-Utilisation**

Employees are under-utilised if they have skills and qualifications more advanced than what is needed for their role. Addressing skills under-utilisation is important. In 2012 the economic cost to the UK of skills under-utilisation was estimated to be between £12-25bn. If skills-utilisation was on a par with the levels observed in Germany or France, UK GDP would be £5-9bn higher\(^9\). There are implications for individuals too, having their skills under-utilised can impact on their income, health and wellbeing\(^{30}\).

Similar to SSVs and skills gaps we can understand the incidence (how many employers have under-utilised employees) and density of the challenge (how many employees are under-utilised).

The number of employers reporting skills under-utilisation in their workforce was the same in Edinburgh, East and Midlothian in 2017 as in Scotland, both 35 per cent. This suggests that more than one third of employers in the region had skills and talent going unused. Skills under-utilisation decreased in the region from 2015 to 2017, from 36 per cent. Whilst it increased across Scotland, from 32 per cent.

The proportion of staff under-utilised increased in the region, from 6.2 per cent in 2015 to 10.4 per cent in 2017. Across Scotland, the percentage of staff under-utilised also increased from 7.9 per cent to 9.2 per cent which suggests a skills challenge that is growing in the region and across Scotland (see Figure 22).
Upskilling
Skills are gained throughout life, and a need to upskill can arise due to:
• New legislative or regulatory requirements;
• The introduction of new technologies, equipment or working practices;
• Increased competitive pressure;
• The development of new products and services; and more recently
• The UK’s decision to leave the EU.

A need to upskill employees in the next 12 months was anticipated by 75 per cent of employers in Edinburgh, East and Midlothian (as of 2017). This was higher than the percentage of employers across Scotland who anticipated a need to upskill (69 per cent). Within the region, operational skills were the most commonly mentioned development area. More than a half of the employers who identified development needs mentioned these (59 per cent). The need to upskill operational skills was higher in the region compared to Scotland (57 per cent). Fewer employers in the region expected a need to upskill the complex analytical and digital skills of their employees (57 per cent and 56 percent respectively). The need to upskill complex analytical and digital skills was higher in the region than across Scotland (44 per cent and 49 per cent respectively). The evidence suggests that more employers in the Edinburgh, East and Midlothian expect to upskill their workforce in the next twelve months, with the requirement occurring across a number of skill areas (see Figure 23).

Figure 23
Employers anticipating a need to upskill by type of skill (2017), Edinburgh, East and Midlothian and Scotland

Source: Employer Skills Survey
Conclusion
Conclusion

In 2019 Edinburgh, East and Midlothian made a GVA contribution to the Scottish economy of £26.6bn, 19 per cent of Scotland’s output (£138.8bn). Looking ahead, the economy is forecast to grow by 2.2 per cent on average each year up to 2029. This would be faster growth than what is forecast across Scotland, it would also be higher than the average annual growth rate that Edinburgh, East and Midlothian experienced from 2009 to 2019. The forecast however reflects a point in time and the high levels of economic uncertainty could change the outlook.

Total employment in Edinburgh, East and Midlothian (measured by jobs) was estimated to be 430,700 in 2019, 16 per cent of Scottish employment. Employment in the region increased from 2009 to 2019, and the forecast suggests that growth will continue in the future from 2019 to 2029. The three sectors forecast to have the greatest jobs growth are:

- Professional, Scientific and Technical Activities, 8,200 jobs;
- Human Health and Social Work, 7,700 jobs; and
- Administration and Support Services, 6,400 jobs.

As the region’s share of Scotland’s GVA was higher in 2019 than its share of employment, productivity performance was above average. Productivity was £61,700 in Edinburgh, East and Midlothian compared to £50,400 across Scotland.

The employment growth forecast will create 40,300 new jobs in the region and the need to replace workers leaving the labour market will create further 160,800 opportunities. Vacancies arising due to the replacement requirement far outweigh those created by growth.

To fill these jobs, and others, there is a forecast requirement for 193,800 people in the region from 2019 to 2029. The difference between the people and job requirements is due to some people having more than one job, for example someone who has two part-time jobs.

By occupation, the greatest number of people are forecast to be required in:

- Clerical and Service Elementary Occupations, 24,500 people;
- Teaching and Research Professions, 21,800 people;
- Science and Technology Professionals, 21,200 people;
- Business and Public Service Professionals, 19,900 people; and
- Sales Occupations, 15,300 people.

Whilst there will be demand for people to fill jobs, the population projection suggests that Edinburgh, East and Midlothian could have a larger and generally older population by 2041. This presents a number of challenges:

- Skills challenges could be exacerbated by a deficit of talent, created due to the growth of people reaching retirement age being greater than growth of the working age population;
- Pressures on public finances and services could increase due to a growing dependency ratio, the region’s dependency ratio is expected to reach 57 per cent by 2041, up from 48 per cent in 2016; and
- Migration has been a driver of population growth across Scotland and an important source of skilled labour. In Edinburgh, East and Midlothian, 17 per cent of the region’s population were born outside of the UK, changes to migration policy arising from Brexit could adversely affect future migration to the region and also impact on those who have already settled.

To address the current and future challenges in the labour market, and to make the most of the region’s strengths SDS is working in partnership with others on a range of actions.

The City of Edinburgh Council, East Lothian Council and Midlothian Council are represented on the Edinburgh...
and South East Scotland City Region Deal governance structures, including the Integrated Regional Employability and Skills (IRES) Board.

The Edinburgh Partnership provides an over-arching Community Planning Framework to strengthen, co-ordinate and simplify partnership working in the city. It brings together public, community, voluntary and business sectors to deliver a better quality of life in Edinburgh. The Executive comprises the chief officers of the city’s public-sector agencies and chair of the Compact Partnership. The Compact Partnership seeks to improve relationships between the public sector and third sector.

The East Lothian Connected Economy Group seeks to improve the prosperity of East Lothian by promoting economic and skills development. It will lead a culture of collaboration across sectors and maximise the creativity, knowledge and skills and resources of partner organisations and communities. The Midlothian Council Community Planning Partnership and Improving Opportunities for the people of Midlothian Strategic Group comprise a mixture of public, private and third sector organisations, and seek to improve skills, training and employment opportunities for Midlothian’s residents.

The Developing Young Workforce Group for Edinburgh, East and Midlothian seeks to engage with employers to help support young people into education, training and employment. Opportunities are listed through The Guarantee website.

The IRES Board leads on seven key work streams and is worth £25m. This underpinning private, public and third sector partnership is a key way in which partners intend to embed Inclusive Growth practices in the city regional labour market and evolving policy and practice. The projects include Integrated Knowledge Systems; Integrated Employer Engagement; Intensive Family Support; Labour Market Analysis and Evaluation; Data Driven Innovation Skills Gateway; Housing and Infrastructure Skills Gateway and Workforce Mobility. More details on the projects are available on the IRES website.

The Edinburgh and South East Scotland Regional Skills Investment Plan was launched in October 2017 has seven underpinning actions. These focus on building capacity and an evidence base to underpin regional skills planning and investment; ensuring skills opportunities are maximized across all City Region Deal workstreams; establishing clear well-articulated pathways into key sectors and occupations; up-skilling support for region’s residents in digital skills; enhancing leadership and management and entrepreneurial skills support; addressing transport barriers to employment progression and supporting graduates and older workers to use more effective use of their skills and talent.

The various local authority level economic strategies can be found online for Edinburgh, and East Lothian. Midlothian’s new economic strategy is currently under development.

The Regional Skills Assessment for the Edinburgh, East and Midlothian highlights the current challenges facing the regional economy. However, these challenges are being addressed through the Edinburgh and South East Scotland City Region Deal and the RSIP, as well as at a Local Authority and regional DYW level. It is anticipated that the actions agreed across the partnership groups will address inequality, promote inclusive economic growth and provide pathways into and through employment for residents whilst removing barriers such as access to transport and the skills required for the world of work.

Contact Us: If you have any feedback or comments on this report, please email rsa@sds.co.uk