# Regional Skills Assessment

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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 Note\(^1\) 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 SIC\(^2\) and SOC\(^3\) 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 website\(^4\).

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 Matrix\(^5\) 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 the Scottish Borders which consists of the Scottish Borders local authority.

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1. [https://www.skillsdevelopmentscotland.co.uk/what-we-do/skills-planning/regional-skills-assessments/](https://www.skillsdevelopmentscotland.co.uk/what-we-do/skills-planning/regional-skills-assessments/)
5. [https://www.skillsdevelopmentscotland.co.uk/what-we-do/skills-planning/regional-skills-assessments/](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 likelihood of subdued growth and 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\(^\text{12}\).
- 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\(^\text{13}\).
- 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\(^\text{14}\).

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\(^\text{15}\).
- 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\(^\text{16}\).
- 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\(^\text{17}\).

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”\(^\text{18}\) 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

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**Figure 1:**

**Skills 4.0**

[https://www.skillsdevelopmentscotland.co.uk/what-we-do/skills-planning/skills4-0](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>
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</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 Scottish Borders Economy
The Scottish Borders 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 the Scottish Borders in 2019 was £1.9bn, one per cent of Scotland’s output (£138.8bn).

This share of GVA ranks the Scottish Borders as the smallest contributing RSA region to the Scottish economy.

In 2019, the highest value sectors in the Scottish Borders were:
- Real Estate Activities, £0.3bn;
- Manufacturing, also £0.3bn;
- Wholesale and Retail, £0.2bn;
- Human Health and Social Work, also £0.2bn, and
- Construction, £0.1bn.

Future Economic Performance

GVA in the Scottish Borders is forecast to grow by 1.6 per cent on average each year from 2019 to 2029. This rate of growth would be below that of Scotland (1.7 per cent) and the UK (2.0 per cent), and it would be below the average annual growth rate that the Scottish Borders 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 the Scottish Borders is expected to be driven by the dominant Real Estate sector from 2019 to 2029, the GVA produced by the sector is forecast to increase by £73.6m. The GVA output from 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 home.\(^\text{19}\)

In addition to Real Estate, sectors forecast to have the greatest increases in GVA output are:
- Professional, Scientific and Technical Activities, £33.1m;
- Wholesale and Retail Trade, £32.4m;
- Manufacturing, £32.1m; and
- Human Health and Social Work, £27.5m.

When compared to GVA output in 2019, most of 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 larger Professional, Scientific and Technical Activities sector is expected to have the greatest rate of GVA growth from 2019, averaging 2.7 per cent each year up to 2029. Administrative and Support Service Activities and Information and Communication are also expected to have a fast rate of growth from 2019 to 2029. These were smaller sectors in 2019 (in economic terms) but are forecast to have average annual growth rates of 2.5 per cent and 2.4 per cent respectively.

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. The Public Administration and Defence Activities sector is expected to contract each year from 2019 to 2029 in the Scottish Borders. The forecast average annual rate of contraction is -0.7 per cent. However, Education and Human Health and Social Work Activities sectors are forecast to have GVA growth, growing by 0.3 per cent and 1.3 per cent per year over the forecast period (see Figure 4). This 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), Scottish Borders

Source: Oxford Economics
The key sectors contributing most to GVA growth in the Scottish Borders from 2019 to 2029 are expected to be Health and Social Care, Financial and Business Services, Energy and Construction (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), Scottish Borders

- Health and social care: £27.5
- Financial and business services: £21.6
- Energy: £20.6
- Construction: £20.1
- Life sciences: £13.7
- Food and drink: £11.4
- Tourism: £10.7
- Digital: £10.3
- Creative industries: £9.8
- Engineering: £5.8
- Child-day care activities: £3.0
- Chemical sciences: £2.5

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 3.8 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 Life Sciences, Financial and Business Services and Creative Industries sectors. However, like Child-Day Care Activities, the overall contribution of Life Sciences and Creative Industries will be lower due to their smaller size relative to the currently much larger, dominant key sectors in the region (see Figure 6).

**Figure 6**
Forecast average annual GVA growth by Key Sector (%) (2019 - 2029), Scottish Borders

<table>
<thead>
<tr>
<th>Sector</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child-day care activities</td>
<td>3.8%</td>
</tr>
<tr>
<td>Life sciences</td>
<td>2.4%</td>
</tr>
<tr>
<td>Financial and business services</td>
<td>2.4%</td>
</tr>
<tr>
<td>Creative industries</td>
<td>2.1%</td>
</tr>
<tr>
<td>Energy</td>
<td>1.6%</td>
</tr>
<tr>
<td>Tourism</td>
<td>1.5%</td>
</tr>
<tr>
<td>Digital</td>
<td>1.5%</td>
</tr>
<tr>
<td>Health and social care</td>
<td>1.3%</td>
</tr>
<tr>
<td>Construction</td>
<td>1.1%</td>
</tr>
<tr>
<td>Chemical sciences</td>
<td>0.9%</td>
</tr>
<tr>
<td>Engineering</td>
<td>0.8%</td>
</tr>
<tr>
<td>Food and drink</td>
<td>0.7%</td>
</tr>
</tbody>
</table>
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 the Scottish Borders was £37,900. This was lower than the Scottish average of £50,400 (see Figure 7).

From 2009 to 2019, productivity in the Scottish Borders grew by 1.9 per cent on average each year. This rate of growth was higher 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 the Scottish Borders is forecast to grow at an average of 1.4 per cent per year from 2019 to 2029. This rate of growth is forecast to be the same as across the Scotland (1.4 per cent), and below that of the UK (1.5 per cent).

Figure 7
Productivity (2019)

Source: Oxford Economics

ONS (2019) Understanding spatial labour productivity in the UK
Employment in the Scottish Borders
**Employment in the Scottish Borders**

**Current Employment**

Total employment in the Scottish Borders (measured by jobs) was estimated to be 50,900 in 2019, two per cent of Scottish employment.

The employment rate for the working age population (aged 16-64) in the Scottish Borders was 75.7 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), 61.9 per cent compared to 58.3 per cent;
- Males, 80.3 per cent compared to 78.1 per cent;
- Females, 71.4 per cent compared to 71.1 per cent;
- Disabled people\(^{21}\), 49.0 per cent compared to 45.9 per cent; and
- Ethnic minorities, 76.2 per cent compared to 57.4 per cent\(^{22}\).

The region’s overall employment rate means that approximately one in four of the Border’s working age population were unemployed (3.4 per cent) or economically inactive (21.7 per cent)\(^{23}\). 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, 34,600 jobs (68 per cent) were full-time in the Scottish Borders in 2019. The same percentage share of jobs were full-time in Scotland. Within the region almost two thirds of full-time jobs (22,200; 64 per cent) were held by males, and the remaining one third (12,400; 36 per cent) held by females.

Part-time jobs accounted for the same percentage share of employment in the region as across Scotland, 32 per cent each. Overall there were 16,300 part-time jobs in the Scottish Borders, females accounted for more than two thirds (11,000; 67 per cent). Whilst males accounted for 33 per cent, 5,300 jobs (see Figure 8).

![Figure 8](image-url)

**Figure 8**

*Employment by gender and full-time/part-time (2019), Scottish Borders*

\(^{21}\) 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.

Source: Oxford Economics
In the Scottish Borders, the largest employing sectors, and their regional share of employment, in 2019 were (see Figure 9):
• Wholesale and Retail Trade, 16 per cent;
• Human Health and Social Work, 16 per cent;
• Manufacturing; ten per cent;
• Construction, eight per cent;
• Agriculture, Forestry and Fishing, eight per cent;
• Education, seven per cent.

Real Estate Activities, the sector that made the greatest GVA contribution in 2019 (irrespective of the imputed rent consideration) accounted for a small share of regional employment. The sector accounted for 900 jobs, a two per cent share.

Figure 9
Employment by Industry and share of total employment (2019), Scottish Borders

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 the Scottish Borders, Agriculture, Forestry and Fishing was the greatest specialism with the percentage of employment in this sector four times greater in the region than the Scottish average. Other sectors that had above average concentrations in the Scottish Borders were Manufacturing (1.5 times more concentrated), Arts, Entertainment and Recreation (1.5 times more concentrated) and Electricity, Gas, Steam and Air Conditioning Supply (1.4 times more concentrated).

Of the key sectors, Health and Social Care, as might be expected given the sectoral insight above, was the largest in the Scottish Borders in 2019. The sector accounted for 8,200 jobs. While, Construction and Food and Drink accounted for 5,100 jobs and 5,000 jobs respectively (see Figure 10).

**Figure 10**
Employment by Key Sector and share of total employment (2019), Scottish Borders

- **Health and social care**: 8,200, 16%
- **Construction**: 5,100, 10%
- **Food and drink**: 5,000, 10%
- **Tourism**: 4,200, 8%
- **Financial and business services**: 2,900, 6%
- **Engineering**: 1,900, 4%
- **Creative industries**: 1,500, 3%
- **Digital**: 1,000, 2%
- **Energy**: 600, 1%
- **Child-day care activities**: 400, 1%
- **Life sciences**: 300, 0%
- **Chemical sciences**: 200, 0%

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 one-third of all occupations (38 per cent) in the Scottish Borders were ‘higher level’, 32 per cent were ‘mid-level’ and 30 per cent were ‘lower level’. Compared to Scotland, the occupational structure of the Scottish Borders had a greater percentage of the workforce in ‘mid-level’ occupations and fewer in ‘high-level’ occupations. Scotland had a greater percentage in ‘higher level’ (45 per cent), fewer in ‘mid-level’ (25 per cent) occupations and the same percentage of workforce as the region in ‘lower-level’ (30 per cent) occupations.

A detailed look at the occupational structure shows that the largest occupations in the region in 2019 were (see **Figure 11**):
- Clerical and Services Elementary Occupations, eight per cent;
- Health Professionals, eight per cent;
- Caring Personal Service Occupations, eight per cent;
- Process, Plant and Machine Operatives, seven per cent;
- Sales Occupations, six per cent;
- Administrative Occupations, six per cent; and
- Science and Technology Professionals, six per cent.
Past Employment
Employment in the Scottish Borders decreased by 1.0 per cent from 2009 to 2019. This was largely caused by contraction in prominent, large employing sectors including:

- Human Health and Social Work Activities, -1,500 jobs;
- Manufacturing, -700 jobs; and
- Accommodation and Food Service Activities, -400 jobs.

Whilst these sectors experienced job losses, other sectors grew. The greatest absolute growth occurred in the Professional, Scientific and Technical sector in the Scottish Borders. Compared to 2009, there were 800 more jobs in the sector in 2019. Growth also occurred in Arts, Entertainment and Recreation (500 jobs) and Electricity, Gas, Steam and Air Conditioning Supply (400 jobs).

Beyond the sectors, other shifts in the region’s labour market have occurred. Both full-time and part-time employment decreased by 500 jobs and 100 jobs respectively from 2009 to 2019. Male employment increased by 1,000 jobs whilst female employment decreased by 1,600 jobs.

Employment Forecast
The employment decline that has occurred in the Scottish Borders in the past is not forecast to continue. From 2019 to 2029 employment growth of 1.9 per cent is forecast in the region. This equates to 0.2 per cent employment growth year to year and 1,000 jobs in total over the forecast period. Compared to Scotland, this is a slower rate of growth. 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 greater still, a five per cent increase, or 0.5 per cent annual change, is forecast.

Over the period to 2029, full-time employment is expected to increase in the Scottish Borders with 700 more full-time jobs in 2029 compared to 2019. Both male and female full-time employment will increase, by 500 and 200 jobs respectively. Part-time employment is also expected to increase by 300 jobs. Female part-time employment is forecast to decline by 100 jobs, but some of this decline is expected to be offset by growth of 400 jobs in male part-time employment (see Figure 12).

Figure 12
Forecast employment change, by gender and full-time/part-time (2019 - 2029), Scottish Borders

Source: Oxford Economics
Although employment is forecast to increase in the Scottish Borders from 2019 to 2029, sectors will have varying performance. The greatest growth in jobs is forecast in the Construction and Professional, Scientific and Technical sectors, each with 400 more jobs expected in 2029 compared to 2019. Other sectors forecast to have growth over the forecast period are Arts, Entertainment and Recreation (300 jobs), Administration and Support Services (300 jobs) and Wholesale and Retail Trade (200 jobs).

Job losses in the Scottish Borders are also forecast in some sectors, notably in production sectors and the public sector. Manufacturing is the sector forecast to have the greatest number of job losses from 2019 to 2029. During the forecast period a decline of -700 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 (see Figure 13).

Employment is also forecast to fall overall in the Scottish Borders’ public services sector24 with Public Administration and Defence forecast to contract by -200 jobs over the forecast period due to continued pressure on public finances. The Education sector is forecast to have no change in employment from 2019 to 2029. While, Human Health and Social Care is expected to grow, the sector is forecast to have 100 more jobs in 2029 compared to 2019.

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

Figure 13
Forecast employment change by Industry (2019 - 2029), Scottish Borders

Source: Oxford Economics
The growth and contraction of employment by sector means that private services are expected to account for a larger share of jobs in the Scottish Borders over the forecast period. The percentage is forecast to rise from 46 per cent in 2019 to 48 per cent in 2029. Construction is also expected to account for larger share of jobs by one percentage point to nine per cent in 2029. In 2019 the primary services sector accounted for nine per cent of employment and this share is expected to be maintained in 2029. The share that the public services and Manufacturing sectors each account for is expected to decline by one percentage point over the forecast period to 26 per cent, and nine per cent in 2029 respectively.

Looking ahead, the outlook for the key sectors largely echoes the broad sector trends summarised above – with Construction forecast to have the greatest growth (400 jobs). Financial and Business Services and Tourism are forecast to have growth second only to Construction, each growing by 300 jobs from 2019 to 2029 in the Scottish Borders. Also, Health and Social Care and Child-Day Care Activities are forecast to have growth of 100 jobs each over the forecast period.

Another four key sectors are forecast to have approximately the same employment in 2029 as in 2019. These are:
- Life Sciences;
- Creative Industries;
- Chemical Sciences; and
- Energy.

Food and Drink, Digital and Engineering are the key sectors forecast to have the greatest employment decline in the Scottish Borders, each with 100 fewer jobs in 2029 compared to 2019 expected (see Figure 14).

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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.

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Figure 14
Forecast employment change by Key Sector (2019 - 2029), Scottish Borders

Source: Oxford Economics
By occupation, employment is expected to grow in nine occupations in the Scottish Borders from 2019 to 2029. These include:

- Skilled Construction and Building Trades, 100 workers;
- Caring Personal Services, 100 workers;
- Culture, Media and Sports Occupations, 100 workers;
- Business and Public Service Professionals, 100 workers;
- Managers/Proprietors in Agriculture and Services, 100 workers; and
- Health Professionals, 100 workers.

Growth in these occupations is closely related to the forecast rise in employment by sector.

Occupations likely to contract over the next decade tend to be those most closely associated with Manufacturing, reflecting the declining numbers of jobs in each of these sectors. This includes Process, Plant and Machine Operatives (-200 people) and Skilled Metal and Electrical Trades (-100 people) (see Figure 15).

**Figure 15**
Forecast employment change by occupation (2019 - 2029), Scottish Borders

Source: Oxford Economics
Total Labour Market Requirement in the Scottish Borders
In the previous sections we presented what has happened, is happening and what is forecast to happen in the Scottish Borders 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 the Scottish Borders, 19,000 job openings are forecast from 2019 to 2029. In the region, and as shown in the previous chapter, 1,000 jobs are forecast to be created in the Scottish Borders from 2019 to 2029 due to expansion in the labour market. A further 18,000 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 the Scottish Borders forecast to account for more than half (58 per cent) of the requirement. These are (see Figure 16):

- Wholesale and Retail Trade, 4,400 jobs;
- Agriculture, Forestry and Fishing, 3,100 jobs;
- Human Health and Social Work, 1,900 jobs; and
- Accommodation and Food Services, 1,800 jobs.

These sectors were the largest in the region in 2019 except for Accommodation and Food Services.

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.
Figure 16
Forecast net requirement by Industry (2019 - 2029), Scottish Borders

Source: Oxford Economics
Please note that due to rounding, data in Figure 16 may differ to the narrative on page 26.
To fill these jobs, and others, there is a forecast requirement for 16,800 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 the Scottish Borders is also expected to increase by 800 over the forecast period. A further 16,000 people need will arise due to the replacement requirement.

By occupation, the greatest number of people are forecast to be required in (see Figure 17):
- Clerical and Service Elementary Occupations, 2,100 people;
- Sales Occupations, 1,700 people;
- Trades, Plant and Storage Elementary Occupations, also 1,700 people;
- Teaching and Research Professions, 1,600 people; and
- Health Professionals, 1,300 people.

Figure 17: Forecast net requirement by occupation (2019 - 2029), Scottish Borders

Source: Oxford Economics
Supply of People in the Scottish Borders
Supply of People in the Scottish Borders

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 Scottish Borders was 114,500, two per cent of Scotland’s population.

By age, the largest group in the Scottish Borders were people of working age (16-64 years). There were 68,300 people in this age group, 60 per cent of the region’s population. Whilst it was the largest group, people of working age across Scotland accounted for a larger 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 the Scottish Borders was 68 per cent. This means that for every 100 people of working age, there were 68 people of non-working age. Across Scotland it was 55 per cent.

Of those who were in age groups thought to be dependent, the oldest age group was the largest. There were 27,200 people aged 65 or older who accounted for 24 per cent of the region’s population. Across Scotland those aged 65 or older accounted for 18 per cent of the population, which suggests an overall older population the Scottish Borders. The region accounts for three per cent of Scotland’s population aged 65 or over compared to two per cent for all ages.

Children and young people (0-15 years) accounted for the remaining 17 per cent, there were 19,000 individuals in this age group (see Figure 18).

Figure 18
Population by age (2016), Scottish Borders and Scotland

Source: National Records of Scotland
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 the Scottish Borders, there were 5,000 people who were born in the EU and a further 3,000 were from the rest of the world in 2018. The EU born population accounted for four per cent of the region’s population, and three per cent of the region’s population were born elsewhere in the world. Compared to Scotland the same percentage of the region’s population were born in the EU, and a smaller percentage were born 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 the Scottish Borders is projected to increase by approximately 2,800 people. Equating to a 2.0 per cent increase, while the projected growth rate for Scotland is five per cent over the same period.

The largest increases are expected in the 65 or older age groups, with an 80 per cent increase projected for those aged 75+ (an additional 9,400 people) and ten per cent among those aged 65-74 (an additional 1,600 people). There is a forecast decline in all other age groups over the period, with the most substantial decline of 14 per cent projected for those aged 30-64, a projected fall of 7,300 people.

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 95 per cent. Across Scotland the dependency ratio is expected to rise to 70 per cent (see Figure 19).

The age structure of the region’s population is projected to change over the coming decades, with the percentage of the population who are of working age expected to fall from 60 per cent in 2016 to 51 per cent in 2041; a projected decrease of 8,100 people.

Figure 19
Dependency ratio (2016 and 2041)
Skills Shortages, Gaps and Challenges in the Scottish Borders
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, Gaps and Challenges in the Scottish Borders**

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 £361.3million, roughly £17,000 per organisation.

In 2017, the number of employers reporting at least one SSV in the Scottish Borders was one per cent, compared to six per cent for Scotland. This suggests a challenge that is less prevalent in the region’s labour market compared to Scotland’s. The incidence of SSVs in the region was higher in 2015 (five per cent), whereas across Scotland the incidence of SSVs has remained the same (six per cent) from 2015 to 2017.

Density, which indicates how many vacancies were SSVs, was lower in the Scottish Borders than Scotland in 2017 and higher in 2015. In 2017, density in the region was 23 per cent, down from 49 per cent in 2015. Across Scotland, density was 24 per cent in 2015 and 2017. This suggests that employers in the region are facing difficulties across a number of roles, and the data suggests the scale of the challenge can fluctuate year to year (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, particularly so in a rural region like the Scottish Borders, can make it hard to fill vacancies. Across Scotland, 41 per cent of employers tried to recruit non-UK nationals to overcome hard to fill vacancies. Of these employers, 89 per cent sought to recruit EU nationals as a response to recruitment challenges, equivalent data for the Scottish Borders is not available. Any changes to migration policy as a result of Brexit will affect all regions in Scotland.

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 11 per cent in the Scottish Borders, compared to 16 per cent for Scotland. Of the 13 regions, the Scottish Borders had one of the lowest incidences of skills gaps. Since 2015, the incidence of skills gaps in the region has increased. In 2015, ten per cent of employers experienced a skills gaps, which at the time was a smaller percentage than Scotland (13 per cent).

Overall, 5.0 per cent of the workforce in the Scottish Borders had a skills gap in 2017, which was the same as Scotland. This was an increase from 3.5 per cent and 4.9 per cent in 2015 for the region and Scotland respectively. This, alongside the insight on incidence, suggests that whilst skills gaps are not as far reaching in Scottish Borders, the scale of skills gaps in the workforce in the region is similar to 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), Scottish Borders

Source: Employer Skills Survey
Most employers in the Scottish Borders acted to overcome skills gaps, and seven per cent sought to recruit non-UK nationals as a response, compared to 15 per cent across Scotland. Across Scotland, most employers (93 per cent) who sought to recruit non-UK nationals considered EU nationals equivalent data for the Scottish Borders is not available.

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. There are implications for individuals too, having their skills under-utilised can impact on their income, health and wellbeing.

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 the Scottish Borders in 2017 as it was across 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 39 per cent. Whilst it has increased across Scotland, from 32 per cent.

The proportion of staff under-utilised has increased in the region, from 7.4 per cent in 2015 to 11.2 per cent in 2017. This suggests that whilst fewer employers in the region are experiencing skills under-utilisation in general the number of their employees under-utilised has increased. Across Scotland, the percentage of staff under-utilised increased from 7.9 per cent to 9.2 per cent which suggests a skills challenge that is growing (see Figure 22).

Figure 22
Skills Under-Utilisation (2015 and 2017), Scottish Borders

<table>
<thead>
<tr>
<th>Percentage of employers reporting Skills Under-Utilisation</th>
<th>Percentage of the workforce Under-Utilised</th>
</tr>
</thead>
<tbody>
<tr>
<td>39%</td>
<td>7.4%</td>
</tr>
<tr>
<td>35%</td>
<td>11.2%</td>
</tr>
</tbody>
</table>

**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 56 per cent of employers in the Scottish Borders (as of 2017). This was a lower percentage of employers than 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 two thirds of the employers who identified development needs mentioned operational skills (73 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 (36 per cent and 46 percent respectively). The need to upskill complex analytical and digital skills was lower in the region than across Scotland (44 per cent and 49 per cent respectively). The evidence suggests that fewer employers in the Scottish Borders expect to upskill their workforce in the next twelve months and the upskilling requirement typically covered fewer skills (see Figure 23).

### Figure 23
**Employers anticipating a need to upskill by type of skill (2017), Scottish Borders and Scotland**

<table>
<thead>
<tr>
<th>Skills Type</th>
<th>Scottish Borders</th>
<th>Scotland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complex analytical skills</td>
<td>36%</td>
<td>44%</td>
</tr>
<tr>
<td>Operational skills</td>
<td>73%</td>
<td>57%</td>
</tr>
<tr>
<td>Digital skills</td>
<td>46%</td>
<td>49%</td>
</tr>
</tbody>
</table>

- **Source:** Employer Skills Survey
Conclusion
Conclusion

In 2019 the Scottish Borders made a GVA contribution to the Scottish economy of £1.9bn, one per cent of Scotland’s output (£138.8bn). Looking ahead, the economy is forecast to grow by 1.6 per cent on average each year up to 2029. The rate of growth would be slower than what is forecast across Scotland, and it would be below the average annual growth rate that the Scottish Borders 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 the Scottish Borders (measured by jobs) was estimated to be 50,900 in 2019, two per cent of Scottish employment. Employment in the region declined from 2009 to 2019, but the forecast suggests that growth will occur in the future from 2019 to 2029. The four sectors forecast to have the greatest jobs growth are:

• Construction, 400 jobs;
• Professional, Scientific and Technical Activities, 400 jobs;
• Arts, Entertainment and Recreation, 300 jobs; and
• Administration and Support Services, 300 jobs.

As the region’s share of Scotland’s employment was higher in 2019 than its share of GVA productivity performance was below average. Productivity was £37,900 in the Scottish Borders compared to £50,400 across Scotland.

The employment growth forecast will create 1,000 new jobs in the region and the need to replace workers leaving the labour market will create further 18,000 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 16,800 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, 2,100 people;
• Sales Occupations, 1,700 people;
• Trades, Plant and Storage Elementary Occupations, 1,700 people;
• Teaching and Research Professions, 1,600 people; and
• Health Professionals, 1,300 people.

Whilst there will be demand for people to fill jobs, the population projection suggests that the Scottish Borders 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 and decline in 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 95 per cent by 2041, up from 68 per cent in 2016; and
• Migration has been a driver of population growth across Scotland and an important source of skilled labour. In the Scottish Borders, seven 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 Scottish Borders Economy and Low Carbon Delivery Team is comprised of a number of private and public-sector bodies which support the development
and delivery of the Low Carbon Economic Strategy in the region. This is part of the Community Planning Partnership structure within Scottish Borders Council. In addition, Community Learning and Development works with a range of individuals and group and seeks to improve life chances for people of all ages, through learning, personal development and active citizenship; and to develop stronger, more resilient, supportive, influential and inclusive communities.

The Scottish Borders Learning and Skills Partnership is chaired by Borders College and is comprised of a range of public and private sector representatives to identify the key skills and learning challenges facing the region and agree key actions to address this.

There is a Developing the Young Workforce Borders group, which comprises mainly private sector with some public sector representation.

On a South of Scotland level Scottish Borders is part of the South of Scotland Economic Partnership (SOSEP) and will be part of the new South of Scotland Enterprise area from 1st April 2020. Scottish Borders Council is represented on the SOSEP Education and Skills theme group which led the development of the new South of Scotland Regional Skills Investment Plan. In addition, it is part of Edinburgh and South East Scotland City Region Deal, and the Borderlands initiative.

The Economy and Low Delivery Team have recently refreshed the 2013-23 Low Carbon Economic Strategy. This strategy focuses on growing the economy; reducing inequalities and maximizing the impact from the low carbon agenda.

The Borders Learning and Skills Partnership is focused on seven targets to increase the volume and gender diversity of senior phase pupils progressing into key occupations; increasing school academy pathways at Scottish Credit and Qualification Framework (SCQF) Level 6/7 in key sectors; increasing the volume of Higher Education (HE) provision in key sectors; increasing the number of apprenticeships in priority sectors; ensuring that the participation measures for young people tracks above the national average; reducing the numbers of those furthest from the workplace and up-skilling existing employees for the skills of the future through flexible and online learning opportunities.

SDS worked closely with the SOSEP Education and Skills group to jointly develop a new Regional Skills Investment Plan (RSIP) for the South of Scotland. This new RSIP has a series of actions which will:

- Improve access to education, skills and training;
- Better meet the needs of all employers;
- Grow and develop the workforce;
- Focus on a region for young people;
- Create a culture of enterprise and innovation; and
- Future proof the skills system.

The Scottish Borders is also part of the Edinburgh and South East Scotland RSIP which 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.

31 http://www.skillsdevelopmentscotland.co.uk/media/45740/south-of-scotland-sip.pdf
The Integrated Regional Employability and Skills projects in the Edinburgh and South East Scotland City Region Deal can be viewed on the City Deal website.

The Regional Skills Assessment for the Scottish Borders highlights the current challenges facing the regional economy. However, these challenges are being addressed through the Economy and Low Carbon Delivery Team, Borders Learning and Skills Partnership, SOSEP structures and through the Edinburgh and South East Scotland City Region Deal. The new agency will also have a remit to support inclusive economic growth from 1st April 2020. 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