

The background of the slide is a solid light green color. In the center, there is a faint, light green outline map of Scotland. Scattered across the map and the background are several stylized, light green icons of the COVID-19 virus, each consisting of a central circle with radiating lines and smaller dots around the perimeter.

# COVID-19 Labour Market Insights

Preparing for the 'new normal'

**July 2020**

# COVID-19 Labour Market Insights: Introduction

COVID-19 is a global pandemic. From history and the impact of previous pandemics and epidemics we can allude that the impact is expected to be sharp and deep, but quite how sharp and how deep is unknown. Likewise learning from the past, we expect the initial economic impact to be temporary, but how long we expect 'temporary' to last is unknown and this, along with other factors, will have a significant impact on economic recovery and business survival. It is likely that large falls in output are spread over the next two quarters given restrictions started in March 2020.

## Overview<sup>1,2</sup>

COVID-19 emerged in China near the end of 2019 and quickly became a global pandemic. To try and contain the pandemic and mitigate the impact on health, restrictions on movement in the UK and further afield were introduced. These restrictions have caused a major economic impact. The Scottish and UK governments have introduced a range of fiscal interventions to help mitigate the economic impact on people and businesses.



The Scottish Government have set out a **four phased route map** to easing lockdown measures.

We have **now entered phase three** of the route map, in this phase more businesses can reopen with physical distancing and enhanced hygiene measures. This includes:



**From 13<sup>th</sup> July**, non-essential shops within shopping centres can re-open.

**From 15<sup>th</sup> July:**



- Indoor hospitality can resume;
- All holiday accommodation can re-open;
- Hairdressing and barber services can resume;
- Visitor attractions can re-open, this includes museums, galleries and cinemas (with ticketing in advance);



**From 22<sup>nd</sup> July**, other personal retail services such as beauticians and tailors can re-open.



Full details of the four phase route-map and additional information on phase three is available on the **Scottish Government website**.

## Speed and Shape of Recovery<sup>5</sup>

### Factors affecting the shape of recovery:



Revival of domestic and international demand leading to recovery of incomes



Challenges with finding alternative markets for some businesses who can't reopen



Speed of mitigation response and number of businesses lost



Supply chain recovery in key markets



Phasing out of physical distancing and the impact on the labour market

Commentators agree that the Scottish economy will contract in 2020, but the depth and duration of the impact is **uncertain**.



## Recovery Scenarios<sup>6</sup>

Scottish Government (2020) have updated their economic modelling around two scenarios to assess the impact of COVID-19 on GDP and unemployment. Both scenarios have the same profile up to 2020 Q2, however in the medium term, recovery looks very different:

### V shaped recovery:

A temporary shock in 2020 Q2 as a result of the measures taken to contain the virus: short, sharp decline in economic activity followed by a rebound in growth. In this scenario, there is a swift recovery across all sectors and minimal damage to production levels in the economy with economic output returning to pre-crisis levels at the start of 2022.

### Gradual recovery:

In this scenario a greater degree of scarring is assumed as lockdown is gradually eased and sectors recover at different speeds. A slower rebound in demand leads to a longer period of downturn and economic output may not recover to pre-crisis levels until the start of 2023.

As lockdown is eased, sectors may return to the 'new normal' at different paces, as external demand, consumer behaviour and business models will have changed. These changes may be temporary in nature, however economic commentators agree there may be some permanent structural changes to the economy.



<sup>1</sup> Source: World Health Organisation (WHO) (April, 2020): [https://www.who.int/emergencies/diseases/novel-coronavirus-2019/question-and-answers-](https://www.who.int/emergencies/diseases/novel-coronavirus-2019/question-and-answers-hub/q-a-detail/q-a-coronaviruses)

[hub/q-a-detail/q-a-coronaviruses](https://www.who.int/emergencies/diseases/novel-coronavirus-2019/question-and-answers-hub/q-a-detail/q-a-coronaviruses)  
<sup>2</sup> Source: Center for Economics and Business Research (CEBR) (March, 2020): [https://cebr.com/](https://cebr.com/wp-content/uploads/2020/03/Global-Prospects-March-2020-Coronavirus-update.pdf)

[wp-content/uploads/2020/03/Global-Prospects-March-2020-Coronavirus-update.pdf](https://www.gov.scot/publications/state-economy-april-2020/)  
<sup>3</sup> Source: Scottish Government (April, 2020):

<https://www.gov.scot/publications/state-economy-april-2020/>  
<sup>4</sup> Source: Fraser of Allander Institute (April, 2020):

<https://fraserofallander.org/scottish-economy/scottish-business-monitor-findings-by-sector/>  
<sup>5</sup> Source: Scottish Government (April, 2020):

<https://www.gov.scot/publications/state-economy-april-2020/>  
<sup>6</sup>Source: Scottish Government (June, 2020)

# COVID-19 Labour Market Insights: Scotland in Context

Gross Domestic Product (GDP) is the standard measure of the size and health of a country's economy whereas the Purchasing Managers' Index (PMI) tracks monthly change in the output of goods and services across the private sector. Any figure below 50 signals contraction and the speed of decline is signalled by how far below 50 the value is. For example, an output value of 10 signifies decline at a faster pace than an output value of 45. It is a useful tool for understanding current and expected business conditions.

## Scotland's Economy<sup>1</sup>

### Monthly Gross Domestic Product



Scotland's monthly gross domestic product (GDP) fell by **-18.9%** in real terms during April, while UK GDP decreased by **-20.4%** in the same month.

Industries with the largest decrease in output in April were those which have been required to close as a result of lockdown measures, or where working from home is not possible such as:



Accommodation and Food services



Arts, Culture and Recreation



Construction

### Quarterly Gross Domestic Product

Scotland's gross domestic product (GDP) contracted by **-2.5%** in real terms during the first quarter of 2020, while UK GDP has decreased by **-2.2%** over the same quarter.



The largest falls were in Transport, Storage and Communications (**-6.3%** compared to last quarter) and Manufacturing (**-6.1%** compared to last quarter).

## Purchasing Managers' Index (PMI)<sup>2</sup>

### Business Activity Index for Scotland

◆ =UK

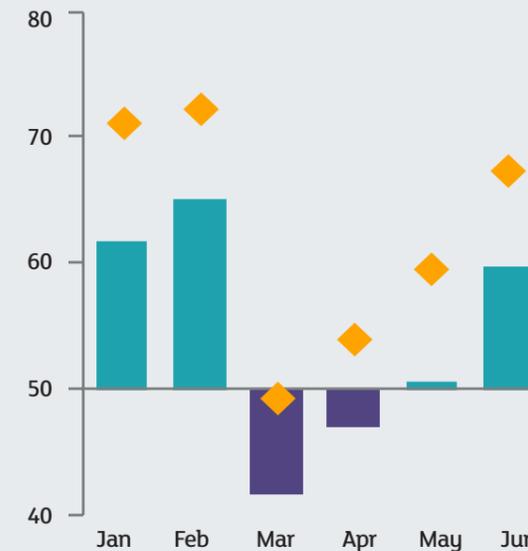


Private sector business activity in Scotland continued to decline in June. However, the rate of decline eased compared to last month as restrictions loosened and parts of the economy restarted. Scotland was worse hit than the UK as whole for the third consecutive month.

## Purchasing Managers' Index (PMI)

### Future Activity Index for Scotland

◆ =UK



The Future Output Index remained above 50 for the second month in a row. This reflects an increase in private sector confidence in business activity over the next year as lockdown is eased. Business expectation of future activity remained subdued compared to the UK overall.

### Employment Index for Scotland

◆ =UK



June data shows private sector firms in Scotland continued to reduce staff levels, albeit at a slightly slower rate than the past three months. As the PMI measures change over a relatively short time period, the overall picture of employment in Scotland is likely to become clearer in the coming months.

<sup>1</sup> Source: Scottish Government (2020), GDP: <https://www.gov.scot/publications/about-gdp/>

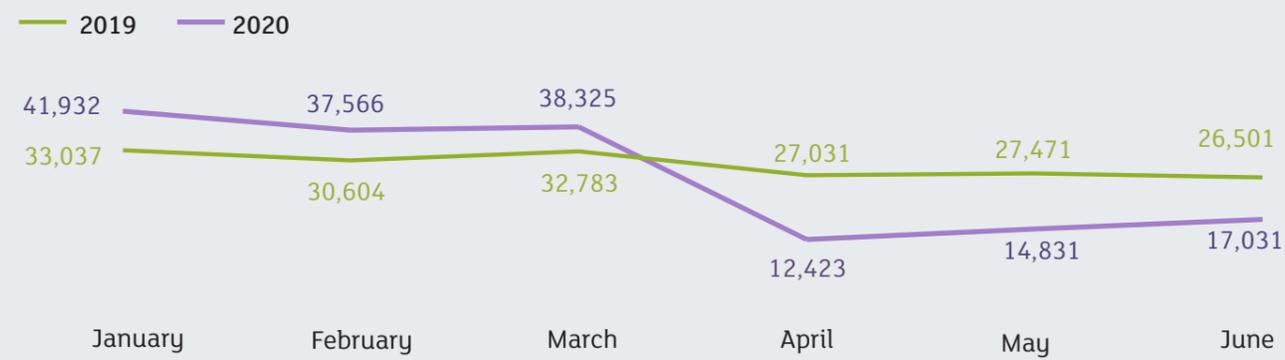
Royal Bank of Scotland (June 2020). All charts shown have been taken from the referenced report: <https://rbsbusinesshub.com/articles/scottish-private-sector-downturn-continues>

private-sector-downturn-continues

<sup>2</sup> Source: Purchasing Managers' Index (PMI) by

## Job Postings in Scotland<sup>1</sup>

New job postings increased by 37% in June, compared to the first full month of lockdown (April). This suggests a return of some recruitment activity. However, the number of job postings in June remained 36% lower than same point last year.



## Furloughed Jobs



**736,500** jobs in Scotland have been furloughed up to 30<sup>th</sup> June. This equates to **30%** of the eligible workforce in Scotland, compared to **31%** in UK<sup>2</sup>.



In Scotland, **155,000** of the potentially eligible population (**75%**) had claimed a Self-Employment Income Support Scheme grant by 30<sup>th</sup> June. The value of these claims totalled **£449m**<sup>3</sup>.

The changes to the CJRS from August 2020 may increase pressure on businesses and could potentially result in further redundancies. However, the UK Government has announced a 'Job Retention Bonus', where employers will receive £1,000 for each employee retained.



## The Voice of Business

### Workforce



- **65% of businesses surveyed have used the UK government's furlough scheme** to support their business through the crisis (Scottish Chambers of Commerce, 2020).
- **Over 70 per cent of small businesses in Scotland have furloughed staff** to support the survival of their business (FSB, 2020).
- **24% of small businesses in Scotland are considering reducing staff numbers** in response to COVID-19 (FSB, 2020).
- **95% of tourism firms reported a fall in optimism**, and almost **three quarters of firms (71%)** in the sector reported **lower levels of staff** in Q2 2020 (SCC, 2020).

### Financial



- Lock down measures introduced in March have had a substantial **impact on cash flow** for **77 per cent of small firms** in Scotland. **One in five small businesses have had to sell assets or are struggling to meet rent or mortgage payments** (FSB, 2020).
- **Glasgow had fewer businesses closed (49 per cent)** compared to the Scottish average (53 per cent) whilst **rural areas such as the Highlands, Islands and Argyll had the highest number of businesses closed (64 per cent)** in comparison to any other area in Scotland (FSB, 2020).
- **Both cash flow and profit levels have declined by 95 per cent and 97 per cent respectively** across the tourism sector (SCC, 2020).

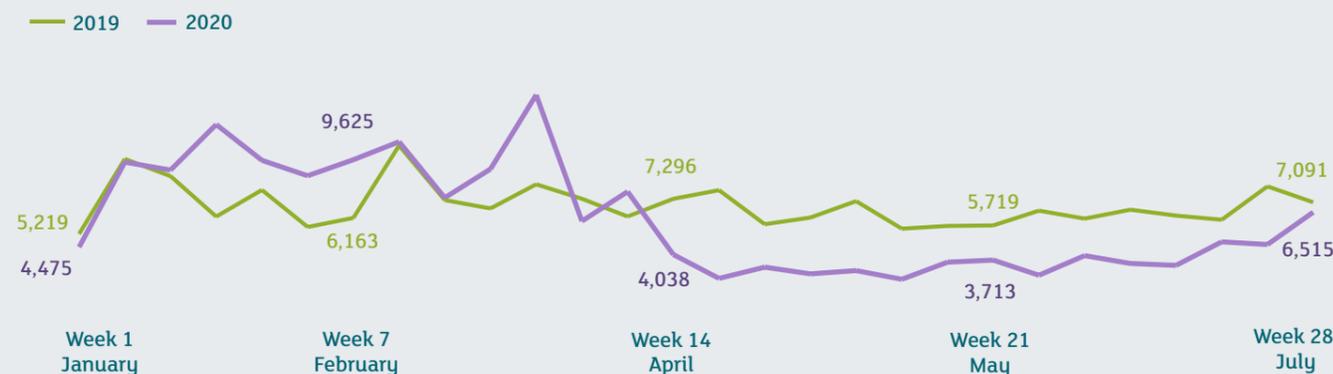
### Business Confidence



- **95 per cent of tourism respondents surveyed** in a Scottish Chambers of Commerce reported a **fall in business confidence** (SCC, 2020).
- **Over half of closed businesses in Edinburgh and the Lothians** have stated that they **will reopen (57%)** whilst **40 per cent are unsure if they will be able to**. These results are similar to Scotland as a whole (FSB, 2020).
- **Business confidence in the manufacturing sector** has fallen for **the fourth quarter in a row** with a net balance of **-51 per cent** (SCC, 2020).

## Weekly Job Postings in Scotland\*

Week 1 refers to the first Saturday in January (e.g. 4th January 2020).



There were **-8%** fewer job postings in Week 28 2020 (July) compared to 2019.

New postings increased by **61%** between Week 14 (beginning of April) and Week 28 2020.

<sup>1</sup> Source: Burning Glass Technologies (July, 2020). Burning Glass Vacancies gather insights from online job postings and websites. \*Weekly job posting

figures for 2020 have been revised. <sup>2</sup> Source: HM Revenue & Customs (July, 2020): <https://www.gov.uk/government/statistics/>

coronavirus-job-retention-scheme-statistics-july-2020. If an employee has more than one job and has also been furloughed by more than

one employer, they will be counted in these statistics once for each employment that has been furloughed.

<sup>3</sup> Source: HM Revenue & Customs (July, 2020): <https://www.gov.uk/government/statistics/self-employment-income-support-scheme-statistics->

## Business Turnover Index Scotland<sup>1</sup>

The Monthly Business Turnover Index is similar to the IHS Markit PMI indicators. It reports the net balance of firms reporting increasing or decreasing turnover, in real terms, compared to 12 months ago. Values below 50 indicate that more companies are showing decreased turnover than increased turnover.

- The turnover index for all included sectors\* in May was **23.7**. This was **higher** than index of 18.9 in April. It indicates a **slight improvement** in general trading conditions in May.
- All industries reported **lower turnover** than 12 months ago, with the exception of Food Retail.
- For most industries the index has fallen further below 50 in May, reflecting the impact of the lockdown.
- Accommodation and Food Services** had the lowest index of **8.4** indicating that nearly all businesses sampled had a lower turnover than the previous year.



## Small Businesses in Scotland

In Q1 2020, Small Business Confidence barometer recorded the largest quarterly fall since the index was established in 2012<sup>2</sup>.

More than a quarter of businesses (29.7%) anticipate a reduction in staff numbers over the coming months<sup>2</sup>.

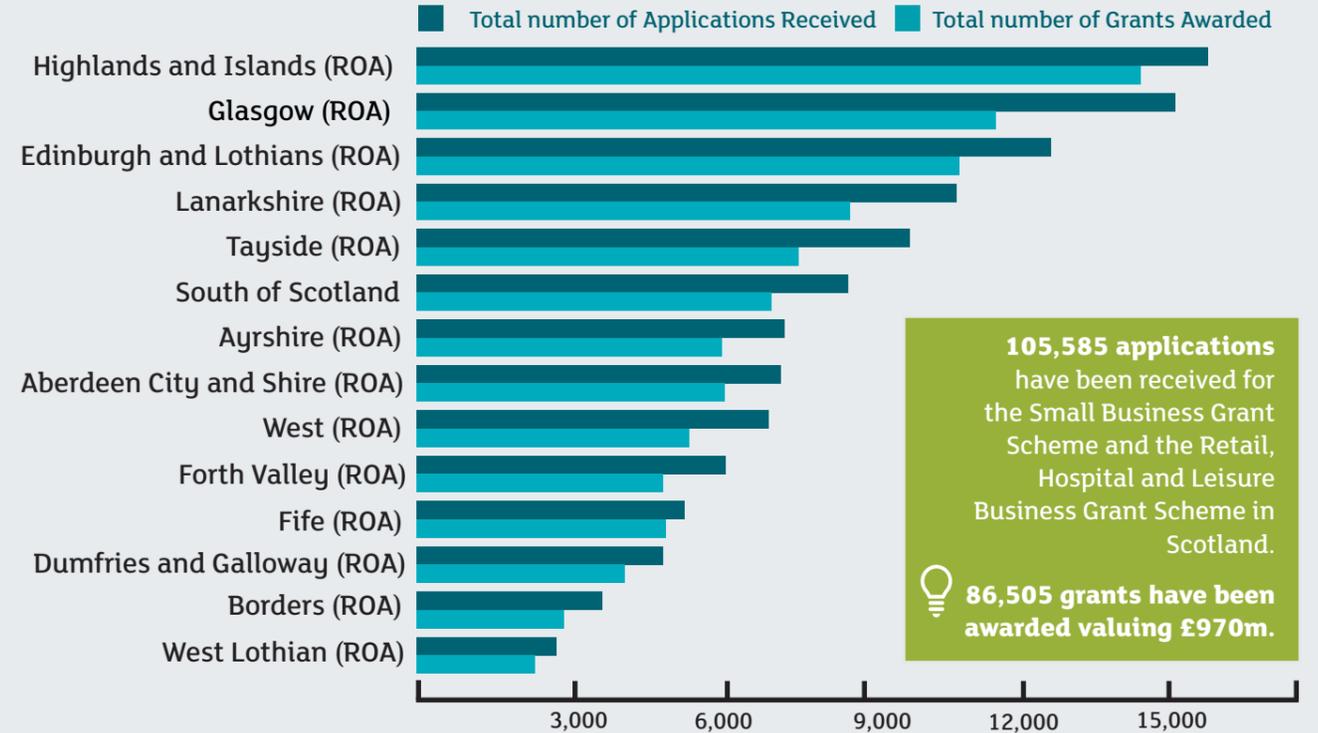


20 per cent of small businesses in Scotland have adopted new digital technologies and 27 per cent have transitioned to remote working<sup>3</sup>.

Over half of small businesses surveyed have relied on additional borrowing from bank overdrafts (21%), credit cards (16%) and family and friends (16%)<sup>3</sup>.

## COVID Business Support Fund Grant Scotland<sup>4</sup>

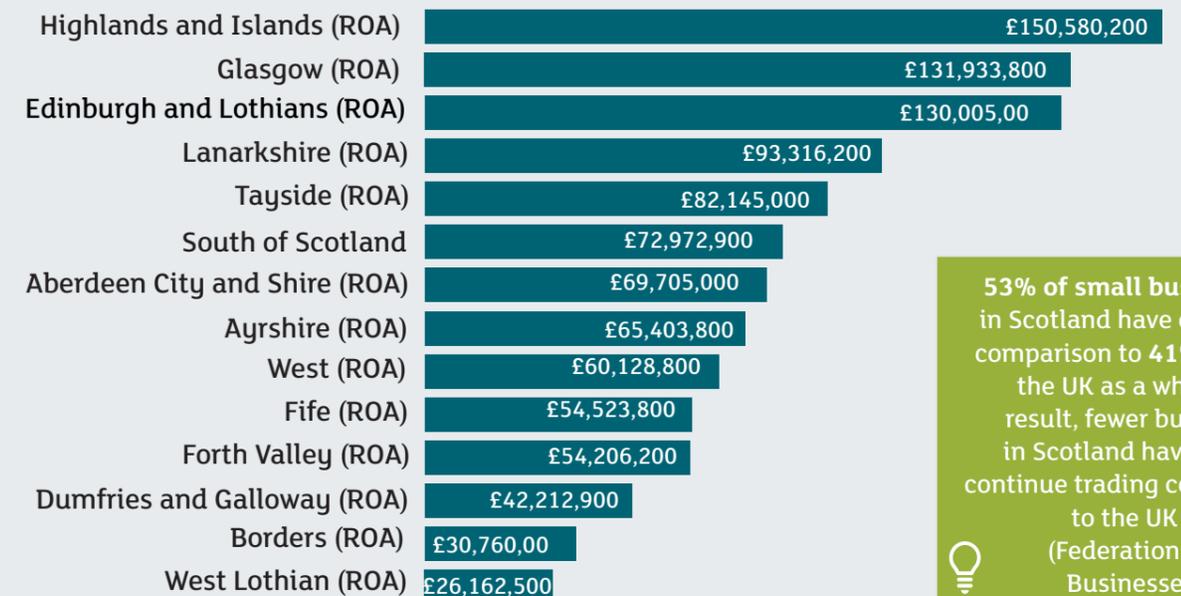
### Number of Applications Received and Grants Awarded up to 14<sup>th</sup> of July



**105,585 applications** have been received for the Small Business Grant Scheme and the Retail, Hospital and Leisure Business Grant Scheme in Scotland.

**86,505 grants** have been awarded valuing **£970m**.

### Total value of Grants Awarded up to up to 14<sup>th</sup> of July



**53% of small businesses** in Scotland have closed in comparison to **41%** across the UK as a whole. As a result, fewer businesses in Scotland have been able to continue trading compared to the UK average. (Federation of Small Businesses, 2020)<sup>3</sup>

<sup>1</sup> Source: Scottish Government (May 2020): <https://www.gov.scot/publications/monthly-business-turnover-index-may-2020/>

\*Does not include data for Agriculture, Mining, Utilities, Construction, Financial Services, Real Estate, Public Services.

Industries as defined in Business Turnover Index, May 2020  
<sup>2</sup>Source: Federation of Small Businesses (May, 2020): <https://www.fsb.org.uk/resources-page/fsb-scottish-sbi-q1-2020-pdf.html>

<sup>3</sup>Source: Federation of Small Businesses (2020): <https://www.fsb.org.uk/resource-report/finding-our-feet.html>

<sup>4</sup>Source: Scottish Government (July, 2020): <https://www.gov.scot/publications/coronavirus-covid-19-business-support-fund-grant-statistics/>

# COVID-19 Labour Market Insights: Scotland's People

The speed at which COVID-19 has impacted on the economy and labour market has been unprecedented. As a result official data does not yet capture the full extent of the impact. Over the coming weeks and months, the volume of economic and labour market data that captures 2019/20 Q4 and early 2020 (and beyond) will greatly increase and this will enable us to fully understand the impact of the economic shut down.

## Unprecedented challenges and an Uncertain future

### Young People

- Disruption in the labour market could see **many young people unemployed** with the effects lasting for years to come. IFS (2020) suggest economic recovery plans should focus on the **investing in the human capital** of the younger generation.
- In the aftermath of the financial crisis, youth unemployment in Scotland peaked at 95,000 or 21.5% in 2011. Based on UK analysis by IPPR, Fraser of Allander (2020) estimate youth unemployment in Scotland could increase by more than **37,000** in 2020.
- The Resolution Foundation (2020) identify that **school leavers** who do not go on to further or higher education often seek employment in sectors such as **hospitality and retail**. The current slow-down of recruitment in these sectors is likely to contribute to youth unemployment.



### Workforce and Household

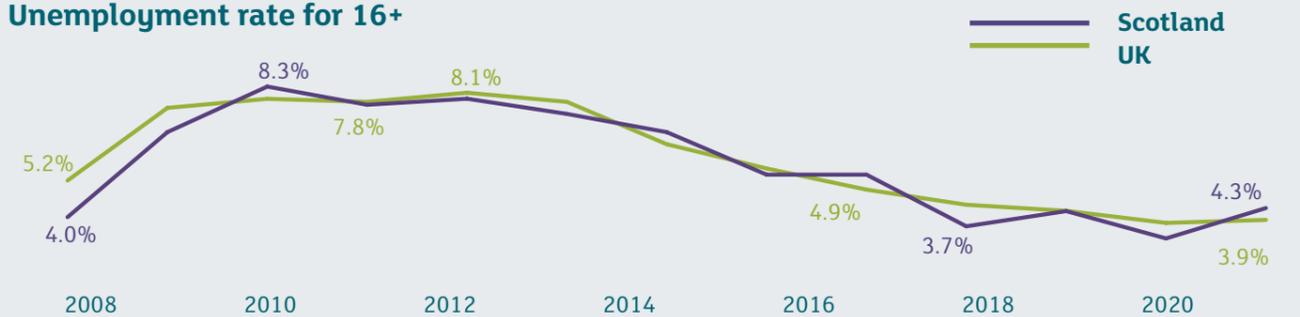
- Across the UK, there was an **increase in engagement with the Citizens Advice Bureau's redundancy web page** between the 11th of May and the 10th of June, with over three times as many views as the same point last year. This points towards current uncertainty in the labour market (Citizens Advice Bureau, June 2020).
- The Royal Bank of Scotland's (2020) report on jobs identifies that **permanent and temporary staff placements fell** further in June. It also identifies that salaries for new permanent staff have fallen at the quickest pace on record.
- A report from Standard Life Foundation (2020) established to measure the impact of COVID-19 on household incomes found that **37 per cent** were 'potentially exposed financially', **17 per cent** were 'struggling to make ends meet' and **11 per cent** were 'in serious financial difficulty'. Only 35 per cent stated they were financially secure.

### Businesses

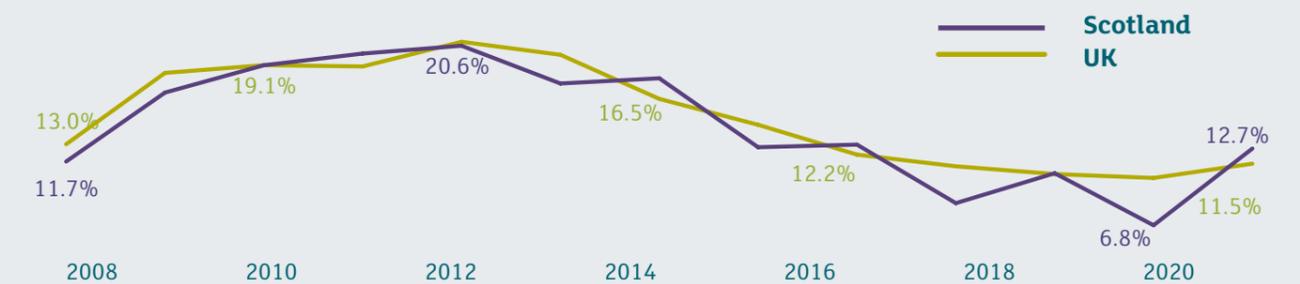
- A recent study from the Creative Industries Federation and Oxford Economics found that the Creative sector may be **hit twice as hard** as the wider economy in 2020 with a forecast GVA shortfall of **£29 billion**. It is estimated that **119,000 permanent creative workers could lose their job** by the end of the year.
- Businesses in Scotland's **night-time economy** (hospitality and arts, entertainment and recreation) may **struggle to reopen under new guidelines** such as a reduction in business capacity and physical distancing. Job losses over the coming months could also result in **people having less income to spend** on nights out (SPICE, 2020).
- PwC (2020) identified that **retail sales declined by approximately one fifth** in April 2020, and **4.3%** of retailers reported zero turnover in April.

## Rising unemployment<sup>1</sup>

### Unemployment rate for 16+



### Unemployment rate for 16-24



The unemployment rate in Scotland increased between March and May 2020. This reflects the impact of the first two months of lockdown on the labour market. Traditional indicators may not yet show the full scale of unemployment, we anticipate a consistent rise in unemployment levels over time.

The Scottish Government forecast that unemployment could rise from c.4% to anywhere between c.10% to c.15% taking one to three years to recover to pre-pandemic rates. The extent of the impact will depend on the shape of the recovery scenario<sup>2</sup>.

## Universal Credit<sup>3</sup> and Claimant Count<sup>4</sup>

### Rising numbers of people on Universal Credit:

- In Scotland, there were **4 per cent more people on Universal Credit in June 2020** compared to the previous month.



### Rising Claimant Count:

- Scotland's claimant count continued to increase in June, albeit at a slower rate than the previous two months (increase of 0.3% in June compared to the previous month).



<sup>1</sup>Source: ONS, Labour Force Survey (March -May 2020, 16 July 2020)

[www.gov.scot/publications/state-economy-april-2020/](https://www.gov.scot/publications/state-economy-april-2020/)

<sup>3</sup>Source: Department for Work and Pensions (DWP)

<sup>2</sup>Source: Scottish Government (April, 2020): <https://www.gov.scot/publications/state-economy-april-2020/>

(Accessed via DWP Stat Xplore)

<sup>4</sup>Source: ONS Claimant Count (not seasonally adjusted). This experimental series counts the number of people claiming Jobseeker's Allowance

plus those who claim Universal Credit and are required to seek work and be available for work.

## Three primary areas of exposure<sup>1</sup>

### Demand



This is the extent to which the sector is dependent on consumption of their products or services.

Changes to international demand most likely to be a concern to the manufacturing sector as export markets are depressed.

Changes to domestic demand is most likely to impact on construction and service sectors, as movement is restricted and consumer spending (non-essential) is suppressed services, retail and entertainment).

### Supply



This is the extent to which the sector is dependent on products or services from others to support their operations.

International supply chain disruption likely to impact production processes in manufacturing.

Manufacturing of computer, electronic, electrical and optical equipment / products also expected to be exposed.

Global supply chains impacted by freight and logistics challenges.

### Labour



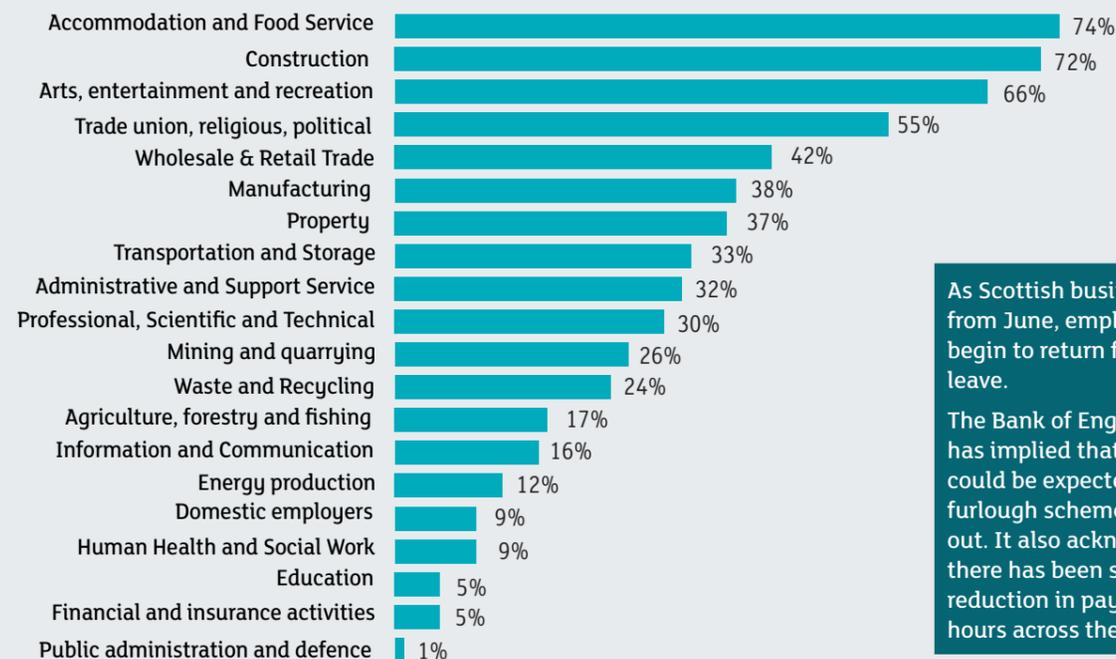
The dependency of the sector on people being able to work.

Sectors most exposed are those requiring on-site or face to face working where social distancing is challenging, such as construction, utilities, retail, accommodation, food and public services.

All sectors expected to be impacted by movement restrictions, higher rates of sickness and additional caring responsibilities at home.

## Coronavirus Job Retention Scheme<sup>2</sup>

Across all industries in Scotland, 30 per cent of the eligible workforce have been furloughed up to 30<sup>th</sup> June 2020.



As Scottish businesses re-open from June, employees may begin to return from furlough leave.

The Bank of England (2020) has implied that redundancies could be expected as the furlough scheme is phased out. It also acknowledges that there has been substantial reduction in pay and working hours across the UK.

<sup>1</sup>Source: Scottish Government (April, 2020): <https://www.gov.scot/publications/state-economy-april-2020/>

<sup>2</sup>Source: HM Revenue & Customs (July, 2020): <https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-july-2020>

<sup>3</sup>Source: Office for National Statistics (July, 2020) Business Impact of COVID-19 Survey

## Early Impacts<sup>3</sup>

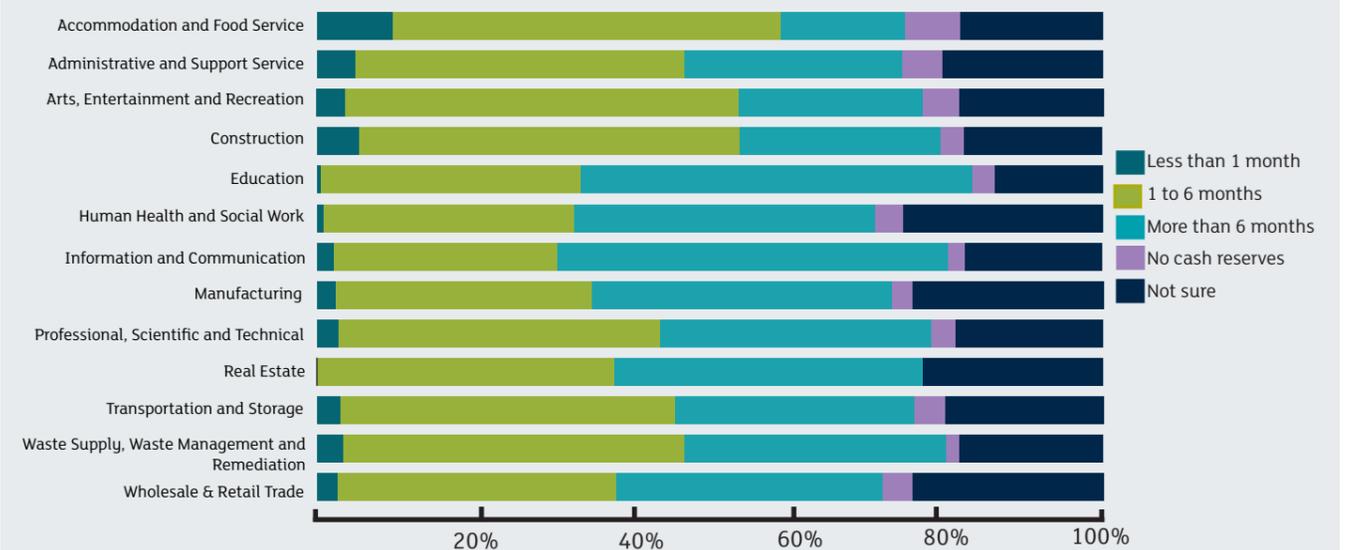


Of businesses trading in Scotland:

**87.6 per cent** continue to trade

**11.8 per cent** have temporarily closed or paused trading

Percentage of businesses (who have not permanently stopped trading) stating how long cash reserves will last (UK level) by industry:



In Scotland, **37.3 per cent** of businesses have cash reserves that are expected to last less than six months and a further **2.8 per cent** have no cash reserves.

### Industries experiencing a decrease in turnover by more than 50% (top 3 at UK Level)



Arts, Entertainment and Recreation



Accommodation and Food services



Transportation and Storage

### Industries experiencing no effect on turnover (top 3 at UK Level)



Information and Communication



Health and Social Care



Professional, Scientific and Technical

(BICS) results: <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/businessimpactofcovid19surveybicsresults>

## SDS Ongoing Contact with Sectors<sup>1</sup>

 **91** Industry groups and stakeholders contacted to gather insight on COVID-19 impacts in 'lockdown' and moving into 'restart'

 **16** Public bodies with sectoral interest contacted to date<sup>2</sup>

 **14** Sectors in focus:

Food, Drink & Agriculture	Creative Industries	Engineering & Manufacturing	Digital Technologies	Energy	Life & Chemical Sciences	Tourism
Health & Social Care	Oil & Gas	Financial & Business Services	Public Services	Road Haulage	Construction	Forestry

## Key Insights from Industry<sup>3</sup>

Sector	Business viability concerns	Supply chain impacted	Accelerate adoption of industry 4.0	Changing work practices	Labour/skills shortages	Impact on Apprenticeships
Construction	✓	✓	✓	✓	✓	✓
Creative industries	✓	✓				✓
Digital Tech		✓	✓		✓	✓
Energy	✓	✓	✓			✓
Engineering & Manufacturing	✓	✓	✓	✓		✓
Financial Services		✓	✓	✓		✓
Food, drink & Agriculture	✓	✓		✓	✓	✓
Forestry	✓		✓	✓	✓	✓
Health & social care	✓	✓	✓	✓	✓	✓
Life and chemical sciences	✓	✓	✓	✓	✓	✓
Oil & gas	✓	✓	✓	✓		✓
Public sector			✓			✓
Road haulage	✓	✓			✓	✓
Rural	✓	✓		✓	✓	✓
Tourism	✓	✓		✓		✓

## Sector Spotlight: Creative Industries

	Gross Value Added (GVA) in 2020 <sup>4</sup>	£4,482m
	Productivity: GVA per job in 2020 <sup>4</sup>	£39,600
	Total employment in 2020 (jobs) <sup>4</sup>	113,100
	Number of MAs in-training <sup>5</sup>	151
	Number of businesses <sup>7</sup>	0-49 employees 12,335
		50-249 employees 115
		250+ employees 50

### Feedback<sup>6</sup>

COVID-19 continues to have a substantial impact across the creative industries with many events and productions postponed or cancelled.

Challenges are expected, as cashflow issues could have an impact on restarting businesses in the sector. Insight suggests a large number of closures are anticipated from July, as changes to the furlough scheme (CJRS) mean employers begin to contribute to employees' wages.

Some business have responded by moving to digital platforms such as Edinburgh TV Festival. However, most are rearranging events for 2021.

Job postings for Design Occupations have increased in June 2020 compared to May 2020.

UK Government announced £1.57bn to protect Britain's world-class cultural, arts and heritage institutions. This is in addition to the recent announcement of £10m from Scottish Government to support performing arts venues and a further £2.2m for new Grassroots Music Venues Support.

## Sector Spotlight: Financial and Business services

	Gross Value Added (GVA) in 2020 <sup>4</sup>	£14,542m
	Productivity: GVA per job in 2020 <sup>4</sup>	£56,000
	Total employment in 2020 (jobs) <sup>4</sup>	259,600
	Number of MAs in-training <sup>5</sup>	754
	Number of businesses <sup>7</sup>	0-49 employees 52,825
		50-249 employees 570
		250+ employees 125

### Feedback<sup>6</sup>

Working patterns across the sector have changed as a result of COVID-19, with many people working from home. As a result, office space requirements are under review.

Insight suggests COVID-19 has accelerated the need for meta-skills and digital skills across the sector.

As businesses adapt, there is a challenge to maintain business culture with a remote workforce and build staff trust and confidence.

Businesses are focusing on the needs of vulnerable customers and inequality issues e.g. digital inequality.

Job postings for Functional managers and Directors, Business, Research and Administrative professionals and Business, and Finance associate professionals have increased in June 2020 compared to May 2020.

<sup>1</sup>Insight from Skills Development Scotland: Two-way engagement with key partners on COVID-19  
<sup>2</sup>Public bodies are only counted once – but may

appear multiple times across sectors  
<sup>3</sup>Analysis by Skills Development Scotland Key themes emerging from industry. Various sources

incl. SDS insight.  
<sup>4</sup>Source: Forecasts by Oxford Economics, 2020  
<sup>5</sup>Source: Skills Development Scotland (2020) MAs in

training Q3 2019/20  
<sup>6</sup>Skills Development Scotland - Qualitative feedback from Sector Managers

<sup>7</sup>Office for National Statistics (6 July 2020) (Accessed via Nomis) UK Business Counts - enterprise by industry and employment size band. The sectoral definitions: Creative

Industries - R,S,T and U: Arts, entertainment, recreation and other services, Financial and business services - K-N: Financial & insurance, Property, Professional, scientific &

## Impact on Rural Regions<sup>1</sup>

Rural regions continue to be particularly exposed to the impact of COVID-19.



- Features of Scotland's rural economy **potentially make it more vulnerable** to the impact of COVID-19, as rural areas have higher levels of self-employment and small businesses.
- Existing **inequalities in rural areas could be widened**, such as wage disparity and working patterns.
- A larger proportion of the **workforce are employed in at risk sectors** such as tourism related sectors (accommodation, food and drink and forestry).
- Young people in rural areas are more likely to go into **employment or an apprenticeship upon leaving school**. There are concerns about the disproportionate impact of the crisis on young people in the labour market.
- **Upskilling in digital skills** will also be important for supporting rural businesses.
- Discussions around a **'green economy'** could present opportunities for the rural economy and labour market.
- There are concerns about the continued impact of COVID-19 in rural areas once current level of government support is scaled back.

## Region Spotlight: Ayrshire

	Gross Value Added (GVA) in 2020 <sup>2</sup>	£4,826m
	Productivity: GVA per job in 2020 <sup>2</sup>	£33,900
	Total employment in 2020 (jobs) <sup>2</sup>	142,500
	Number of MAs in-training <sup>3</sup>	2,814
	Number of businesses <sup>4</sup>	
	0-49 employees	9,840
	50-249 employees	140
	250+ employees	35

**Feedback<sup>5</sup>**  
The scale of the economic challenge posed by COVID-19 and the associated lockdown in the region is very significant, particularly given the reliance on sectors heavily impacted by lockdown including tourism and hospitality.

Through the Regional Economic Partnership, regional and national partners are working collaboratively to manage the transition from lockdown to support recovery and renewal, building on the recently agreed Regional Economic Strategy that sets out Ayrshire's wider economic ambitions.

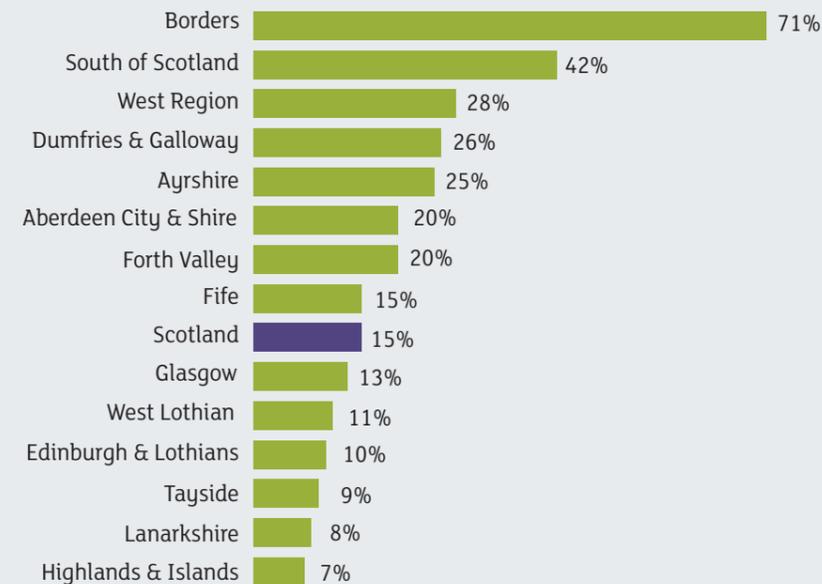
The Ayrshire Growth Deal will also provide the opportunity for new jobs across the region that will support recovery. A diverse range of support has been provided to businesses that have remained open, those that have had to suspend operations and those seeking to diversify their goods and services.

Job postings increased by 25% in June 2020 compared to May 2020. The largest increase in job postings occurred in: Caring Personal Services and Health and Social Services Managers and Directors.

## Impact on Business - Changes to Job Postings

### Job Postings: percentage change by region<sup>6</sup>

Short term change between May 2020 and June 2020, longer term change is available in the COVID-19 Dashboard



Short term change (May - June 2020) shows a return of some recruitment activity, however, the number of job postings remains 36 per cent lower than the same point last year.

In the period of economic recovery (2021-25) a quarter of job growths is expected to be concentrated in 10 UK local authorities. This list includes Glasgow and Edinburgh<sup>7</sup>.

## Region Spotlight: Edinburgh, East and Midlothian

	Gross Value Added (GVA) in 2020 <sup>2</sup>	£25,209m
	Productivity: GVA per job in 2020 <sup>2</sup>	£59,400
	Total employment in 2020 (jobs) <sup>2</sup>	458,900
	Number of MAs in-training <sup>3</sup>	3,709
	Number of businesses <sup>4</sup>	
	0-49 employees	24,275
	50-249 employees	445
	250+ employees	130

**Feedback<sup>5</sup>**  
Insight suggests that COVID-19 has the potential to result in significant job losses (c.125,110 jobs at risk) once government support measures are withdrawn.

Major cultural events have been cancelled in the area and this will have an impact on the cultural and tourism sectors in the City of Edinburgh.

There is an opportunity to reallocate labour into sectors experiencing increased demand such as the NHS and care sector or supermarkets. Opportunities in Edinburgh could help to mitigate the impact in surrounding local authorities.

Job postings increased by 10% in June 2020 compared to May 2020. The largest increase in job postings occurred in: Elementary Security Occupations and Quality and Regulatory Professionals.

<sup>1</sup>Skills Development Scotland - Qualitative feedback from Sector Managers

<sup>2</sup>Source: Forecasts by Oxford Economics, 2020

<sup>3</sup>Source: Skills Development Scotland (2020) MAs in training Q3 2019/20

<sup>4</sup>Source: Office for National Statistics (2 October

2019) (Accessed via Nomis) UK Business Counts - enterprise by industry and employment size band

<sup>5</sup>Skills Development Scotland - Qualitative

feedback from Regional Skills Planning Leads

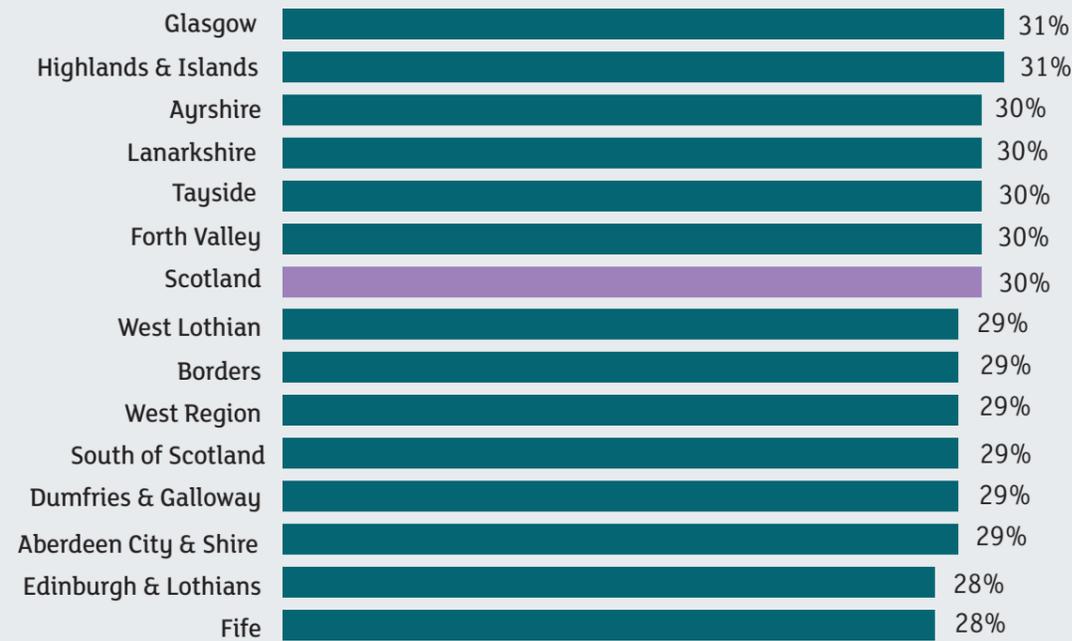
<sup>6</sup>Data sourced from Burning Glass Technologies (Accessed 1st July 2020). Burning Glass Vacancies

gather insights from online job postings and websites.

<sup>7</sup>Oxford Economics Forecasts: Job Growth

## Impact on Business - Coronavirus Job Retention Scheme<sup>1</sup>

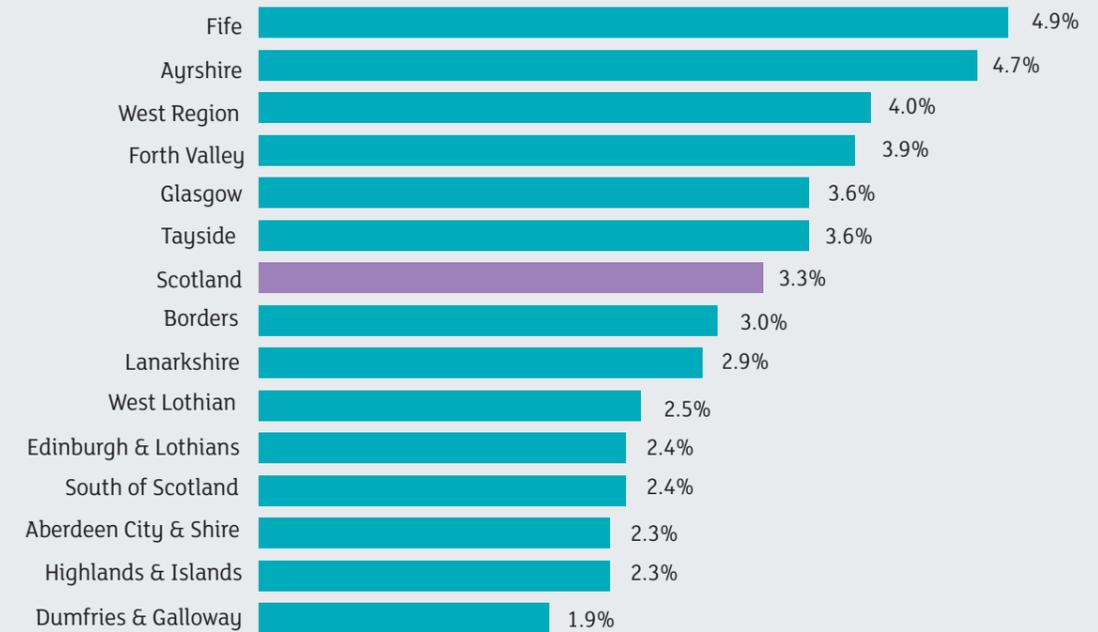
Across Scotland, 30 per cent of the eligible workforce have been furloughed up to 30<sup>th</sup> June 2020.



## Impact on People - Unemployment rate<sup>3</sup>

### Unemployment rate by region (16+, April 2019 - March 2020)

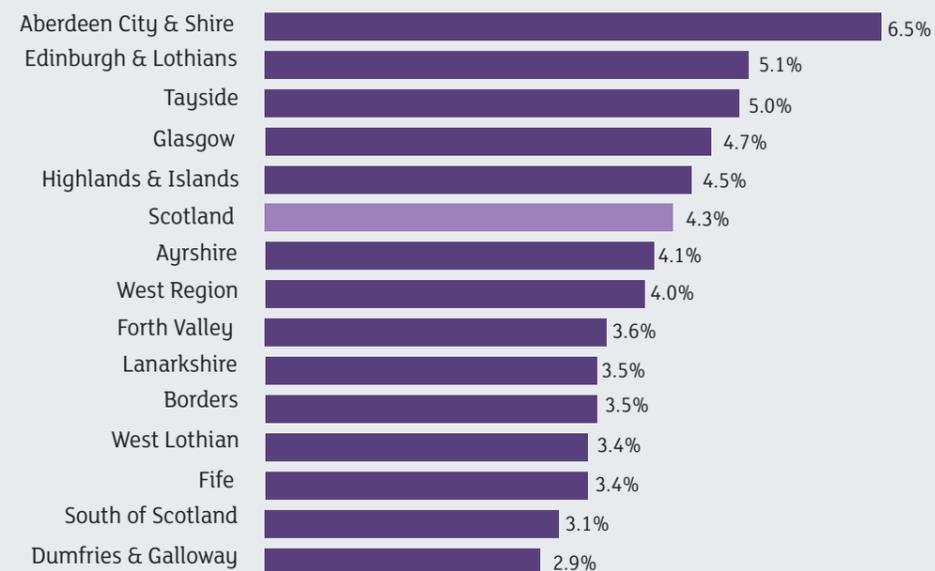
Insight for 16-24 year olds is not included due to small sample size in some regions.



## Impact on People - People on Universal Credit<sup>2</sup>

### People on Universal Credit: percentage change by region

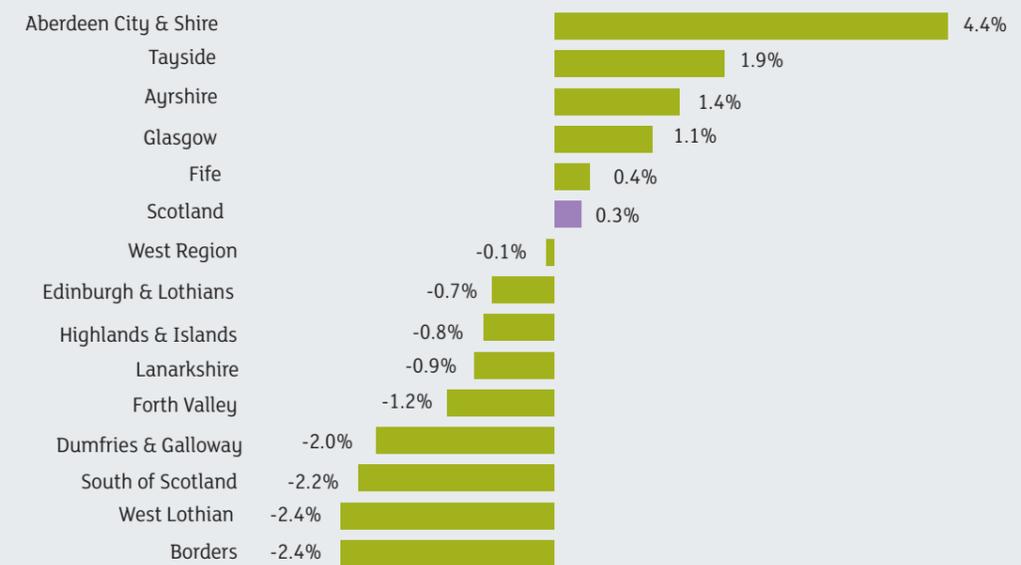
Short term change between May 2020 and June 2020



## Impact on People - Claimant Count<sup>4</sup>

### Claimant Count: percentage change by region

Short term change between May 2020 and June 2020



<sup>1</sup>Source: HM Revenue & Customs (July, 2020): <https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics>

July-2020

<sup>2</sup>Source: Department for Work and Pensions (DWP) (Accessed via DWP Stat Xplore)

<sup>3</sup>Source: Annual Population Survey (July, 2020) April 2019 - March 2020

<sup>4</sup>Source: Office for National Statistics, Claimant

Count (not seasonally adjusted) (Accessed via Nomis). This experimental series counts the number of people claiming Jobseeker's Allowance

plus those who claim Universal Credit and are required to seek work and be available for work.

## The Challenge

Uncertainty on impact, scale and longevity, but evidence suggests that:



<p>Significant negative impact on business activity and low business confidence.</p>	<p>Rising unemployment, increases in Universal Credit claims and Claimant Count. Young people, women and low paid most impacted.</p>	<p>Growth in some sectors e.g. Health and Social Care, Food Retail but negative impact on others. One size will not fit all.</p>	<p>Impact varying by region. Evidence of rural areas being less resilient. One size will not fit all.</p>	<p>As lockdown eases, we could see changes to the impact COVID-19 across Scotland, however this impact is still uncertain. This includes the impact of changes to the job Retention Fund and the factors affecting economic recovery.</p>
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## The Economic Response: The Four R's

### Respond and Reset



#### Economic response

- Protect lives
- Protect critical national infrastructure & services
- Protect businesses – cashflow, support to hibernate from banks and UKG
- Protect household incomes – payroll support to firms, welfare support
- Emergency legislation

#### Economic reset

- £30m Scottish Government food fund
- Labour market response
- Industry specific issues/guidance
- Sectoral and Regional support
- Unclog supply chain blockages

### Restart



- Continued support for businesses (from banks and UKG) to prevent scarring effects.
- Support business to re-emerge
- Sector by sector analysis and support.
- Retraining and re-employment support to workers
- Fair work

### Recovery



- Prepare industry for post-COVID era e.g. local supply chains for resilience
- Competitiveness
- Net Zero: Green Recovery
- Inclusive Growth (place/communities)
- Data/Tech/AI
- New terms of trade, post EU
- Demographics

## Strategic Labour Market and Skills Response

The **Enterprise and Skills Strategic Board** and the **Economic Recovery Advisory Group** have produced reports that identify series of evidence based actions to minimise unemployment caused by COVID-19.

The Scottish Government is due to respond to the recommendations by the end of July.

### Respond and Reset



Agile solutions based on current assets and capabilities

### Framework for action

## Restart and Recovery



1. Prepare for medium-long term scenarios to maximise impact and return public investment in the skills system.
2. Clear design principles to inform decision making.
3. Accelerate innovation in the skills system to make it more resilient, adaptable and agile.
4. Capture and make sense of intelligence as the crisis emerges.
5. Collaboration across the public and private sector to maximise impact.
6. Develop monitoring framework to assess Scotland's progress towards being a healthy and inclusive labour market during and after the crisis.

### Youth Transitions

To ensure a generation are not scarred by the crisis

### Adult Transitions

Upskilling and Reskilling for a resilient workforce

### A New War on Talent

Retaining and attracting talent  
The importance of meta skills, technical skills and leadership skills

### Inclusive Growth and Fair Work

To address the challenge for those most impacted

### System Resilience

A responsive, agile system that combines traditional, academic and work based learning for optimal impact

## Insight, Intelligence and Scenarios

### Leadership and Collaboration

SDS will continue to offer leadership and collaborate on the strategic labour market and skills response including supporting the Enterprise and Skills Strategic Board's Short Life Working Group.

### Understanding the changing economic and labour market impacts

SDS is working with range of partners across the skills system to:

- Understand the operating environment;
- Gather insight;
- Build scenarios around the potential impact on the labour market

This is critical to designing impactful interventions in a fast moving environment

### Evidence Based

Our approach has been and will continue to be informed by a robust, timely and reliable evidence base and emerging labour market scenarios



## Support for Individuals

### Career Information, Advice and Guidance

We have enhanced our service offers to individuals whose employment, learning or training has been affected by the pandemic, both online and through our dedicated helpline.



### My World of Work Job Hub

A new service designed to help employers quickly advertise immediate opportunities to a broad audience through SDS's careers website.

### Online Learning Portal

A new resource helping who have been furloughed or made redundant to develop their skills through free online courses from training providers.

### Employment and Redundancy support

We've partnered with local councils to promote four areas of local support:

Financial support

Employability

Wellbeing support

Medium to long-term support and advice for what comes next

## Support for Training Providers

### SDS COVID-19 Relief Grant

A grant scheme has been launched for Modern Apprenticeship and Employability Fund learning and training providers who continue to work with employers, learners and apprentices during COVID-19.



## Support for Businesses

### Find Business Support

Enterprise and Skills agencies aligned offer to Scottish businesses and workers.

### PACE

SDS continues to lead on PACE support and is working with Scottish Government and partners to ensure delivery is responsive.



### Agency Joint Working

Scottish CV19 Response steering group, engagement with business support organisations, Cabinet Secretary & ILG calls, Scottish Funding Council, City Regions, Growth Deals, IRES Board.

**Contact Us:**  
**[rsa@sds.co.uk](mailto:rsa@sds.co.uk)**