Skills Development **Scotland**

Sectoral Skills Assessment Childcare

October 2024



Sectoral Skills Assessments

First launched in 2017, Sectoral Skills Assessments (SSAs) provide a robust and consistent evidence base to support partners in strategic skills investment planning. Skills Development Scotland (SDS) has worked with key partners and stakeholders in the production of SSAs to ensure an inclusive approach to their development, dissemination and utilisation.

SSAs include 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. SSAs also include forecast data that has been commissioned through Oxford Economics. The Technical Note¹ provides full detail on the caveats that must be applied when using forecast data, 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.
- The more disaggregated they become, especially at smaller geographical units, the less reliable they are likely to be.
- Their value is in identifying likely directions of travel rather than predicting exact figures.
- The forecasts do not account for national or sectoral activities, initiatives or investments that are planned.

Industries and occupations used in the SSAs are defined by standard industrial classifications (SIC)² and standard occupational classifications (SOC).³

This SSA report is for the Childcare sector.

The sector includes Pre-Primary Education and Child day-care activities. Please see Appendix 1 for the SIC definition used in this report.

Key Sectors are central to our Skills Investment Planning approach. Each Key Sector has a tailored Skills Investment Plan (SIP) which outlines trends in skills and qualification supply and employers' perspectives on the skills issues affecting the sector. Regional SIPs have also been developed and are available alongside SIPs on the SDS website.⁴

The SSAs are part of a suite of Labour Market Insight publications by SDS. Other products in the suite include:



Economy, People and Skills report which provides succinct and up-to-date evidence on Scotland's economy, businesses and people. It is updated monthly.



Regional Skills Assessments provide a coherent, consistent evidence base to inform future investment in skills, built up from existing datasets and forecasts for Regional Outcome Agreement areas, Rural Scotland and all City and Growth Deals regions. They are updated annually.



The <u>Data Matrix</u> is an interactive tool, offering more detailed data from a variety of sources in a visually engaging format. It is updated frequently.

Alongside the suite of Labour Market Insight publications, SDS also produces a wide range of reports such as statistics on Modern Apprenticeships and the Annual Participation measure for 16-19 year olds. This includes a wide range of data related to equalities. Further information can be found on the Publications and Statistics section of the SDS website.

We value user feedback on the Sectoral Skills Assessments. If you would like to provide feedback, please do so here. For any further information or queries on the SSAs or any of our other products, please contact: RSA@sds.co.uk

We held a series of webinars to complement the publication of the Sectoral Skills Assessments.



The recording of the Childcare webinar can be found on the SDS YouTube Channel here.

You can also watch the webinars for other key sectors and regions in Scotland <u>here</u>.

- 1. SSA Technical Note (2024).
- 2. Office for National Statistics UK Standard Industrial Classification (SIC) 2007.
- **3.** Office for National Statistics UK Standard Occupational Classification (SOC) 2010.
- 4. Skills Development Scotland Skills Investment Plans.

The Context for Scotland's Labour Market

Within the last 10 years, the economy has faced significant disruption due to events such as the pandemic, Brexit, the war in Ukraine, and the cost-of-living crisis. In addition, megatrends around demography, technology, and the environment have continued shaping Scotland's economy and labour market, many of which are interdependent. Below is an overview of the drivers expected to have the greatest influence on Scotland's labour market outlook in the near term, based on a comprehensive analysis of structural and cyclical factors.



The Economy

The economic outlook for Scotland has improved, but growth is still expected to be modest in 2024, after annual GDP figures estimated the Scottish economy (like that of the UK) remained broadly flat throughout 2023. While inflation rates have eased from their peak in October 2022, the effects of rising prices and high interest rates continue to impact Scottish households and businesses. Scotland has experienced a tight labour market in recent years, but there have been signs of this loosening in 2024.



Demographic Change

Scotland has an ageing population. In 2022, around 20 per cent of Scotland's population was aged 65 years or over, and around 15 per cent were aged under 15 years old. Population growth is also expected to slow in the next decade, and it is anticipated that the country is likely to rely on in-migration for population growth. These demographic changes in Scotland have important implications for the labour market and economy.



Inclusive Growth and Equality

Scotland continues to experience inequality, which can impact individuals' access to labour market opportunities. Cost-of-living pressures have affected different groups disproportionately, particularly in lower-income households. Geographical inequalities also exist across Scottish regions that can affect individuals' access to opportunities. There have been some advances in improving diversity within the workforce and reducing inequality, but challenges remain.



Technology and Automation

Scotland has a strong technology sector, with specific strengths in digital technology, life sciences and financial technology (fintech). The current makeup of the technology sector suggests Al will likely be the most important technological advance for the foreseeable future. It is estimated that 60 per cent of jobs in developed countries will be affected by AI. This could be disruptive within the labour market, creating challenges and opportunities for job roles and businesses.



Climate Change

The Scottish and UK governments have committed to meeting targets for Net Zero carbon emissions. The transition to Net Zero will directly impact jobs, with potential for job growth in Scotland. Upskilling and reskilling will be vital to equip Scotland's workforce with the skills needed to meet the transition. Scotland is well placed to take a lead in the development of new green technologies building on its significant natural resources and strengths in key sectors.



A fuller report on Scotland's Labour Market Drivers can be found here.

Sectoral Insight¹

Whilst not the largest in output or workforce size, the Early Learning and Childcare (ELC) sector is essential to the functioning of Scotland's economy.

It allows parents to access the labour market and is also foundational in supporting children to have the best start in life – with experiences in the early years vital in supporting and shaping later attainment.

Insight suggests that the positive impact is greatest on children from the most disadvantaged backgrounds, and that early childhood education and care has the potential to make a key contribution to narrowing the gap in development between groups of children.

The ELC sector has grown substantially in recent years, both in workforce and output, as the provision of free childcare has increased, with annual free hours expanded under Scottish Government policy implementation.

The Scottish Government's <u>Strategic Early Learning</u> and <u>School Age Childcare Plan 2022 to 2026</u> (published in 2022) includes elements relating to the workforce. In particular, priority three of the strategy – *Ensuring that the delivery of our priorities is supported by a sustainable, diverse and thriving sector and profession* – relates to workforce sustainability.

Commitments within this priority include continuing work to implement the Commitment to Childminding Action Plan as the number of childminding services has declined in recent years, and actions to support a sustainable, diverse, highly skilled workforce.

The strategy also notes that the Scottish Government will continue to support recruitment across the sector, and that the demand for staff will be considered in the design of any new childcare commitments. This is to ensure that skills provision can meet demand, relevant to Programme for Government Commitments.

The Programme for Government (2024-2025) committed to working in the coming year, in specific communities in six local authority areas, to develop the required infrastructure to deliver childcare from nine months to the end of primary school. The Programme for Government also committed to phasing in an expanded national childcare offer for two year olds, focused on those who will benefit most. These expansion commitments will ensure ongoing considerations for skills planning across the sector.

The Scottish Social Services Council (SSSC)

Strategic Plan 2023-2026 also has commitments and actions relating to the ELC workforce. The strategy notes the recruitment and retention challenges facing the wider Social Services sector (which also includes Adult Social Care and other services outside of ELC) and commits to working with partners and employers to attract more people to the sector. Relating to this, the SSSC strategy also notes the importance of fair work and understanding the value of the workforce.

This is reflected in the <u>2024-2025 Scottish</u> <u>Government budget</u> commitment to increasing funding so that ELC workers providing funded hours in the private, third and voluntary sectors will be paid at least £12 per hour from April 2024.

The sector, however, faces workforce challenges as demand remains high and services in the public and private sector in particular struggle to recruit the staff they need. This has been related to real and perceived poor terms and conditions.

Settings in the private and voluntary sector are also more likely to have staff working towards their qualifications, perhaps reflecting difficulties in attracting those with qualifications.

Sectoral Insight¹

Overall, the evidence suggests that providers in the private and voluntary sectors are facing particular challenges with recruitment. Insight suggests that this arises from both skills and labour shortages. From sector engagement activity undertaken by SDS, two key challenges were noted:

- The volume of demand exceeds the number of candidates, in some services more than others;
 and
- Candidates who apply, often lack the skills and attributes required for good quality provision.

The first of these challenges suggests a labour shortage, whilst the second suggests a skills shortage.

The presence of both skills and labour shortages is also evidenced in SSSC data.² This indicates that 27% of daycare of children services said the main reason vacancies were hard to fill was due to too few applicants, indicating a labour shortage, whilst 38% said this was due to too few qualified applicants (20%) or too few experienced applicants (18%), indicating a skills shortage. These challenges were also amplified in rural and remote settings.

It is important to note that the forecasts used in this Sectoral Skills Assessment are policy and investment neutral.



This means the figures present a baseline outlook that takes into account historical trends and external economic conditions, but the figures do not reflect investment or policy that is unconfirmed or at planning/development stage. This would include, for example, the Scottish Government's proposals around extending funded childcare for two-year-olds. Therefore, the forecasts should be used in conjunction with other sources, and readers are encouraged to overlay these with their own local and sectoral knowledge.

^{1.} Insight from the sector gathered via Skills Development Scotland (2024).

^{2.} SSSC (2023). The 2022 Staff vacancies in care services report.

The Economy¹

Gross Value Added (GVA, £m) (2014-2034)²



In 2024, GVA in the Childcare sector was estimated to be £892m, generating 0.6% of Scotland's total economic output. Between 2014 and 2024, GVA in the sector was estimated to have increased by 4.9% on average each year, compared to growth of 0.5% across Scotland over the same period.

Following strong growth in 2021 and 2022, GVA growth in the Childcare sector was estimated to have slowed in 2023 due to its dependency on household incomes. However, with economic pressures easing, GVA in the Childcare sector was estimated to increase by 1.2% in 2024.

Looking ahead, GVA in the Childcare sector is forecast to grow on average by 1.7% each year between 2024 and 2034, which is slightly above Scotland's average. In 2034, the Childcare sector is forecast to still account for 0.6% of Scotland's total economic output.

Childcare forecast GVA in 2027: **£937**m

up 5.0% from 2024

up 5.0% Irom 2024

Scotland forecast GVA in 2027: £151,968m

nup 4.2% from 2024

Childcare forecast GVA in 2034:

£1,055m

np 12.7% from 2027

Scotland forecast GVA in 2034: £166,273m

1

up 9.4% from 2027

Productivity (GVA per job)³

In this report, we have used Oxford Economics' measure of productivity, which is calculated by dividing total sectoral GVA by total sectoral employment (measured by jobs). Please note, there are different ways of calculating productivity, and caution is needed when interpreting productivity data presented in this report. It must be considered in the context of other data and insight.

In 2024, productivity in the **Childcare** sector was estimated to be £29,200. In comparison, the Scottish average was £52,000.





Childcare forecast productivity in 2027: £29,300

up 0.6% from 2024

Scotland forecast productivity in 2027: £53,000



up 1.9% from 2024



Childcare forecast productivity in 2034: £30.500

Scotland forecast productivity in 2034: £57,100



up 3.8% from 2027



up 7.9% from 2027

- **2.** GVA is the measure of the value of goods and services produced within the economy and is an indicator of the sector's health. GVA in constant
- 2019 prices.
- **3.** Productivity is the measure of goods and services produced per unit of labour input. The Oxford Economics forecasts of productivity shown here

have been calculated by dividing total sector GVA by total sector employment (measured by jobs).

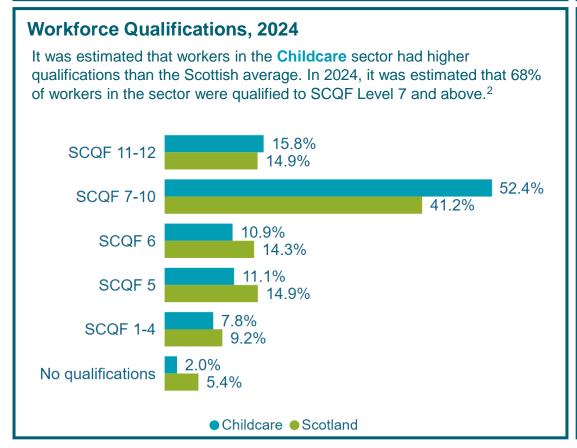
^{1.} SDS (2024). Oxford Economics Forecasts.

Current Demand¹



The sector's workforce was estimated to have **increased** by **35.2**% or **8,800** people between 2014 and 2024.

This compares to a Scotland wide increase of **3.8%** or **97,300** people between 2014 and 2024.





^{1.} SDS (2024). Oxford Economics Forecasts.

^{2.} See <u>SCQF Framework</u> for further information on SCQF qualification levels.

^{*}Glasgow College Region covers East Dunbartonshire, East Renfrewshire and Glasgow City local authorities.

Current Demand¹

The proportion of Local Authorities' workforce employed in Childcare, 2024²

In 2024, the **Childcare** sector was estimated to account for **1.3%** of Scottish employment.

Scottish local authorities have sectoral strengths that make them unique. This means that the **Childcare** sector may be more important to some local economies, as a higher proportion of the local workforce is employed in the sector.

The sector was most prominent in these local authorities:

East Renfrewshire

4.4%

Midlothian

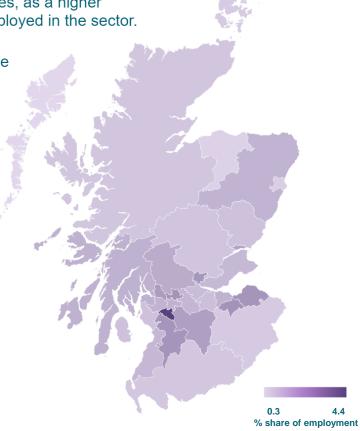
2.2%

East Dunbartonshire

2.2%

East Lothian

2.1%



1. SDS (2024). Oxford Economics Forecasts.

3. Scottish Government (2023). Annual Survey of Hours and Earnings: 2023. Due to data availability, a 'best fit SIC code approach' has been used, so the sectoral definitions and totals in this section may vary from those we have used elsewhere.

Real Living Wage and Gender Pay Gap³

Individuals earning Real Living Wage or more:

In April 2023, the real living wage rate for employees who did not work in London was £10.90.



Education 2022: 95.1%

All sectors

2022: 90.6% 2023: 89.9%

Human Health & Social Work Activities

2023: **96.9**%

2022: 96.8% 2023: 94.0%

Gender Pay Gap for median full-time hourly earnings:



Education 2022: **2.0%**

Scotland 2023: -2.4%

2022: 3.0%

2023: 1.7%

Human Health & Social Work Activities

2022: **11.0%** 2023: **16.7%**

Due to data availability, a 'best fit SIC code approach' has been used, so sectors definitions here may not fully match key sector definitions.

Modern Apprenticeships⁴



MAs starts for Childcare*:

Q4 2022/23: **2,352**

Q4 2023/24: **2,387**

Q1 2024/25: 407



MAs in training for Childcare*:

Q4 2022/23: **2,998**

Q4 2023/24: **2,880**

Q1 2024/25: **2,639**

* Includes frameworks: Social Services (Children and Young People) and Social Services (Children and Young People) Technical Apprenticeship.

For data on FAs and GAs please see the Publications section of our website. For data on colleges and universities please see Scottish Funding Council and Higher Education Statistics Agency.

4. SDS (2024). Modern Apprenticeship Statistics, Quarter 1, 2024/25.

^{2.} The proportion of the workforce in the Local Authority employed in the sector is calculated by dividing the sectoral employment in the area by total employment in the area.

Job Postings^{1,2}



Spotlight on... Early Education and Childcare Assistants³

Between July 2023 and June 2024, there were **1,590 job postings**. Job postings were high in 2022, and as a result, the number of job postings has decreased by 21.5% compared to the period between July 2022 and June 2023 (21% decline across all occupations comparatively). Despite the decline, the number of job postings remained above the pre-pandemic level for Early Education and Childcare Assistants.

Top Locations between July 2023 and June 2024 were:



Edinburgh City
360 job postings



Falkirk
190 iob postings



The largest growth in job postings between July 2022 - June 2023 and July 2023 - June 2024 was in Fife (+59), Dumfries and Galloway (+19) and Na h-Eileanan Siar (+19).

Specialised skills and knowledge requested (July 2023 - June 2024) included:





Working with Children



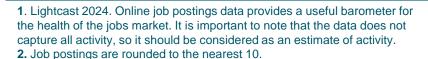
Child Protection



Risk Management



Median real-time advertised salary July 2023 – July 2024: **£23,900**



- **3**. Data is based on SOC 6111 for the whole of Scotland. Median salary based on 70% of job postings.
- **4.** Data is based on SOC 3232 for the whole of Scotland. Median salary based on 71% of job postings.



Spotlight on... Early Education and Childcare Practitioners⁴

Between July 2023 and June 2024, there were **4,160 job postings**. Job postings were high in 2022, and as a result, the number of job postings has decreased by 14.8% compared to the period between July 2022 and June 2023 (21% decline across all occupations comparatively). Despite the decline, the number of job postings remained above the pre-pandemic level for Early Education and Childcare Practitioners.

Top Locations between July 2023 and June 2024 were:



Edinburgh City
790 job postings



Glasgow City
540 job postings



Highland 290 job postings

The largest growth in job postings between July 2022 - June 2023 and July 2023 - June 2024 was in Perth and Kinross (+57), South Lanarkshire (+45) and East Lothian (+45).

Specialised skills and knowledge requested (July 2023 - June 2024) included:



Child Development



Care Standards Act 2000



Child Protection



Initiative and Leadership



Median real-time advertised salary July 2023 – July 2024: **£25,000**

Future Demand: Mid-term (2024-2027)¹

In the mid-term (2024-2027), the number of people in employment is forecast to grow by 3.3% (1,100 people) in the Childcare sector. This is a larger percentage growth than is forecast overall across Scotland where employment is predicted to rise by 1.9% (49,800 people).

In 2027, the top employing regions in the sector are forecast to be Glasgow College Region and Edinburgh East and Midlothian, the same as in 2024. Similar to 2024, the largest proportion of the workforce is forecast to be educated to SCQF 7-10. The top employing occupation is forecast to be **Caring Personal Service Occupations.**

Forecasts for the mid-term (2024-2027) suggest there could be demand for 4,700 people in the sector, as a result of the need to replace workers leaving the labour market and opportunities created through expansion demand. Whilst positive, caution is needed as a wide range of factors may impact the future labour market.

1,900

8,600

6,400

6,200

Workforce (people), 2027



Workforce size 2027: 35,000 people



The sector's workforce is expected to grow by 3.3% or 1,100 people between 2024 and 2027



Compared to a Scotland wide increase of 1.9% or 49,800 people

Total Requirement*

Childcare is forecast to account for 1.3% of Scotland's total requirement for people in the mid-term (2024-2027)

Administrative Occupations 1.800 Business and Public Service Associate Professionals 1,700 Business and Public Service Professionals 1,300 Elementary Occupations: Clerical and Services 1,300 **Expansion demand: Total requirement:** Replacement demand: **1,100** people **4,700** people **3,600** people Science and Technology Professionals 1,200 Secretarial and Related Occupations 1,000

The replacement demand is the number of people required to replace workers leaving the labour market (i.e. those who retire, move away or change jobs). Please note, figures are rounded to the nearest 100 and as a result totals may not equal the sum of the constituent parts.

Top 10 Employing Occupations (people), 2027

Caring Personal Service Occupations

Teaching and Research Professionals

Health and Social Welfare Associate Professionals

Health Professionals

^{1.} SDS (2024). Oxford Economics Forecasts.

^{*} Total requirement for people is made up of expansion and replacement demand. The expansion demand is the number of people required as a result of economic growth or contraction.

Future Demand: Long-term (2027-2034)¹

Employment growth in the Childcare sector is forecast to continue, with an increase of 7.3% (2,500 people) in the long-term (2027-2034). This is a larger percentage growth than is forecast overall across Scotland where employment is predicted to rise by 1.2% (32,000 people).

In 2034, Glasgow College Region and Edinburgh, East and Midlothian are forecast to remain the topemploying regions in the sector. The largest proportion of the workforce employed in the sector is forecast to be educated to SCQF 7-10, and Caring Personal Service Occupations is forecast to remain the most indemand occupation within the sector.

Forecasts for the long-term (2027-2034) estimate that 11,500 people could be required in the sector. This will be driven by the need to replace workers leaving the labour market and the creation of opportunities through expansion demand.

Workforce (people), 2034



Workforce size 2034: 37,500 people



The sector's workforce is expected to **grow** by **7.3**% or **2,500** people between 2027 and 2034



Compared to a Scotland wide increase of **1.2**% or **32,000** people

Total Requirement*





+



Total requirement: 11,500 people

Replacement demand: 9,000 people

Expansion demand: 2,500 people

Childcare is forecast to account for **1.5%** of Scotland's total requirement for people in the long-term (2027-2034)

Top 10 Employing Occupations (people), 2034 Caring Personal Service Occupations 9,300 Health Professionals 6.800 Teaching and Research Professionals 6,800 Health and Social Welfare Associate Professionals 2,100 **Administrative Occupations** 2.000 Business and Public Service Associate Professionals 1.900 Business and Public Service Professionals 1,500 Science and Technology Professionals 1,300 Elementary Occupations: Clerical and Services 1,100 Culture, Media and Sports Occupations 900

The replacement demand is the number of people required to replace workers leaving the labour market (i.e. those who retire, move away or change jobs). Please note, figures are rounded to the nearest 100 and as a result totals may not equal the sum of the constituent parts.

SDS (2024). Oxford Economics Forecasts.

^{*} Total requirement for people is made up of expansion and replacement demand.

The expansion demand is the number of people required as a result of economic growth or contraction.

Appendix 1: Childcare Sector Definition (SIC 2007)

SIC	Name
85.1	Pre-Primary Education
88.91	Child day-care activities



For further information or queries on the SSAs or any of our other products, please contact: RSA@sds.co.uk