



Skills
Development
Scotland

Economy, People and Skills

September 2022



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Introduction

This Economy, People and Skills report provides evidence on the economy and labour market focusing on Scotland's people, businesses, sectors, and regions.

The economic outlook for Scotland and the UK remains challenging as the Bank of England forecast a recession in the UK from the end of 2022. The Energy Price Guarantee will provide some respite for households facing the cost-of-living crisis, although the real value of pay continues to fall.

Unemployment is at the lowest rate since the 1970s however worker shortages and economic inactivity remain key issues

Labour market shortages remain a key issue in the Scottish economy, driven by high levels of economic inactivity, Brexit, and demographic challenges. In July 2022, Scotland's unemployment rate decreased to 3.1 per cent and the employment rate fell slightly to 75.2 per cent. Employment is now 0.2 pp below pre-pandemic levels. Economic inactivity in Scotland has increased for the second consecutive month following a period of decrease, signalling a continuation of challenges in the supply of people in the labour market.

The proportion of businesses in Scotland reporting a shortage of workers increased from 35 per cent in July to 38 per cent in early to mid-August, and demand for workers across Scotland remained high. There were c. 80,600 job postings recorded in August, around the same level as July indicating continued demand for workers. However, at the UK level, demand for workers has weakened.

Economic growth stagnated in the second quarter of 2022 in Scotland and the UK

After an increase of 1.0 per cent in the first quarter of 2022, output in Scotland in the second quarter of the

year has stagnated – in line with the picture UK-wide. Whilst the Bank of England's economic outlook for the UK forecasts a recession in 2022 Q4, the depth and duration of the recession is highly dependent on energy prices and the persistence of inflation.

Scottish businesses experience the first contraction in output in 18 months

Economic uncertainty and high inflation have weighed on demand for goods and services in August as Scottish firms experience the first contraction in output since February 2021, and new orders fell for the second consecutive month. Business activity also contracted in 9 out of 12 monitored UK regions due to weakening demand, however, the pace of decrease was stronger in Scotland.

The Energy Price Guarantee provides respite for struggling households and business

In September, the UK Government announced a two-year Energy Price Guarantee for households starting October 2022, capping energy bills to £2,500 a year. The UK government confirmed that non-domestic wholesale gas and electricity prices will be fixed for six months from October 2022, providing support for businesses over the winter months.

While the support will provide some respite to businesses and household budgets, living standards continue to be affected by rising costs, and weak earnings growth across the UK. Growth in regular pay fell in real terms (adjusted for inflation) on the year in July 2022 (-2.8 per cent), and the average household income is set to be 7 per cent lower in 2024-25 than in 2019.



Scotland's Economy - Gross Domestic Product (GDP)

Scotland's economy was hard hit by COVID-19, leading to the largest annual fall of Scottish GDP on record. Annual GDP is estimated to have grown 7.4% in 2021 after a fall of 10% in 2020.

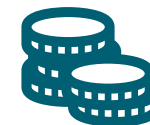
Quarterly GDP estimates

Following an increase of 1.0% in 2022 Q1, Scotland's GDP in 2022 Q2 (April to June 2022) remained unchanged at 0.0%. This indicates a sharp slowdown in growth.¹ Scotland's quarterly GDP is now 0.1% below pre-pandemic levels (2019 Q4). Over the same period, UK GDP fell 0.1% and is 0.6% above pre-pandemic levels.

Monthly GDP estimates

Scotland's GDP is estimated to have fallen by 0.8% in June, after growing by 0.6% in May.²

Output in the services sector, which accounts for three-quarters of the economy, remained flat in June. Overall output in production, construction and agriculture fell by 3.1%.



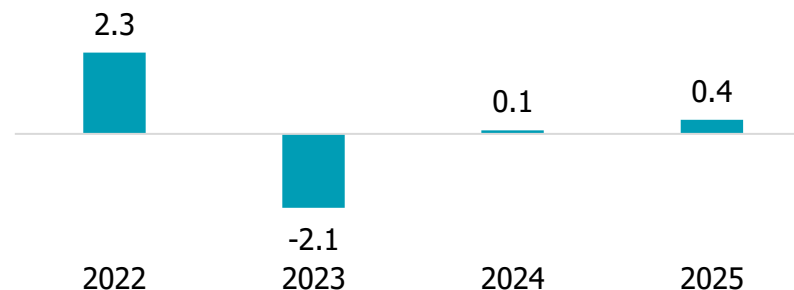
Economic Outlook

The Bank of England have downgraded the UK economic outlook for the next two years, expecting the UK to enter a recession from 2022 Q4.³ The depth and duration of the forecast recession is highly dependent on the path of energy prices and the persistence of inflation.

The downgraded economic outlook has fuelled existing concerns from Scottish businesses over rising costs and the economic slowdown. Scottish business confidence dropped to a 27-month low with rising recession risks, high inflation, and declining demand weighing on future expectations.⁴

Over the long term from 2028-29 – 2071-72, the Scottish Fiscal Commission expects Scotland's economy to grow at a slower rate than the UK at an average of 0.9 per cent per year, 0.5 pp slower than the UK.⁵ This is due to acute demographic challenges in Scotland, which is projected to have an impact on Scotland's future income tax position.⁵

Baseline forecast: annual UK GDP growth³



Source: Monetary Policy Committee August report. Based on Q3 figures

¹ Scottish Government. [First Estimate of GDP: 2022 Q2](#) (August 2022).

² Scottish Government. [GDP Monthly Estimate: June 2022](#) (August 2022).

³ Bank of England. [Monetary Policy Report](#). (August 2022)

⁴ RBS. [Purchasing Manager's Index August](#) (September 2022)

⁵ Scottish Fiscal Commission. [Trends in Scotland's Population...](#) (August 2022).

Inflation and the cost of living



Businesses

The main concerns for Scottish businesses surveyed in August were **inflation of goods and services** (38.5%) and **energy prices** (28.7%), up from 32.7% and 25.3% of businesses surveyed the previous month.¹

Almost all (96%) UK businesses surveyed by the FSB in their latest report were **concerned about rising energy costs**, with over a third extremely concerned.² In response, 45% of small firms have raised prices, whilst 24% have cancelled or scaled down investment/expansion plans.²



Living Standards

The Energy Price Guarantee (EPG) will cover 76% of the increase in bills compared to Oct'21-Mar'22 and make a significant impact on living standards this winter.³ However, the typical household bill will still be **83% higher than pre-pandemic levels**.³

Analysis by the Resolution Foundation finds that the average real pay in 2023 Q2 could be 9% lower than 2020-21. By 2026-27 **average earnings are projected to be no higher than they were 20 years ago**.³



Inflation

CPI inflation rose by **9.9% in the 12 months to August**, down from 10.1% in July.⁴

A fall in the price of motor fuels made the largest downward contribution to the change in CPI inflation, however rising food prices made the largest increase, partially offsetting the change.⁴

Rising inflation in Scotland and the UK is having a significant impact on the cost of living, with the potential to increase the severity and likelihood of poverty.

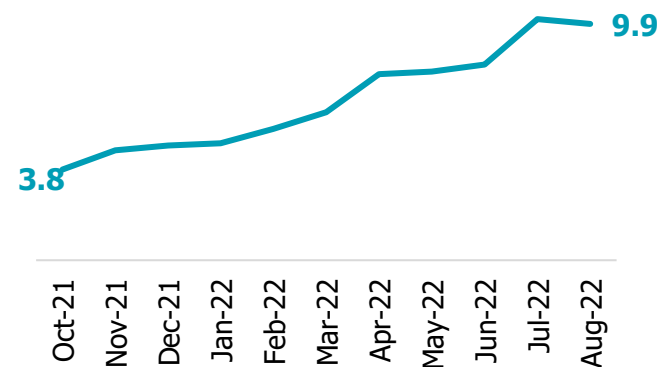
Inflation forecast



Due to the Energy Price Guarantee, the **expected peak in inflation has fallen** from around 14% in January (based on forecasts of the energy price cap on 8 September) to slightly above the July rate of 10.1%.³

Prior to the EPG announcement, the Bank of England forecast inflation to peak at 13.1% in 2022 Q4⁵, while the forecast from Citi bank predicted an increase to 18.1% in January 2023.⁶

UK CPI Inflation (%)



¹ Business and Innovation Statistics. [Wave 63](#). (September 2022)

² FSB. [Out in Cold](#). (September 2022)

³ Resolution Foundation. [A Blank Cheque](#). (September 2022)

⁴ ONS. [Consumer Price Inflation: August](#) (September 2022)

⁵ Bank of England. [Monetary Policy Report](#). (August 2022)

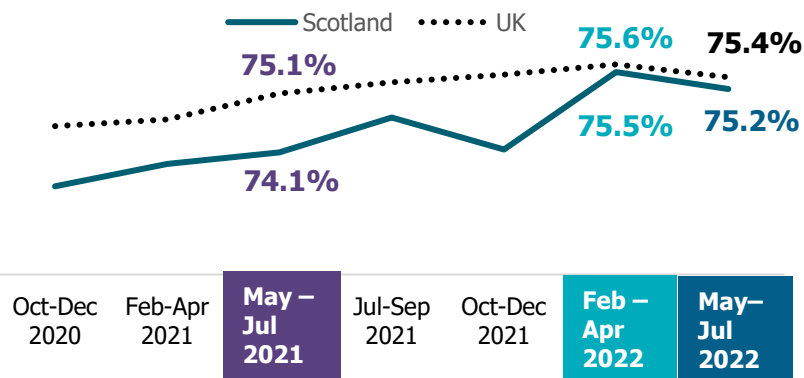
⁶ Reuters. [Inflation to hit 18%...](#) (August 2022)

Employment Rate (16-64)¹

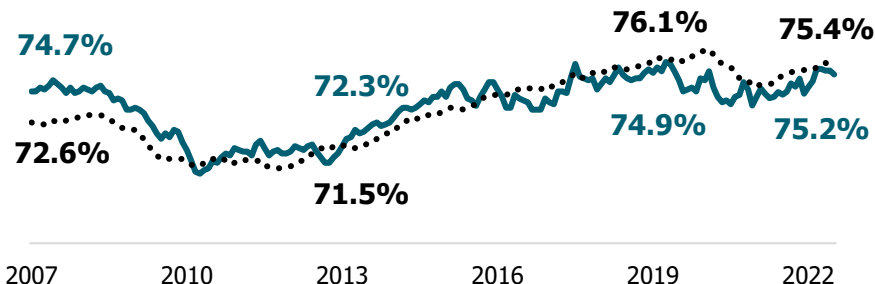
Scotland's 16-64 employment rate has decreased slightly.

- The employment rate in Scotland **decreased by 0.3 pp to 75.2%** in the period covering May to Jul 2022, compared to the **previous quarter**.
- The employment rate remains higher than at the **same point in 2021**, having increased **by 1.1 pp (63,000 people)***.

Employment Rate



Employment Rate: Longer-term trend

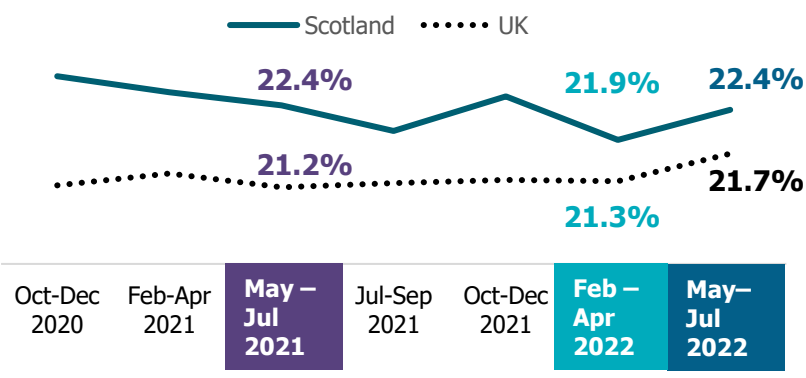


Economic Inactivity (16-64)¹

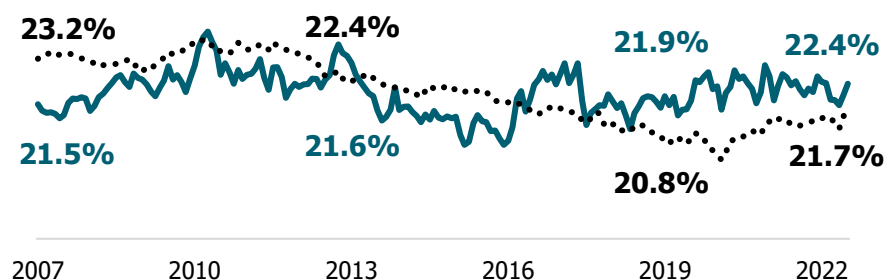
The 16-64 Scottish economic inactivity rate has increased slightly.

- The economic inactivity rate in Scotland **increased by 0.5 pp to 22.4% (18,000 people)** in the period covering May to Jul 2022, compared to the **previous quarter**.
- The economic inactivity rate is around the same as the **same point in 2021**, having decreased **by less than 0.1 pp**.

Economic Inactivity Rate



Economic Inactivity Rate: Longer-term trend



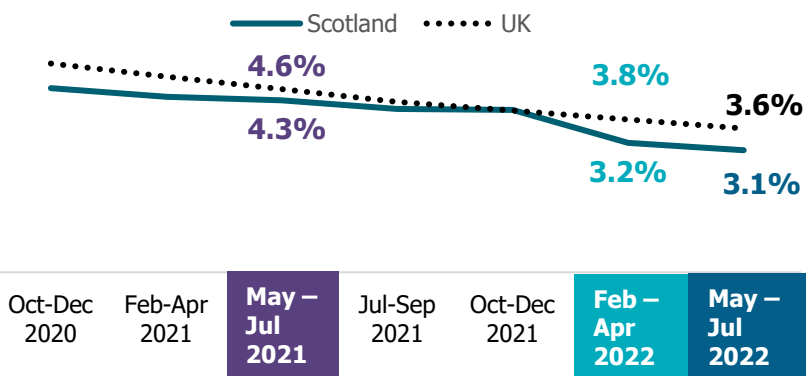
¹ ONS. Labour Force Survey (13th Sept 2022).
*Figures may not sum due to rounding.

Unemployment (16+)¹

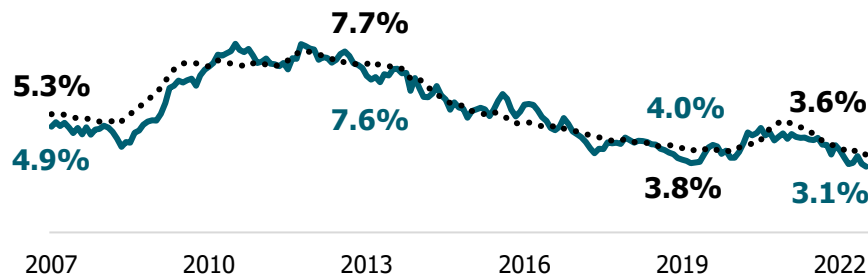
The 16+ Scottish unemployment rate reaches historic low.

- The unemployment rate in Scotland **decreased by 0.2 pp to 3.1% (5,000 people)** in the period covering May to Jul 2022, compared to the **previous quarter*** and is the lowest rate of employment since ONS records began in 1992.
- The unemployment rate is lower than at the **same point in 2021**, having decreased **by 1.2 pp (34,000 people)**.

Unemployment Rate



Unemployment Rate: Longer-term trend

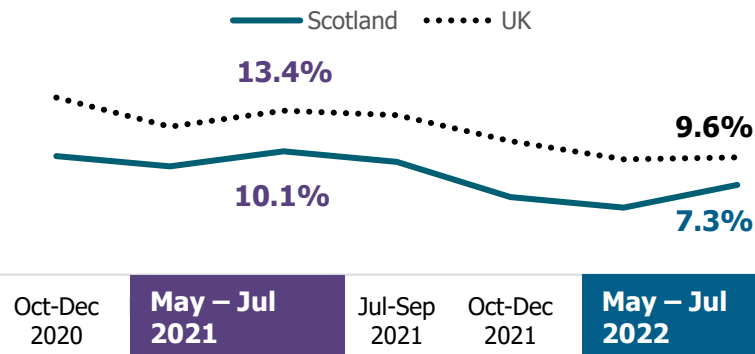


Youth Unemployment (16-24)^{1,2}

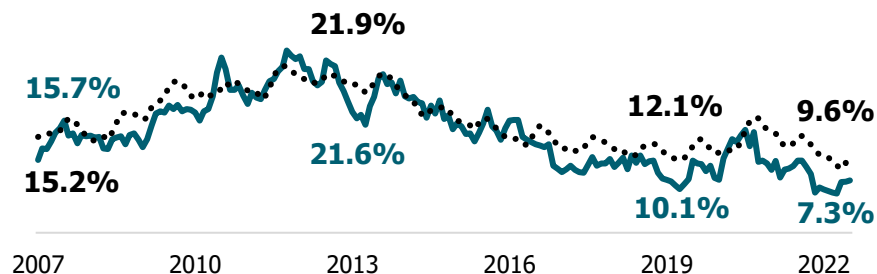
The 16-24 Scottish youth unemployment rate has decreased.

- The youth unemployment rate in Scotland **decreased by 2.7 pp to 7.3%** in the period covering May to Jul 2022, compared to the **same point in 2021**.
- This equates to a **decrease of 10,000** unemployed young people in May to Jul 2022 compared to the same period in the previous year.

Youth Unemployment Rate



Youth Unemployment Rate: Longer-term trend



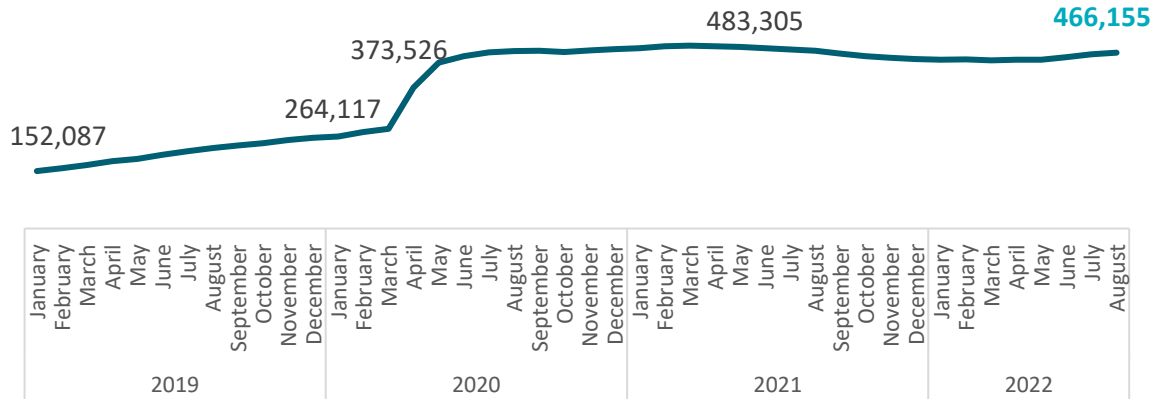
*Figures may not sum due to rounding

¹ ONS, Labour Force Survey, (13th Sept 2022).

²Please note: Youth Unemployment should only be compared to the previous year.

Unemployment Benefits – Trends ^{1,2}

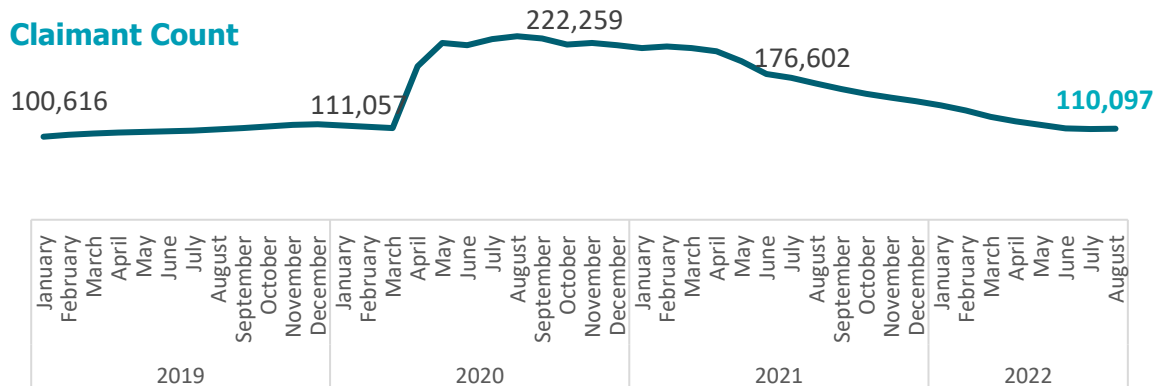
People claiming Universal Credit (August provisional data)



There was an increase in the number of people claiming Universal Credit between July 2022 and August 2022 (+8,200 or 1.8%).

Changes were made to the eligibility criteria for Universal Credit during the COVID-19 pandemic which resulted in a marked increase in the number of claimants over this period.³

Claimant Count



The seasonally adjusted claimant count declined by 50.5% from a high of 222,300 in August 2020 to c.110,100 in August 2022. Most of this change has occurred over the past year, however, there was a slight increase of 0.4% or c.390 claimants in August.

Redundancies⁴

7,000** redundancies in the three months to July 2022 in Scotland

3.0** per 1,000 people (1.9 per 1,000 in the UK)

The number of people who were made redundant in Scotland decreased to 7,000 in the three months to July 2022 (-2,000 or 22%) compared to the previous quarter but is higher than the three months to July 2021 (4,000 redundancies).

**Estimates are based on a small sample and should be used with caution.

¹ Department for Work and Pensions (August 2022).

² ONS, Claimant Count (August 2022). *Experimental statistics.

³ Department for Work and Pensions, [Universal Credit: background information and statistics](#), (February 2022).

⁴ ONS, Labour Force Survey (August 2022).

Job Postings in Scotland^{1,2}

Job postings in Scotland remain high at 57,900, and greater than pre-pandemic levels (March 2020) by 51 per cent. The number of job postings in August saw a considerable drop when compared to the previous month, of 29 per cent (or 23,400 postings). This came after increases in June and July (3 per cent or 2,000 postings and 19 per cent or 13,000 postings, respectively).

However, job postings in August 2022 remain higher than in August 2021, by 11 per cent (or 5,800 postings).

The highest demand in August 2022 is for vacancies in occupations such as:

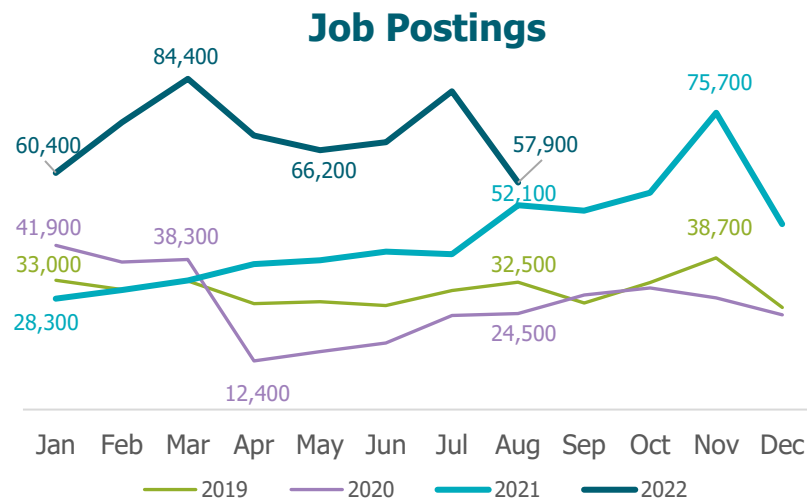
- Care Workers and Home Carers;
- Nurses;
- Other Administrative Occupations;
- Customer Service Occupations; and
- Sales Related Occupations.

The following sectors had the highest number of vacancies in August 2022:

- Human Health Activities (5,900 postings);
- Public Administration and Defence; Compulsory Social Security (3,800 postings);
- Education (3,400 postings);
- Retail Trade, except of Motor Vehicles and Motorcycles (2,800 postings); and
- Social Work Activities without Accommodation (1,900 postings).

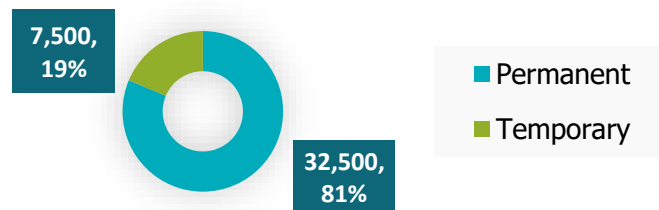
Advertised Wages:

Advertised wages have experienced growth of 9.1 per cent between August 2021 and August 2022, however when compared with March 2020 (pre-pandemic), advertised wages have seen a smaller increase of 2.6 per cent.

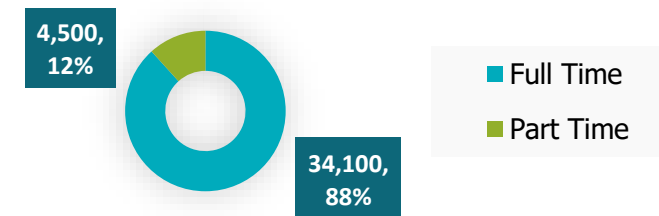


Job Postings in Scotland, August 2022

Permanent and Temporary*



Full Time and Part Time*



*Please note, the total number of temporary and permanent job postings and full time and part-time may not sum to Scotland's total as some postings do not specify this information.

¹ Burning Glass Technologies (October 2022). Burning Glass gathers insights from online job postings.

² Numbers rounded to the nearest 100

Job Postings by Local Authority in Scotland^{1,2}

Job postings across all local authorities declined between July and August 2022, and postings in most local authorities are now lower than the previous year (six out of thirty-two).

Job postings August 2021 – August 2022:

Over the last 12 months, the local authorities with the highest percentage increase in job postings were Midlothian (94 per cent or 400 jobs); Orkney Islands (45 per cent or 90 jobs); and Glasgow City (42 per cent or 4,800 jobs).

In Midlothian, this increase was largest in postings for Management Consultants and Business Analysts, Care Workers and Home Carers and Programmers and Software Development Professionals.

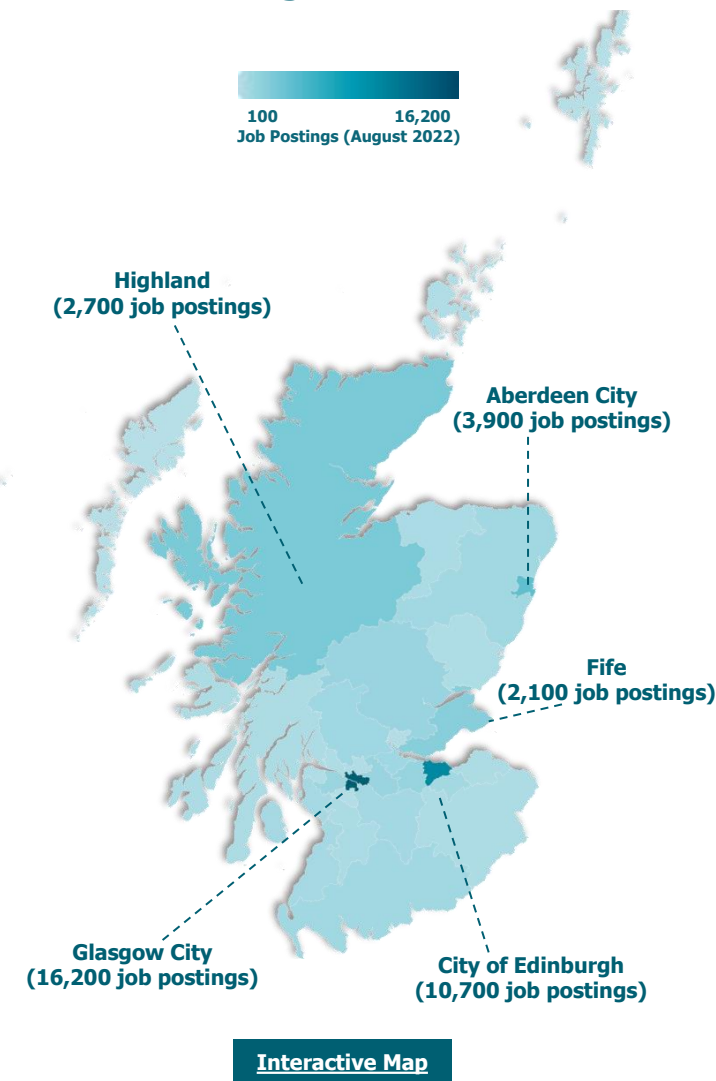
North Lanarkshire and Eilean Siar saw the largest decreases in job postings in August 2022 compared to August 2021 (-51 per cent or 1,500 jobs, and -43 per cent or 100 jobs respectively).

Job postings July 2022 – August 2022:

All local authorities experienced a decrease in job postings between July and August 2022. In addition to having the largest year-on-year decrease in job postings, North Lanarkshire also saw the steepest drop from the previous month (-40 per cent or 1,000 jobs). This was followed by Angus, East Renfrewshire, and Inverclyde, all of which decreased by 37 per cent (or 200, 100, and 200 jobs, respectively).

The fall of postings in North Lanarkshire was highest in Van Drivers, Sales Related Occupations, and Large Goods Vehicle Drivers.

Job postings by Local Authority August 2022



¹ Burning Glass Technologies (October 2022). Burning Glass gathers insights from online job postings.

² Numbers rounded to the nearest 100

Equality

The COVID-19 pandemic has had a disproportionate impact on certain groups of people in Scotland, and the cost of living crisis could exacerbate existing inequalities.

Across Scotland and the UK, women have consistently had a lower employment rate and higher economic inactivity rate than men. While this trend has continued, The employment rate for males remains lower than pre-pandemic levels (April 2019 – March 2020) by 1.3 per cent, whilst for females, it is lower by only 0.1 per cent.¹

In Scotland in 2022, the employment rate for males aged 16-64 was 76.4%, compared to 71.3% for females. Both male and female economic inactivity increased compared to pre-pandemic levels (April 2019 to March 2020) by 0.9% and 0.3% respectively. In 2022 around 1 in 4 females were economically inactive in Scotland (26.6%) compared to 1 in 5 males (20.4%).¹

Lone mothers and guardians, minority ethnic women, disabled women and young women have been particularly impacted by the pandemic.^{2,3,4} According to the Women's Budget Group, the increase in the cost of living will also have a greater impact on women.⁵ Women are more likely to have low incomes with twice as many women in the bottom 10% of earners than men. Women also make up 60% of those earning below the Real Minimum Wage.⁵

Particular groups of women are more likely to be disproportionately impacted by the rising cost of living: poverty rates are significantly higher among people from

Bangladeshi (53%), Pakistani (48%) and Black (40%) ethnic groups than among White people (19%).⁵

Ethnic minority groups also continue to face higher unemployment and economic inactivity rates than white groups. The employment rate for ethnic minorities in 2022 was 62.5%, whilst the employment rate for white groups was 74.6%.¹ The ethnic minority unemployment rate was 6.1% in 2022 and around a third were economically inactive (33.4%). In contrast, the unemployment rate for white groups was almost half of that for ethnic groups at 3.3%, with 22.9% economically inactive in 2022.¹

Research from networking group People Like Us found that ethnic minority workers were also paid 84% of what their white counterparts earned.⁶ Ethnic minorities were also nearly twice as likely to have been told they won't get a pay rise this year due to inflation than their white counterparts (19% compared to 10%), further widening the income gap.

There has also been a persistent employment gap between disabled people and non-disabled people, with disabled people being more likely to be unemployed.^{4,7} The unemployment rate for disabled people was 6.1% in 2022 and 2.9% for those with no disability.¹



60% of those earning below the Real Minimum Wage are women. There are also twice as many women in the bottom 10% of earners than men.⁵

Ethnic minority workers were paid 84% of what their white counterparts earned in 2022.⁶

¹ ONS. [Annual Population Survey](#). (August 2022)

² Glasgow Centre for Population Health. COVID-19 Micro Briefing 2: [Consequences of the COVID-19 pandemic: exploring the unequal social and economic burden on women](#). (May 2021)

³ Close the Gap. One Year On: [How COVID-19 is impacting women's employment in Scotland](#). (March 2021).

⁴ Scottish Government. [Gender Pay Gap Action Plan: Annual Report](#). (March 2021).

⁵ WBG: [The Gendered Impact of the Cost of Living Crisis](#). (March 2022)

⁶ People Like Us: [Cost-of-living-crisis](#) (May 2022)

⁷ Policy Scotland. [COVID-19 Micro Briefing 1](#). (January 2021).

LMI resources



Regional Skills Assessments provide a coherent evidence base to inform future investment in skills, built up from existing datasets and supplemented with regional insight.



Sectoral Skills Assessments provide a high-level evidence base to inform future investment in skills, built up from existing datasets and supplemented by industry insight.



The Data Matrix, offers data at Local Authority level, covering over 80 indicators covering Skills Supply, Skills Demand and Skills Mismatches.

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.

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.

Green Jobs Workforce Academy

The Green Jobs Workforce Academy can help people take a greener approach to their careers, from accessing training and learning new skills to finding a new job.

My World of Work Job Hub

Helping employers advertise opportunities through the SDS's careers website.

Online Learning Portal

Helping people develop their skills with free online courses from training providers.

Support for Businesses

Find Business Support

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



PACE

Scottish Government's PACE service can support employers and employees facing redundancy.

Adopt an Apprentice

Provides a £2,000 grant (£5,000 in the Oil & Gas sector) to support a redundant Modern or Graduate Apprentice to continue their apprenticeship.

Skills for Growth

Advice for businesses on developing skills within teams or managing change – up to 2 days free consultancy.

Digital Catalyst Fund

Support for businesses and employees to fast-track advanced digital technology skills.

Flexible Workforce Development Fund

Administered by the Scottish Funding Council, apprenticeship Levy-payers or SMEs can access up to £15,000 to create tailored training programmes.



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