

Welcome to the CLD in Scotland Conference

17 April 2024

#CLDinScotland

CLD in Scotland Conference

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Scotland's labour market: and the role of CLD

3.10pm – 4.20pm

**Chris Brodie, Director of Regional Skills and Sector
Development**
Skills Development Scotland

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Economy and labour market headlines: February 2024



- Inflation has decreased steadily and sat at 3.4% in February.
- The UK entered a technical recession at the end of 2023 (two periods of contraction). UK Growth over the year was broadly flat (+0.1%).
- Scotland's economic outlook remains subdued in the short to medium term.



- Business activity declined for the fourth month in a row in December. However, the pace of decline was slowing and January figures saw an uptick in activity.
- Businesses are expecting challenges at the start of 2024, with few expecting to see an increase in their turnover.



- The Scottish labour market has cooled in recent months.
- The downward trend in recruitment continues, job postings have dipped to below pre-pandemic levels for the first time since May 2021.
- The unemployment rate remains low but is forecast to increase in 2025 as the impact of interest rate rises feeds through to the labour market.

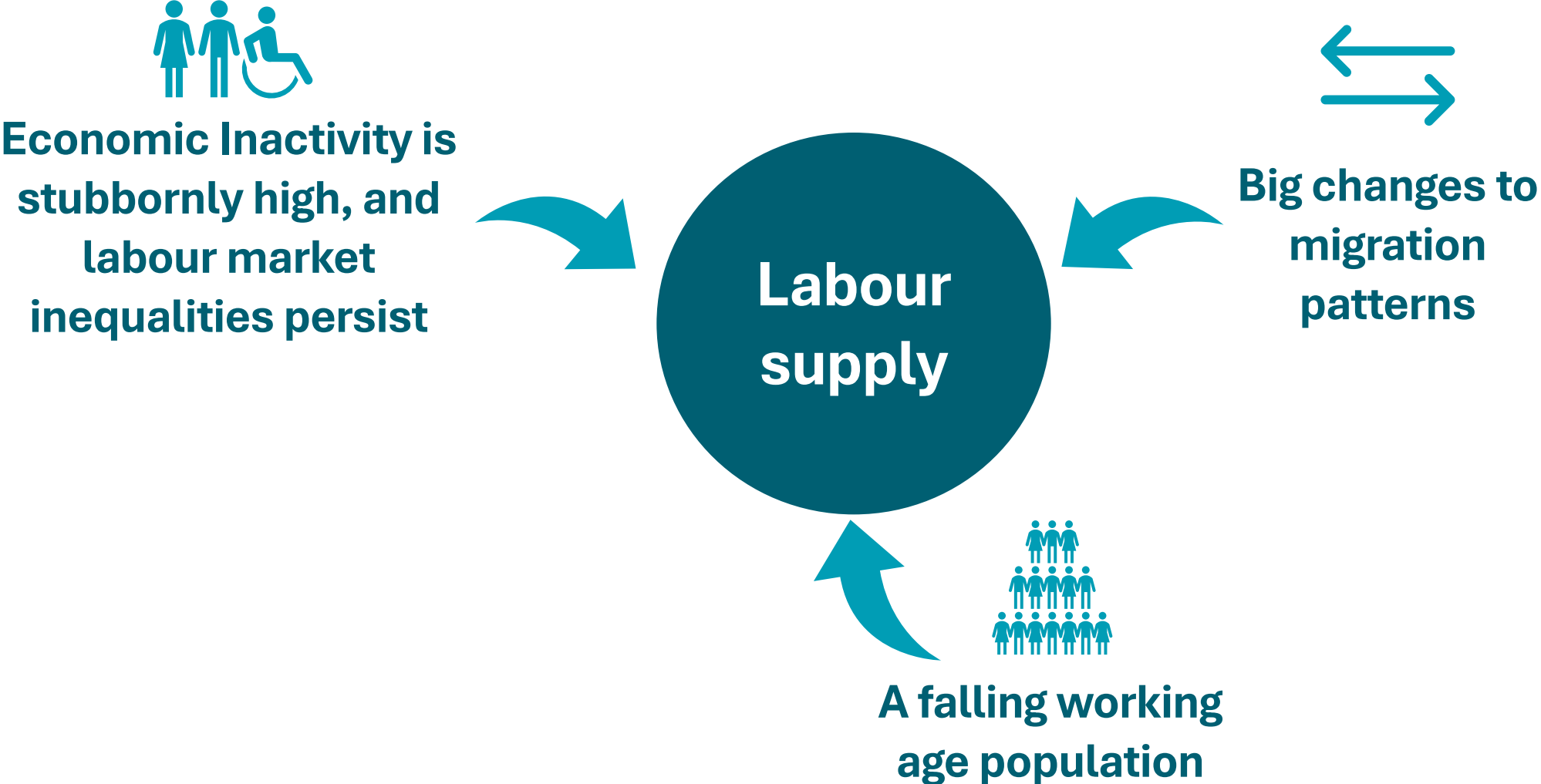
There is robust and compelling evidence that Scotland faces a complex future.

There is a strong evidence that a lack of people, with the right skills, could act as a barrier to realising Scotland's economic opportunities

Prioritising investment in skills through data and insight-led decision making will be increasingly important for people and the economy!

Scotland has a shrinking labour pool

Three factors impacting labour supply in Scotland



Labour Market Participation

The Scottish labour market remains tight, however there are signs of loosening

75.2%

Employed (16-64)

Scotland's employment rate is historically high despite labour market challenges over recent years.

3.4%

Unemployed (16+)

The unemployment rate is historically low, and nowhere near the peak of around 8% seen during the financial crisis of 2008. Unemployment is forecast to increase to c.4.2% in 2025/26 as the impact of interest rate rises is felt.

9.7%

Youth Unemployment (16-24)

Youth unemployment has increased compared to 2022, however, this measure can be volatile due to small sample sizes.

22.1%

Economically Inactive (16-64)

Economic Inactivity is stabilising, but remains stubbornly high.

Workforce characteristics

Scotland's workforce is...



Highly educated (**54.2%** educated to SCQF level 7 or above)



50.3% Male,
49.7% Female



75.4% full-time,
24.3% part-time



71.0% private sector,
29.0% public sector

Inequalities persist in Scotland's labour market



27.6 ppt disability employment gap



10.0 ppt ethnicity employment gap

It is important for Scotland to promote equal opportunities and remove barriers to labour market participation.

Reducing pipeline of young people

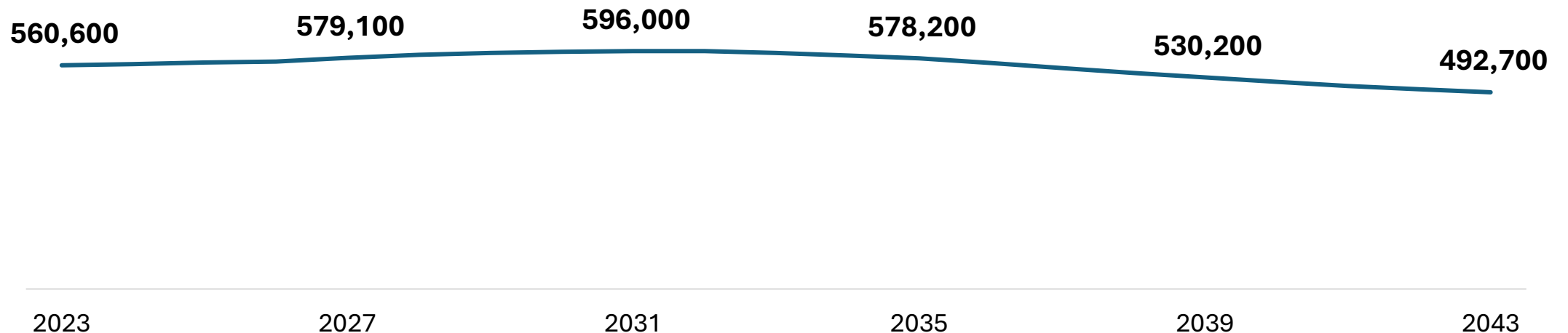
Scotland has a declining youth population, meaning a smaller talent pipeline coming through the skills system and into the labour market



The number of young people aged 16-24 is expected to increase in the short-term, but then decrease from the early 2030s. By 2043 the 16-24 population is projected to be 12% lower than in 2023 (a fall of 67,900).



This has significant implications for the talent pipeline of people entering the skills system and then the labour market, particularly as the population is ageing at the same time, likely meaning a greater number of retirees.



UK Net Migration has increased substantially since 2021

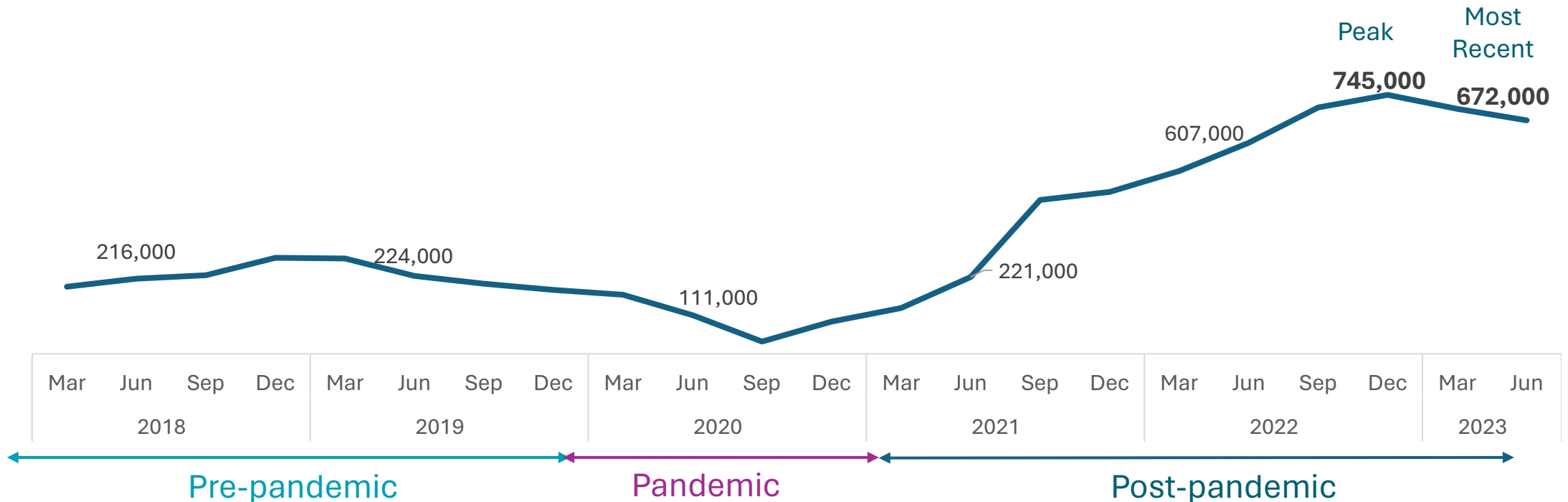
Historic trends suggest less than 10 per cent of migrants to the UK come to Scotland, and only a third of those are on work visas



New UK government policies have looked to reduce migration through tighter restrictions on salary levels and bringing dependents to the UK.



Universities have increasingly relied on international tuition fees for financial sustainability. However, this poses risks due to fluctuations and competition in attracting students.

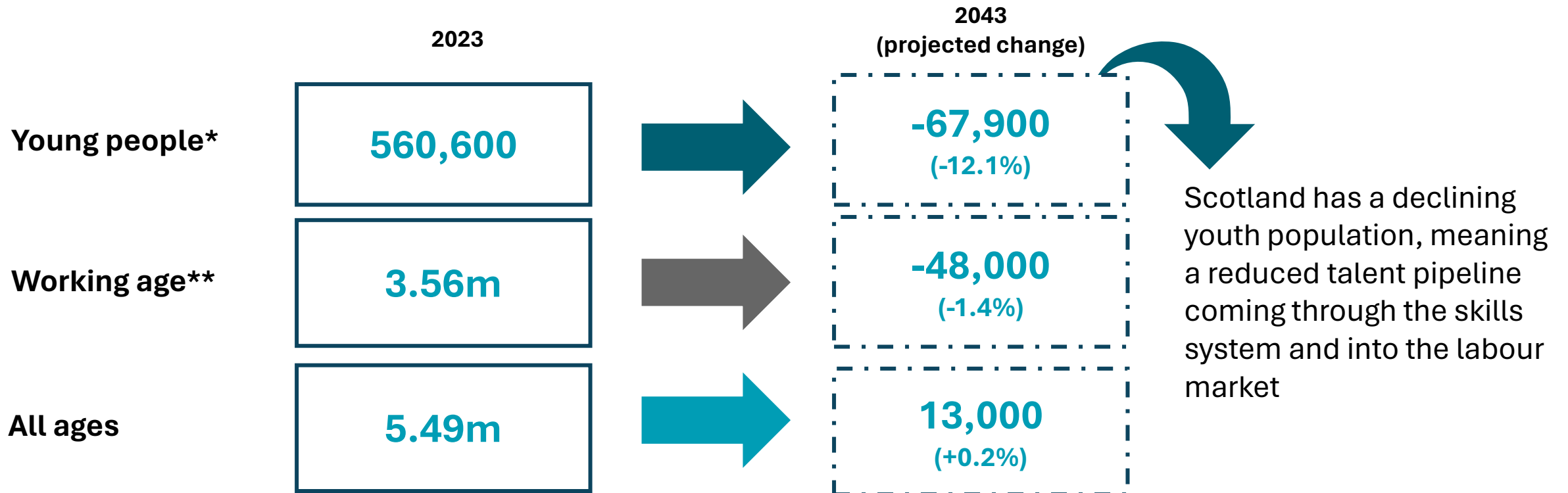


*Data is for the year ending at specified time, e.g. June 2023 is year ending June 2023.

Migration is key to population growth

Scotland's population growth has been underpinned by migration, and the population would have declined by c.50k between 2011 and 2022

The working-age population is shrinking...



*Young people defined as 16-24

**Working age accounts for changes to state pension age over the period

Falling population will threaten Scotland's economic ambitions

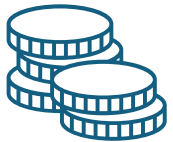
There is a strong correlation between population growth and economic growth



Economic growth has been sluggish, both recently and in the longer term, remaining flat since returning to pre-pandemic levels in Q4 2021.

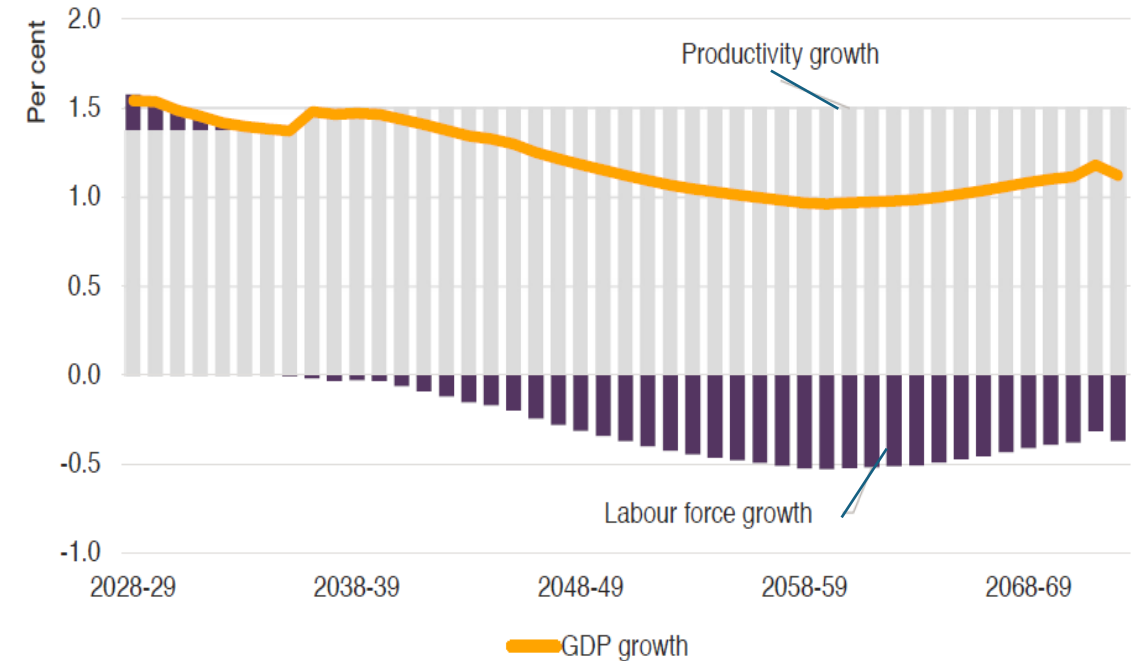


A smaller working-age population combined with Scotland's ageing population structure could slow economic growth and reduce tax revenue.



Whilst productivity is an important consideration for growth, despite a target to reach the top quartile of the OECD, little progress has been made since 2007.

Projected GDP growth over the long term is subdued, impacted by weak productivity growth and labour force decline



Source: Scottish Fiscal Commission

A smaller working age cohort will impact tax revenue

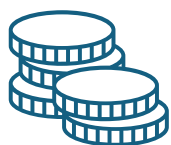
People pay less tax as they get older



Fewer people of working age could also bring a reduction in tax revenue, while the ageing population puts significant pressure on government spending, particularly in Health and Social Care.

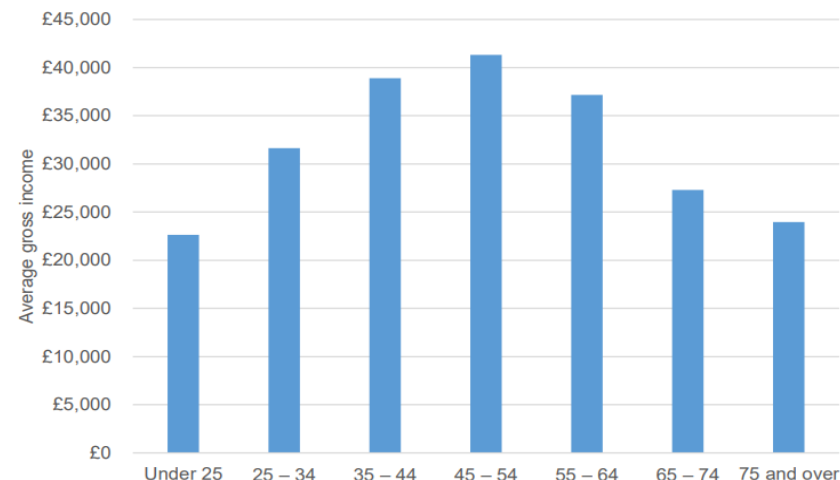


The majority of Scottish taxpayers (71%) are aged between 25 and 64. Earnings tend to peak between the ages of 45-54, with almost a quarter (24%) of Scottish tax income expected to be raised from this age group.



Income falls substantially from the age of 65, meaning an ageing population will considerably impact tax receipts.

Average income of Scottish taxpayers by age group (2023-24)



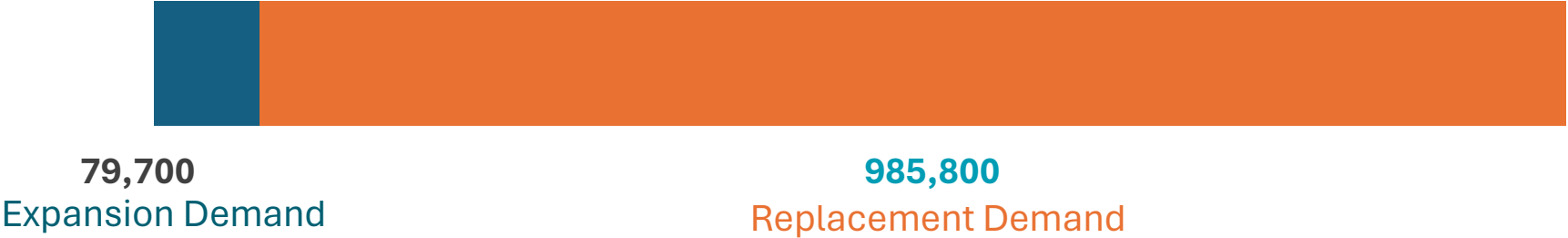
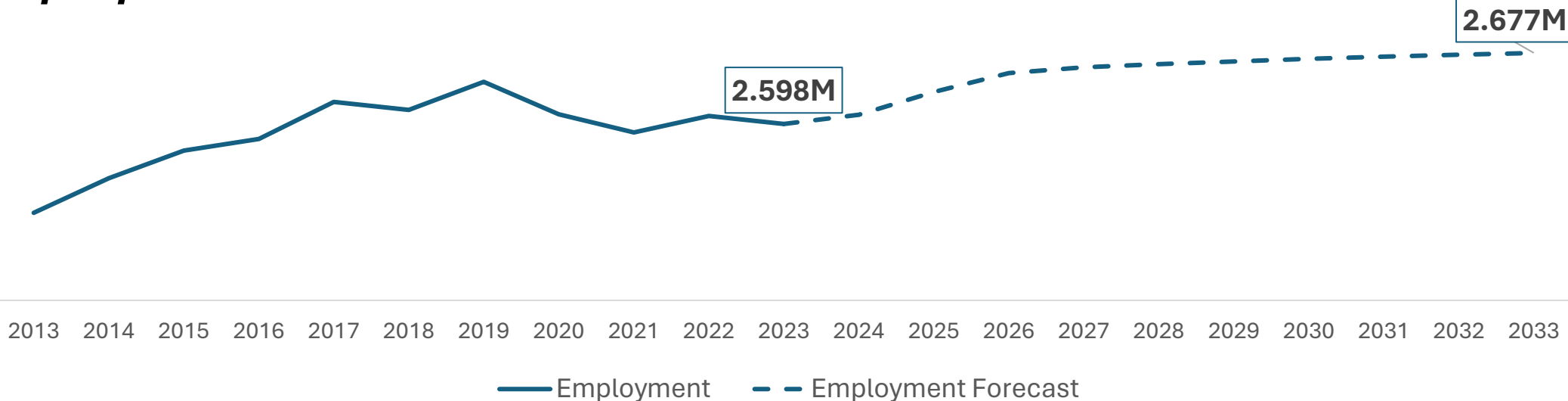
Proposed Scottish tax bands (2024-25)

Bands	Band name	Rate (%)
£12,571- £14,876	Starter Rate	19
£14,877 - £26,561	Scottish Basic Rate	20
£26,562 - £43,662	Intermediate Rate	21
£43,663 - £75,000	Higher Rate	42
£75,001 - £125,140	Advanced Rate	45
Above £125,140	Top Rate	48

What will drive demand for skills?

Labour Demand

Excluding investment that we know about, over the next 10 years Scotland will need c. 1 million people to meet labour demand



Significant investment is not accounted for in the forecasts

The transition to net zero will further drive demand for people and skills



The Pathfinder identifies nearly £90bn of green investments over the next two to three years. This investment will drive skills demand, including in new areas of economic opportunity such as ScotWind, Hydrogen, Carbon Capture Utilisation and Storage and Freeports.



The CESAP Pathfinder identifies a total requirement of 77,000 people required in CESAP sectors in the next three years alone...



Evidence shows that there is already competition between different CESAP sectors (and shortages) for high demand roles such as Electricians, Engineers and other skilled trades. This is likely to be exacerbated as the transition to net zero progresses.



Supplying the workforce required to deliver the transition to net zero will depend on skills supply across various provision types, and upskilling and reskilling for roles that need to adapt as a result of the transition will be pivotal.

Digital Economy Skills Action Plan (DESAP)

The DESAP is a call to action looking to address skills challenges in Scotland's digital economy so that its potential can be realised.



Digital is no longer just about the Tech sector, across all sectors new digital roles are continuing to emerge and digital skills will be required across virtually all roles.



Digital economy skills shortages and gaps are acutely felt by employers across the Scottish labour market, with jobs like software developers in high demand, and basic digital skills lacking in many workplaces.



It is estimated that there will be around 15,600 job openings for tech professionals each year across the whole economy which is a 20% increase on previous estimates.



Underlining the growing importance of Digital to the Scottish economy, the economic output of the Digital tech sector increased by 107.5% from 2012 to 2022, compared with a 12.5% increase across the economy.



It is estimated that supporting increased digital adoption across all sectors, including associated skills requirements, could add £25bn to the Scottish economy.

Health & Social Care is facing acute challenges with labour demand

Good healthcare and good childcare can support labour market participation.



An ageing population combined with policy such as the extension of free childcare as well as increased waiting lists and recruitment challenges since Brexit and the pandemic are driving shortages.



Health and Social Work is expected to see the biggest increase in employment between 2023 and 2033, growing by 33,900 people.



The challenges facing the sector were also highlighted in the Employer Skills Survey. Employers from the sector were amongst the most likely to have a hard to fill vacancy (27% vs 16% of all employers) and have a skills shortage vacancy (16% vs 10%). Health and social care employers were also far more likely to have a vacancy at all (44% vs 25%).



Within Health and Social Care, there has been a significant increase in demand for workers in the Childcare sector as access to free hours has increased. Providing the right level of access to high quality childcare is a key enabler to unlocking labour market participation for parents.

There will be large regional variations in demand

Adaptive approaches will be needed



Over the ten years from 2023 to 2033, Edinburgh (31,500) and Glasgow (26,000) are forecast to see by far the most significant increases in employment. Together the two cities account for nearly three-quarters (72%) of Scotland’s total increase in employment.

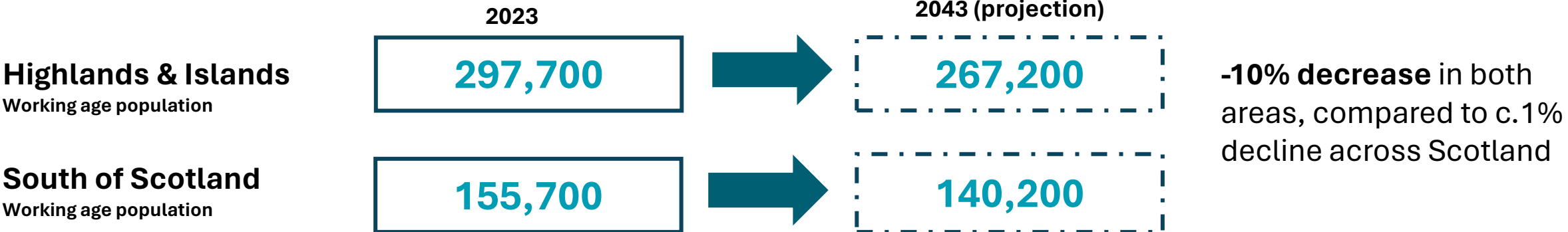


But not all urban centres will experience strong employment growth – largely reflecting decline in the Oil and Gas sector, employment in Aberdeen is expected to reduce by 4,900 people.



Working age population is key to meeting labour demand and analysis suggests that whilst other urban areas may see marginal increases, strong growth is mostly limited to Edinburgh and the surrounding areas

Analysis suggests that rural areas will face particular challenges:



CLD Job Postings in Scotland



600 job postings

In 2023



Median real-time advertised salary:

£27,300

Top Job Postings:

- Youth Workers
- Youth Development Workers
- Community Development Officers
- Learning Managers
- Community Development Specialists

Top Locations:



Glasgow City
130 job postings



Edinburgh City
80 job postings



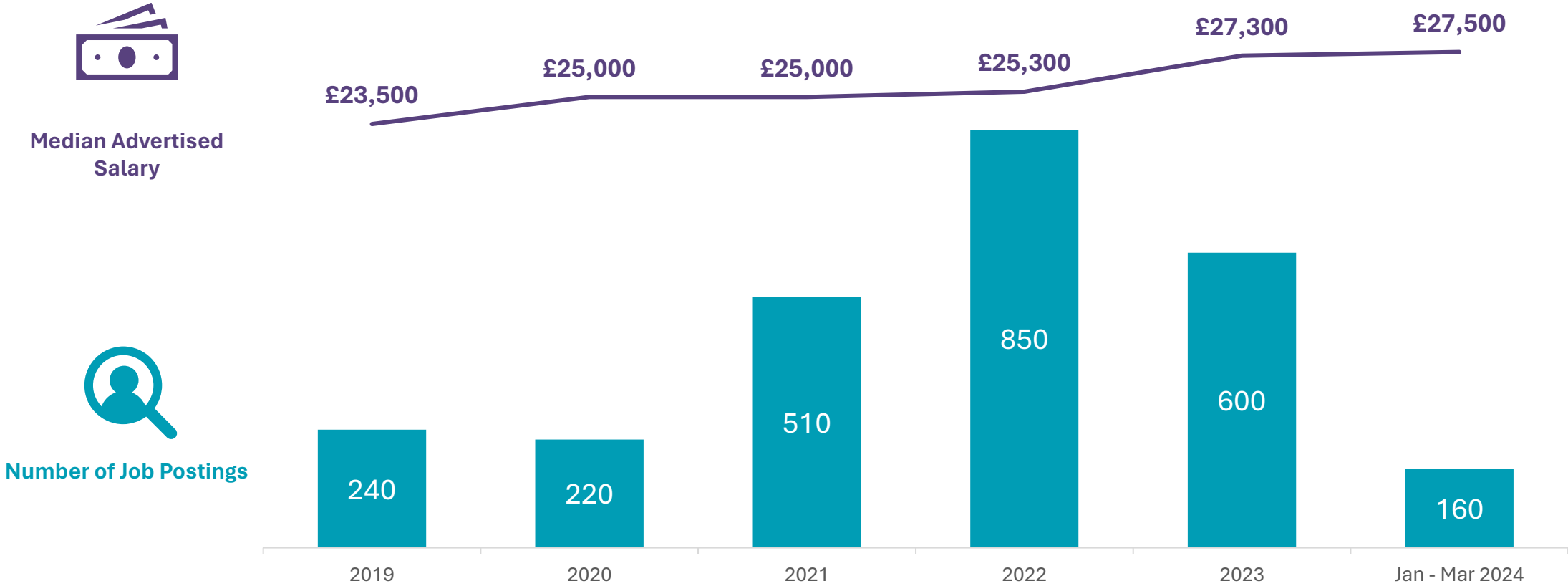
Dumfries and Galloway
30 job postings



Aberdeen City
20 job postings

CLD Job Postings in Scotland

The number of job postings peaked in 2022, while the median advertised salary continue to increase.



Employers struggled to recruit in 2022

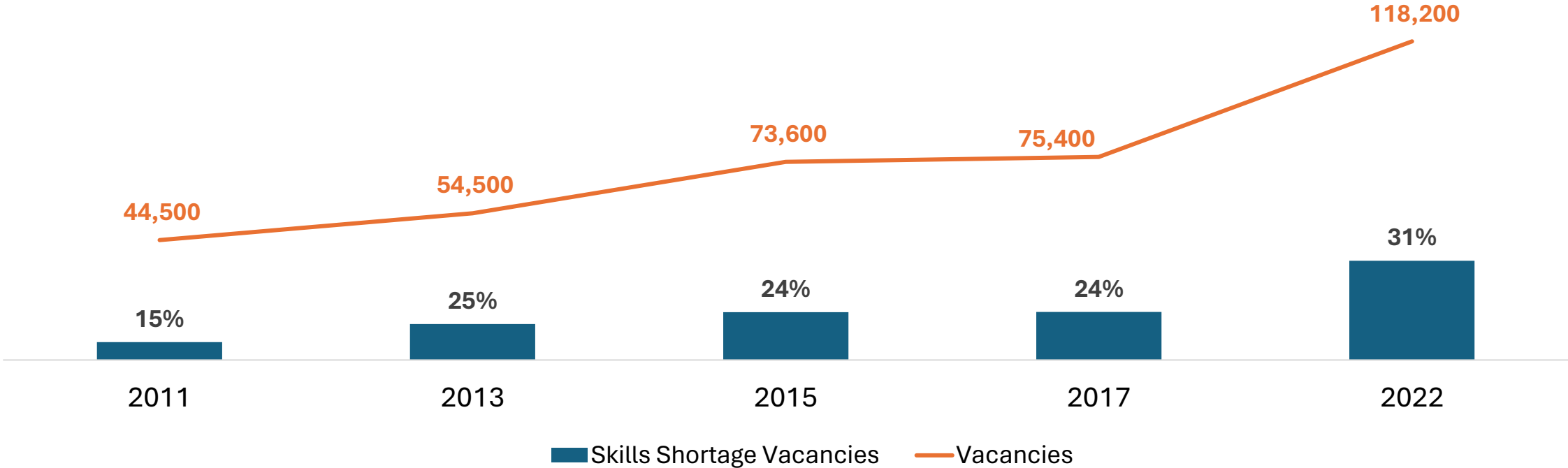
Employer Skills Survey - Vacancies and Skills Shortage Vacancies



Reflecting heightened demand for labour in the post-pandemic economy, the number of vacancies reported by Scottish employers increased by 57% between 2017 and 2022.



In 2022, around one-third of vacancies were difficult to fill due to a lack of skills, qualifications or experience (31%).



Sectoral insight on labour market challenges



Recruitment and Retention challenges

- **Energy** – competition with other sectors for similar skillsets
- **Digital** – vacancies have become harder to fill, international remote hiring has made recruitment more difficult.
- **Tourism** – lack of available people wanting and able to work in sector, affected by migration policy and sector perceptions. Also face retention challenges.
- **Health and Social Care** - high vacancy rates and high staff turnover. Brexit has created challenges across the sector for both registered and non-registered roles



Labour Shortages, Skills Shortages and Skills Gaps

- **Construction** – shortage of traditional building skills, particularly stone masonry
- **Energy** – significant skills gaps impacting offshore wind
- **Engineering** – skills shortages in fabrication and welding, affecting shipbuilding currently but will affect renewables in the future.
- **Financial Services** - The industry is seeking to fill around 50,000 positions over the next 3 years. There is therefore strong competition for skills within the sector.
- **Life and Chemical Sciences** – shortages in lab and pharmaceutical technicians
- **Hospitality and Tourism** are experiencing a lack of available workers following Brexit and the pandemic
- **Food and Drink** - Labour shortages are still a concern across the sector both primary and manufacturing. This is exacerbated in rural areas.



Challenges meeting requirements arising from new opportunities

- **Construction** – significant skills demand arising from decarbonisation of heat
- **Energy** – challenges around managing energy transition to mitigate decline and capture opportunity
- **Financial Services** - Difficulties in predicting new technologies and the skills required.

People's skills and qualifications are underutilised

Graduate level jobs have not kept pace with the number of graduates



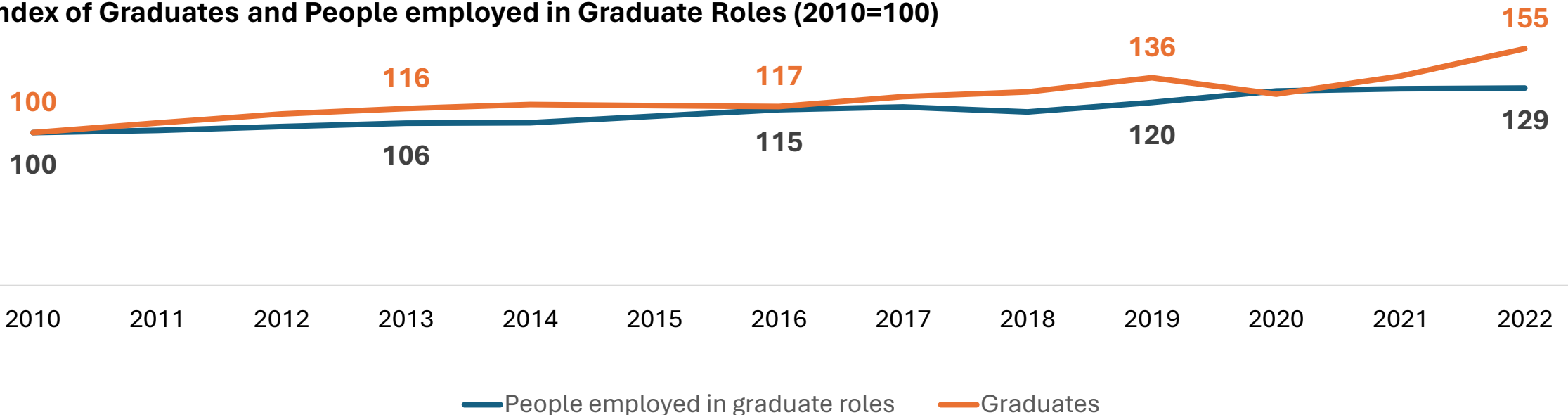
At around two in five, Scotland has the highest rate of employed graduates aged 16-64 in non-graduate jobs of all countries/regions in the UK.



Analysis from the CIPD found the following:

- Over a third of Scottish graduates feel over-qualified in their job
- From 1992 to 2022 the proportion of graduates working in medium/low skilled occupations has increased substantially
- The “graduate premium” has fallen considerably for those born in 1990 compared with those born in 1970

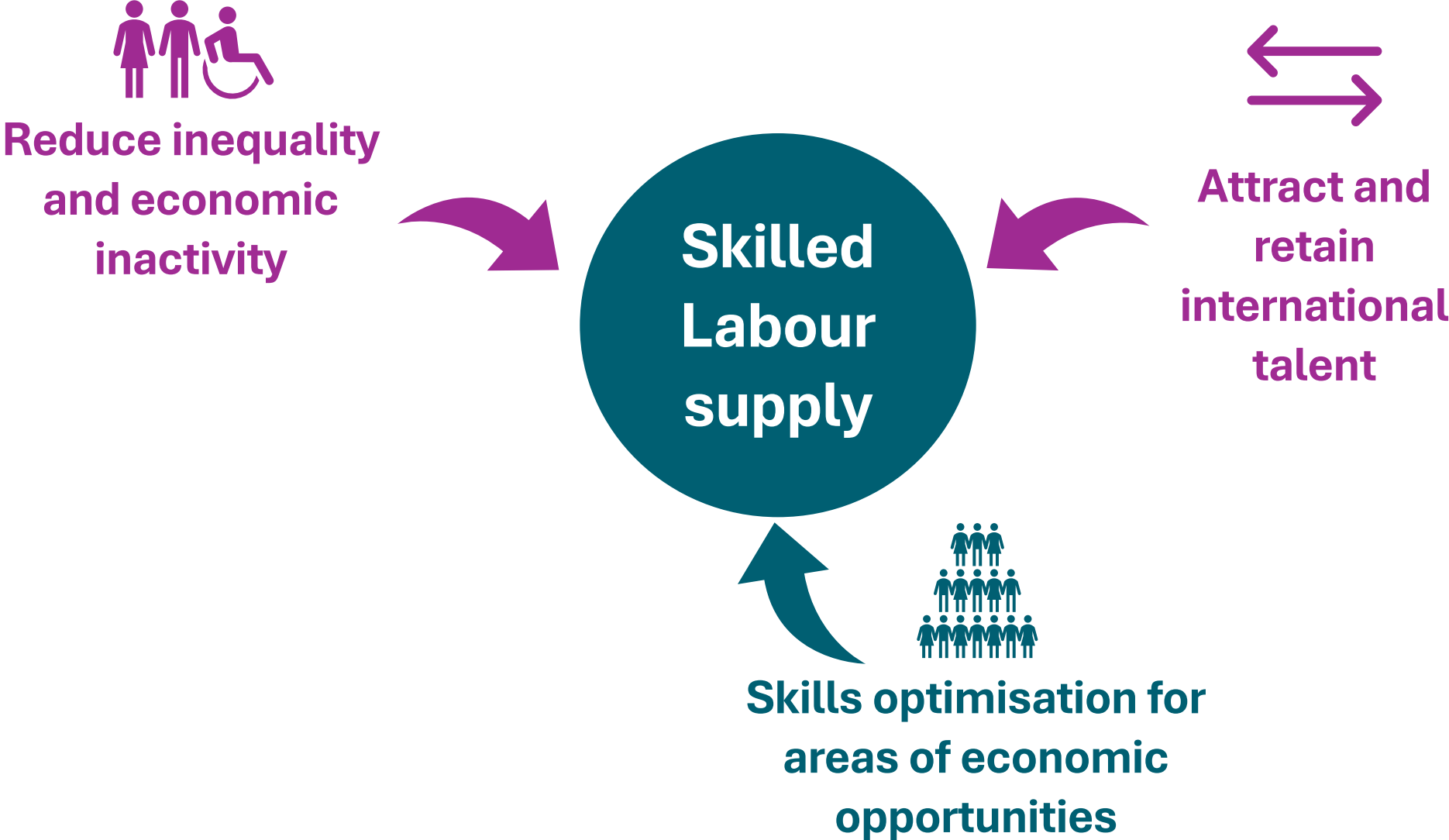
Index of Graduates and People employed in Graduate Roles (2010=100)



Implications

- 1. Growing the number of people able to participate in work is a core challenge for Scotland over the next 15 years**
- 2. The scale of forecast labour demand in Scotland over the next 10 years means labour and skills shortages will be a persistent feature – but also an opportunity for individuals!**
- 3. Substantial Investment in Net Zero is set to drive even more demand for workers.**
- 4. Despite Scotland's well-educated population, qualifications do not always align with the skills sought by employers.**
- 5. Looking to the future, issues around labour supply, demand and mismatch will be exacerbated by demographic change.**
- 6. Rural areas are expected to have a more pronounced demographic change, causing heightened challenges.**

Scotland's workforce strategy will need a clear focus on three areas of intent...



Discussion

- 1. What opportunities and challenges to these labour market conditions present for the people that you work with?**
- 2. What opportunities and challenges to these labour market conditions present for the CLD sector itself?**
- 3. What are the top three priorities you'd like to see addressed in response to the above?**

Thank you very much for attending the conference

Refreshments, networking and CLD Talks
Vox Pop will now be in the foyer till 6pm.
Enjoy!

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