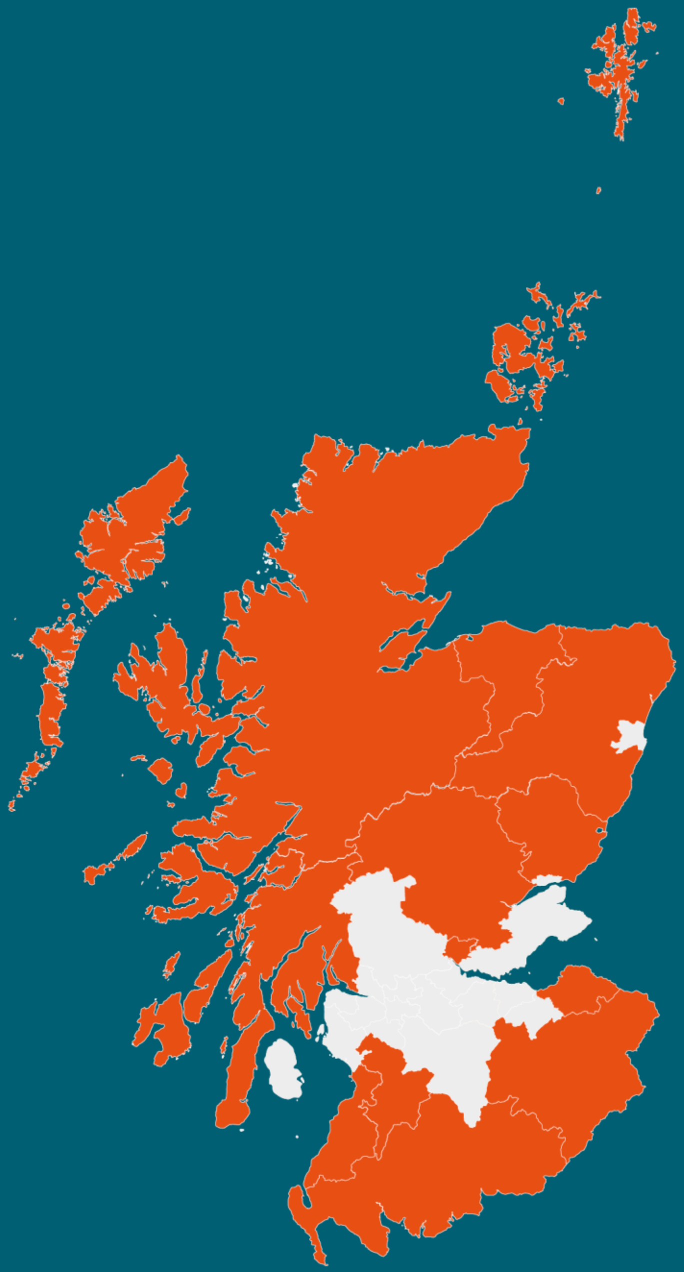
Skills Development Scotland

Regional Skills Assessment

Rural Scotland

November 2022



Contents

Regional Skills Assessments

First launched in 2014, the purpose of the Regional Skills Assessments (RSAs) is to provide a robust 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 RSAs to ensure an inclusive approach to their development, dissemination and utilisation.

RSAs include the use of published data sets. Inevitably, when using published data there is a time lag, but the data contained is the most up-to-date available at the time of writing. Where data represents a snapshot as of October 2022, we have included a link to the Data Matrix, which is frequently updated.

RSAs also include forecast data that has been commissioned through Oxford Economics. The Technical Note[1] 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 regional activities, initiatives or investments that are planned.

Oxford Economics forecasts used in this RSA reflect the economic outlook at the time of writing (early September 2022).

Industries and occupations used in the RSAs are defined by standard occupational classifications (SOC) and standard industrial classifications (SIC). The Office for National Statistics (ONS) have useful SIC[2] and SOC[3] hierarchy tools that can be used to understand the classifications in more detail.

In addition, we provide analysis by key sector. Key sectors are central to our Skills Investment Planning approach. Each key sector has a tailored Skills Investment Plan (SIP) which gives a picture of the economic and labour market situation, trends in skills and qualification supply and employers' perspectives on the skills issues affecting the sector. Regional SIPs have also been developed. SIPs and RSIPs are available on the SDS website.[4]

This RSA report for Rural Scotland is based on the Scottish Government's Rural and Environment Science and Analytical Services (RESAS) classification of rural areas. It covers the Aberdeenshire, Angus, Argyll and Bute, Clackmannanshire, Dumfries and Galloway, East Ayrshire, East Lothian, Na h-Eileanan Siar, Highland, Moray, Orkney Islands, Perth and Kinross, Scottish Borders, Shetland Islands, and South Ayrshire local authorities. **The 15 local authorities above are those RESAS classified as either 'mainly rural' or 'islands and remote rural'.**

We value user feedback on the Regional Skills Assessments. *If you would like to provide feedback on the RSAs please do so here.*

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

Economy, People and Skills provides succinct and up-to-date evidence on the impact on Scotland's economy, business and people. It is updated monthly.

Sectoral Skills Assessments provide updated Labour Market Insight for the key sectors across Scotland. It is updated annually.

The **Data Matrix** is an interactive tool which supplements this report, offering data from a variety of sources in a visually engaging format. It is updated frequently.

Links to the Data Matrix are included throughout the report to indicate where more detailed data is available, such as data at the Local Authority level. This iteration of the RSAs includes **'Summary Infographics'** (see page 32). This infographic is available at Local Authority level through the Data Matrix.

Alongside the suite of Labour Market Insight publications, SDS also produce a wide range of reports such as statistics on the Apprenticeship Family and the Annual Participation Measure for 16–19-year-olds. Further information can be found on the Publications and Statistics section of the SDS corporate website.

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

Introduction

Introduction

Successive, escalating global challenges – such as the pandemic and war in Ukraine – combined with persistent issues of low growth and productivity, have led to a period of unprecedented economic uncertainty.

Meeting a challenge of this scale will require a fit-for-purpose skills system to support and attract inward investment, increase productivity and tackle inequality and deprivation.[5]

This chapter provides an overview of five key drivers that will interplay to determine a positive future for Scotland.

The Economy

The economic outlook for the remainder of 2022 and into 2023 is bleak, and **GDP growth forecasts for UK and Scotland have been downgraded.** The Bank of England forecast[6] that the UK will enter a recession in 2023 whilst the Fraser of Allander institute[7] expects Scotland's economy to contract in the second half of 2022.

Inflation is at levels not seen for 40 years, placing businesses and households in Scotland in a state of financial uncertainty as the cost-of-living crisis continues.

This has impacted business confidence in Scotland and is already causing many households and businesses to struggle to make ends meet. One-quarter of individuals surveyed in August 2022 stated their financial situation was 'very insecure'.[8]

The Scottish Government's National Strategy for Economic Transformation (NSET)[9] sets out ambitions for Scotland to become Fairer, Wealthier and Greener over the next ten years, with people at the heart of a wellbeing economy. Currently, the Scottish Government is working on the Wellbeing Economy Monitor that will complement traditional economic and labour market metrics and will include measures such as child poverty, levels of greenhouse gas emissions and biodiversity, and fair work indicators to consider Scotland's economic success.

Demographic Change

Scotland has a distinct demographic challenge. Over the next 25 years, Scotland is the only UK nation where a fall in population is projected. Scotland's population is projected to decrease by 1.5 per cent compared to growth of 5.8 per cent for the UK overall.[10] Migration is expected to be the only source of population gain in Scotland as natural change (births minus deaths) is likely to be at record low levels by 2045.

Ageing population*

As with many economies in the developed world, **Scotland's population is ageing**. By 2045, the number of people of pensionable age in Scotland is expected to increase by 20.6 per cent (205,800 people), whilst the working-age population is projected to decline by 2.4 per cent (-84,400 people).[10] Scotland is the only UK nation where the working-age population is expected to decline by 2045.**

Based on population projections, **Rural Scotland's dependency ratio is projected to increase from 65 per cent in 2018 to 74 per cent by 2043**, compared to Scotland's 60 per cent.[11] This means that for every 100 people of working age in 2043, there could be 74 people of non-working age in Rural Scotland.

This could contribute to a tighter labour market in the future, increase pressure on the demand for public services and the funds available from tax and National Insurance to provide these services.

Lower Migration

Brexit and the COVID-19 pandemic have impacted Scotland's demography. Specifically, population growth between 2019 and 2020 was the slowest since mid-2003.[12] While this was mainly due to negative natural change (more deaths than births), 2019/20 marked **the lowest level of net migration** since 2012/13.

* Please note, regional population projections are 2018-based, while Scotland's projections are 2020-based.

**Please note, the figures for working age and pensionable age populations are based on State Pension age (SPA) for the given year.

Between 2020 and 2021, Scotland's population increased by 0.25 per cent, which was lower than the average annual growth between 2014 and 2019. Migration was the main driver of population growth in 2021.[13]

Brexit has heightened uncertainty about the supply of migrant labour from the EU and further afield. Rural Scotland is less reliant on EU migrants compared to Scotland as a whole. In 2021/22, EU citizens accounted for 3.6 per cent of all employees in Rural Scotland, compared to 6.7 per cent of Scotland's employees.[14]

The Scottish Government has updated their islands population route map that aims to address population decline and encourage healthy population numbers in island communities.[15] Also, the Scottish Government in collaboration with local authorities and business sector organisations have been working on the Rural Visa pilot proposal. It is aimed at targeting migration solution for remote and rural areas of Scotland, to meet the discrete and specific needs of these communities and their local economies.

Labour Shortages

An ageing population and declining in-migration rates suggest the supply of labour might contract. This has a possibility of creating a **tighter labour market and greater competition for skilled labour** in Scotland. By 2032, there **will be a need to replace 240,000 people** who have left the labour market in Rural Scotland.[16]

Labour shortages are already a dominant concern for Scottish businesses, as the supply of people in the labour market continues to decline. Between August and September, almost half (44.5 per cent) of Scottish businesses experienced a shortage of workers[17] and almost half (42.4 per cent) of businesses reported difficulties recruiting employees.[18] This has resulted in increased workload for existing staff, difficulties in delivering services and meeting demand, and scaling back production or services.

Labour and skills shortages are reported as the biggest challenge across the Rural Scotland. Upskilling and reskilling is the number one mitigation strategy to address this.[15]

Inclusive Growth and Equality

The Scottish Government's focus on **Fair Work** remains, supporting '*growth that combines increases in prosperity with greater equity, creates opportunities for all and distributes the dividends of increased prosperity fairly*'.[19]

The pandemic exacerbated existing inequalities and unevenly impacted some groups in society including young people, older workers, women, disabled people, ethnic minority groups, low paid and low-income households.[20] It is recognised that these impacts will continue to be experienced disproportionately by these groups.

The Scottish Government's COVID Recovery Strategy[21] aims to help those hardest hit by COVID by addressing the systematic inequalities worsened by the pandemic and by making progress towards a wellbeing economy.

Actions to achieve this will include upskilling and retraining opportunities for employees impacted by the pandemic and the transition to net zero, support for low-income families most at risk of poverty, and mental health and wellbeing support for children and young people.

The Scottish Government 'Rural Islands Futures Team' Rural Stakeholder Group are working with the NSET Delivery Board to develop a rural lens approach to the delivery of NSET objectives. This is not only to ensure that NSET policies land well in rural Scotland, but as rural Scotland is already leading, informing and piloting NSET vision and objectives that learning and practice must be captured, transferred and scaled up across Scotland, especially in urban Scotland.[15]

Automation and Digital Economy

Advances in technology continue unabated and these are changing the world of work. In Scotland, around 46 per cent of jobs have high potential for automation, some 1.2m jobs.[22]

Many jobs are expected to evolve rather than disappear. There will also be the **creation of new high-quality jobs and opportunities** for more flexible working, which was expedited by the pandemic.

Research suggests that the pandemic has accelerated digital transformation, and digital skills gaps are already being felt by employers across the Scottish labour market, with jobs in software development, artificial intelligence and cyber security in high demand.[23]

Ensuring that Scotland's workforce have the necessary digital skills to support the skills needs of the digital economy will not only allow Scotland to remain globally competitive but will also support Scotland's transition to net-zero and the inclusive growth agenda.[24]

Despite efforts made, broadband and the cost of new technology is still an issue in Rural Scotland.[15]

Scotland's first trial of an automated passenger bus service was launched in the Highlands to address low carbon and skills shortages.[15]

Climate Change

The Scottish Government has set **2045 as the target for achieving a net zero carbon economy.** The 2021 Energy Position Statement [25] ahead of COP26 cemented Scottish Government priorities. The labour market will be affected by changes to climate change legislation and consumer behaviours as the economy moves towards greater sustainability.[26]

Published in December 2020, the **Climate Emergency Skills Action Plan** sets out the Scottish Government's plan to maximise the transition to net-zero for Scotland, ensuring that Scotland's workforce has the skills required to make the transition to net-zero a just transition, fair and inclusive to all. Demand for green jobs (and green skills) is expected to increase rapidly as a result of policy and legislative drivers and consumer choice.

SDS has worked with partners from the University of Warwick and Strathclyde University to define and measure green jobs, for more information please see the next page.

Renewable energy connections to the national grid are still a ten year wait in some places. There has been an increase in installed capacity owned by communities. Community groups/place-based projects have turned their attention to low carbon transport and leading on decarbonisation of heat.[15]

Green Jobs in Scotland

SDS has worked with partners from the University of Warwick and Strathclyde University to strengthen the evidence base on the current and future demand for skills to support the transition to net zero.

The research defined three categories of Green jobs in Scotland, through the impact of green economic activities and technologies or ‘greening’, as:

- **New and Emerging –** where the need for unique work and worker requirements results in the generation of new occupations.
- **Enhanced Skills and Knowledge –** where essential purposes of the occupation remain the same but tasks, skills, knowledge and external elements, such as credentials, have been altered.
- **Increased Demand –** where the work context may change but the tasks do not.

Of the 2.5 million jobs in Scotland:

- New and Emerging green jobs accounted for **4.3 per cent** of all jobs
- Enhanced Skills and Knowledge green jobs accounted for **25.7 per cent** of all jobs
- Increased Demand green jobs accounted for **9.9 per cent** of all jobs

72.4 per cent of all New and Emerging green jobs are located within green sectors with 48.2 per cent in the **Engineering** and **Energy and Waste treatment** sectors.

Enhanced Skills and Knowledge green jobs were most common in **Construction** (12.1 per cent) and **Engineering** (9.0 per cent).

Construction accounted for 24.5 per cent of Increased Demand jobs, followed by **Transport** (14.7 per cent).

Engineering occupations were dominant in New and Emerging green jobs, **Education** and **Managerial occupations** were dominant in Enhanced Skills and Knowledge, and **Skilled Trades** and **Operatives** dominated Increased Demand green jobs.

*Figures on green jobs should be taken as the upper limit and may be an over-estimate.

If you would like to know more about the Climate Emergency Skills Action Plan (CESAP) and green jobs, please visit the **SDS website**.

The Economy

The Rural Scotland Economy

Current Economic Performance

Gross Value Added (GVA) is the measure of the value of goods and services produced in an area and is an indicator of the economy's health.

In 2022, GVA was forecast to be £39,266m in Rural Scotland, 26.1 per cent of Scotland's output (£150,611m).

The highest value industries in the Rural Scotland economy in 2022 were forecast to be:

Manufacturing:
£5,480m

Real Estate Activities*:
£5,083m

Human Health and Social Work:
£4,468m

The highest value industries in Scotland in 2022 were forecast to be Human Health and Social Work Activities, Real Estate Activities, and Manufacturing.

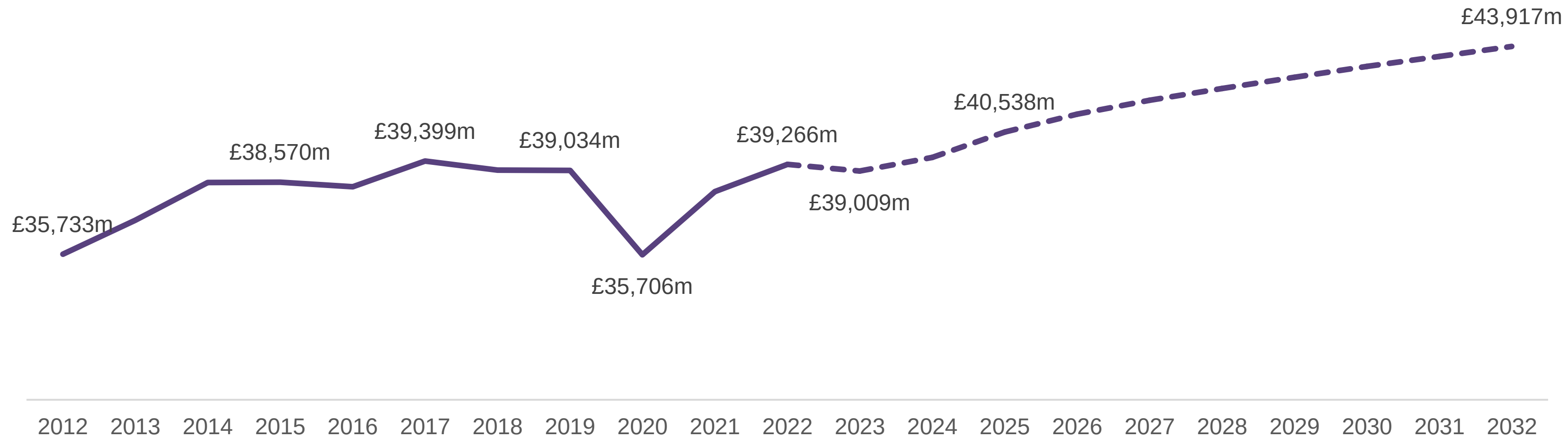
Past Economic Performance

Prior to the pandemic, between 2012 and 2019 Rural Scotland's economic output, measured by GVA, grew by 1.3 per cent on average each year. This was a slower rate of growth than Scotland, which over the same period experienced 1.6 per cent growth on average each year.

Between 2019 and 2021, Rural Scotland's economy contracted sharply as measures were taken across Scotland and the UK to limit the spread of COVID-19.

The contraction of economic output in Rural Scotland was estimated to be 2.1 per cent between 2019 and 2021. This was lower than that which occurred across Scotland (-2.2 per cent). The industries in Rural Scotland with the greatest contraction of economic output between 2019 and 2021 were Accommodation and Food Service (-23.0 per cent), Other Service Activities (-20.1 per cent) and Arts, Entertainment and Recreation (-16.1 per cent).

Figure 1: GVA and GVA forecast (2012-2032), Rural Scotland



*GVA output from the Real Estate sector is inflated by owner-occupier imputed rent. Imputed rent captures, economically, the value of the service homeowners are providing to themselves by owning and living in their own home.

For data on economic performance (GVA) at local authority level please see page 29 of the Data Matrix.

Future Economic Performance

Whilst it is possible to forecast what could happen, there are a multitude of factors that can influence the economic performance of rural areas. The greatest contributing factor to rural areas' economic performance will be their sectoral footprint, however other place-based factors will also have an influence.

Mid-Term Economic Performance

GVA in Rural Scotland is forecast to grow by **1.1 per cent on average each year from 2022 to 2025** (see Figure 1). This rate of growth would be below the rate forecast for Scotland (1.2 per cent).

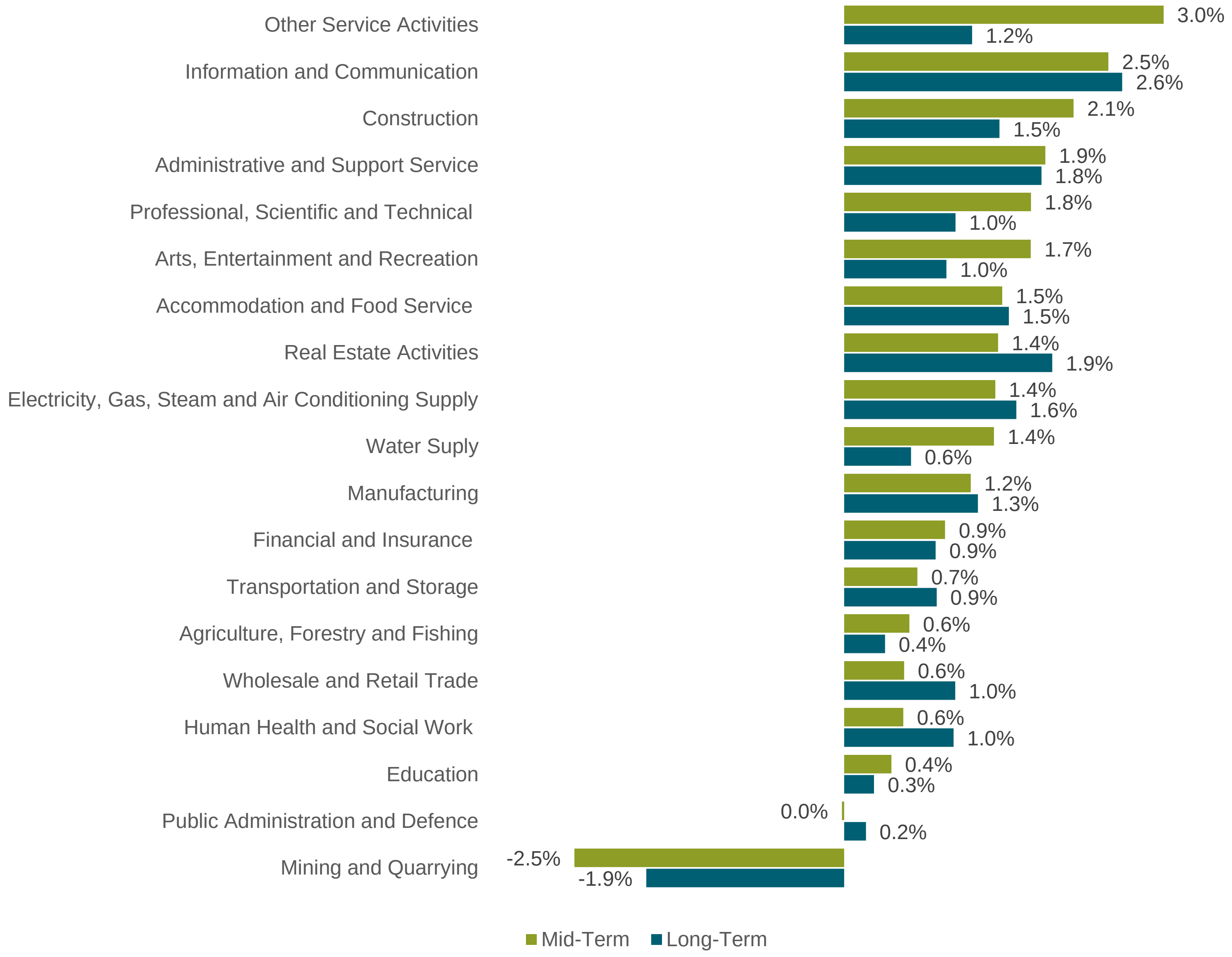
As shown in Figure 2, Other Service Activities* is forecast to have the largest annual GVA growth in Rural Scotland in the mid-term, at 3.0 per cent between 2022 and 2025. It is followed by Information and Communication (2.5 per cent) and Construction (2.1 percent).

Long-Term Economic Performance

Over the long-term, GVA is estimated to **grow by 1.2 per cent** on average each year (see Figure 1), lower than that of Scotland (1.3 per cent).

In the long-term, Information and Communication is forecast to have the largest annual GVA growth in Rural Scotland, showing growth of 2.6 per cent between 2025 and 2032. This is followed by Real Estate Activities (1.9 per cent) and Administrative and Support Service (1.8 per cent).

Figure 2: Forecast average annual GVA change by industry (%) (mid-term and long-term), Rural Scotland



*This includes the activities of membership organisations, the repair of computers and personal and household goods and a variety of personal service activities.

For data on economic performance (GVA) by industry at local authority please see page 31 of the Data Matrix.

Productivity

Productivity is the measure of goods and services produced per unit of labour input. Oxford Economics provide a measure of productivity, that has been calculated by dividing total GVA by total employment (measured by jobs). Productivity is an important determinant of the area's living standards, wealth, and competitiveness.[27]

In 2022, productivity in Rural Scotland was **forecast to be £51,700**. This was lower than the Scottish average of £54,100. Rural Scotland's productivity is largely driven by the sectoral mix that makes up its economy.

Mid-Term Productivity

From 2022 to 2025, productivity in Rural Scotland is forecast to grow by 0.7 per cent on average each year. This is lower than the Scottish growth rate (0.8 per cent) forecast over the same period.

Long-Term Productivity

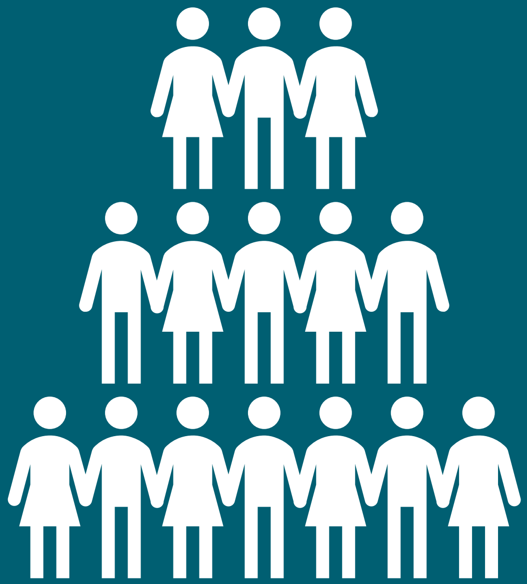
Productivity in Rural Scotland over the long-term (2025-2032) is expected to grow by 1.1 per cent on average each year. This is the same as the estimated growth rate across Scotland (1.1 per cent) over the same time period. At a high level, variance in productivity performance is anticipated across areas due to their sectoral mix and place-based factors.

Figure 3: Productivity (2022), Rural Scotland

For data on productivity at local authority level please see page 30 of the Data Matrix.

The Labour Market

- Employment
- Labour Market Indicators
- Job Postings



Employment in Rural Scotland

Current Employment

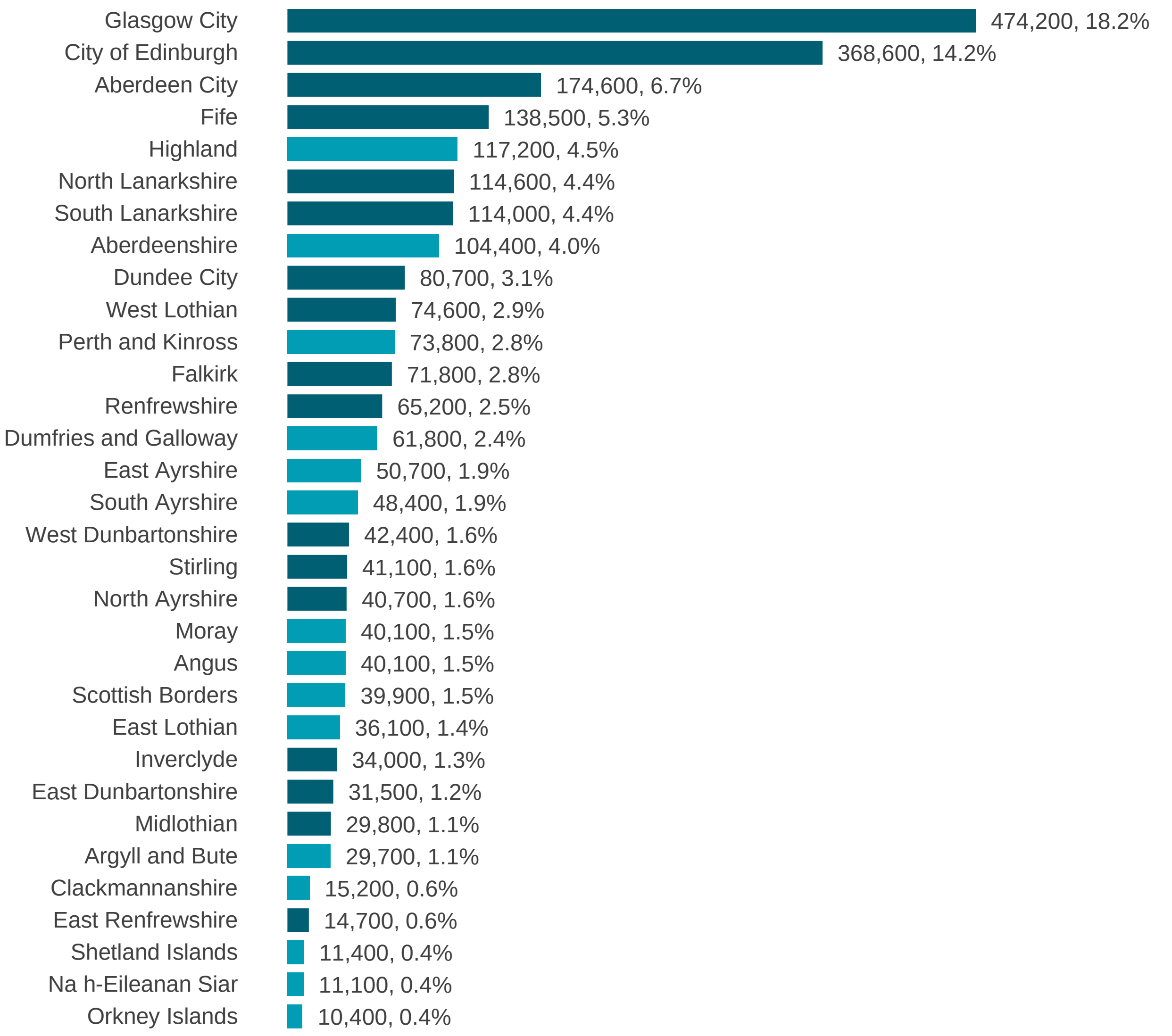
Total employment in Rural Scotland (measured by people) was estimated to be 690,400 in 2022, 26.5 per cent of Scottish employment.

In Rural Scotland, Highland accounted for the largest share of Scotland's total employment in 2022 (117,200, 4.5 per cent).

Across Scotland, and within Rural Scotland, more people worked full-time than part-time. In 2022, 486,500 people (70.5 per cent) were in full-time jobs in Rural Scotland. This was a lower percentage share compared to Scotland where 74.6 per cent of people were in full-time employment.

Part-time employment accounted for a higher percentage share of employment in Rural Scotland compared to Scotland, 29.5 per cent compared to 25.4 per cent. Overall, there were 203,900 people in part-time employment in Rural Scotland.

Figure 4: Employment by local authority and share of Scottish employment (2022) (people), Rural Scotland



* Figures may not sum due to rounding

For data on current employment at local authority level please see page 32 of the Data Matrix.

Past Employment

Prior to the pandemic, employment in Rural Scotland increased by 1.7 per cent from 2012 to 2019 (11,700 people). This compares with 7.1 per cent growth across Scotland over the same time period.

The number of people in employment in Rural Scotland was impacted by the pandemic. From 2019 to 2021 the number of people employed in Rural Scotland was estimated to have declined by 11,700 from 702,400 to 690,700. This was a decline of 1.7 per cent, compared to a 2.2 per cent decline across Scotland.

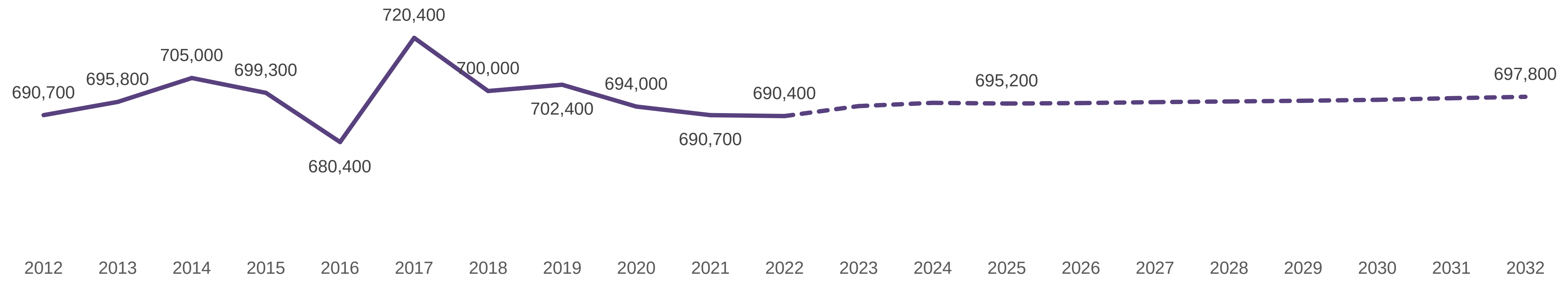
Future Employment

In the mid-term (2022-2025) the number of people in employment is forecast to grow by 4,900 in Rural Scotland. Across Scotland the number of people in employment is also forecast to increase. Whilst positive, this growth does not fully replace jobs lost in Rural Scotland as a result of the pandemic.

Over the longer term (2025-2032) employment within Rural Scotland is forecast to increase. In 2032, it is forecast that there will be 2,500 more people in employment compared to 2025. Across Scotland the number of people in employment is also forecast to increase.

Over the period to 2032, full-time employment is expected to increase in Rural Scotland with 3,500 more full-time workers in 2032 compared to 2022. Both male and female full-time employment will increase, by 600 and 2,900 people, respectively. Part-time employment is expected to increase by 3,900 workers. Both male and female part-time employment is forecast to increase, by 2,300 and 1,600 people, respectively.

Figure 5: Employment and forecast employment (2012-2032) (people), Rural Scotland



For data on employment and forecast employment at local authority level please see page 32 the Data Matrix.

Employment by Industry

In 2022, **Human Health and Social Work was the largest employing industry in Rural Scotland.** This industry accounted for 119,700 people or 17.3 per cent of the workforce. Wholesale and Retail Trade was the second largest with a total of 82,200 people or 11.9 per cent of the workforce. These industries are forecast to remain the top employing in Rural Scotland in 2025 and 2032 (see Figure 6).

Large industries are an important source of jobs; however, some areas also have sectoral strengths that make them unique. This means the smaller industries can be more important than their size suggests, as they are more concentrated in the area compared to the national average.

In Rural Scotland, Crop and Animal Production was the greatest specialism, with the percentage of employment in this sector 3.4 times greater than the Scottish average in 2022. The second largest specialism in Rural Scotland was Fishing and Aquaculture (3.2 times more concentrated).

In the mid–term, employment growth is forecast, however industries will have varying performance. The greatest employment growth is forecast in Accommodation and Food Service, with 2,800 more people expected to be working in the industry by 2025, followed by Professional, Scientific and Technical, and Arts, Entertainment and Recreation (with 1,300 more people each).

However, not all industries in Rural Scotland are forecast to grow in the mid-term. Manufacturing is forecast to have the greatest employment contraction with 2,700 fewer people in employment in 2025. This reflects the general trend of more capital intensive and higher value-added activity in the sector, which requires less labour-intensive methods. Education is forecast to have a decline of 1,300 people over the same period.

Over the long-term, employment in Rural Scotland is expected to grow, however, industries are expected to have varied outlooks. From 2025 to 2032, Human Health and Social Work is forecast to have the greatest employment growth with 5,500 more people working in the industry.

Growth in Human Health and Social Work is driven by Scotland's ageing population, along with the aim to protect the provision of frontline services. Other industries forecast to grow over the long-term are Professional, Scientific and Technical (2,800 people), and Construction (2,600 people).

The mid-term contraction in Manufacturing is forecast to continue over the long-term (-8,300 people) as the adoption of new technologies and production methods continues and the industry produces more but with fewer workers.

Employment by Key Sector

Of the key sectors, Health and Social Care was estimated to be the largest in Rural Scotland in 2022. The sector accounted for 119,700 people. Construction was the second largest with a total of 64,600 people.

In the mid-term, the key sectors with the greatest forecast growth are Tourism and Health and Social Care, with expected growth of 3,400 and 1,000 people, respectively.

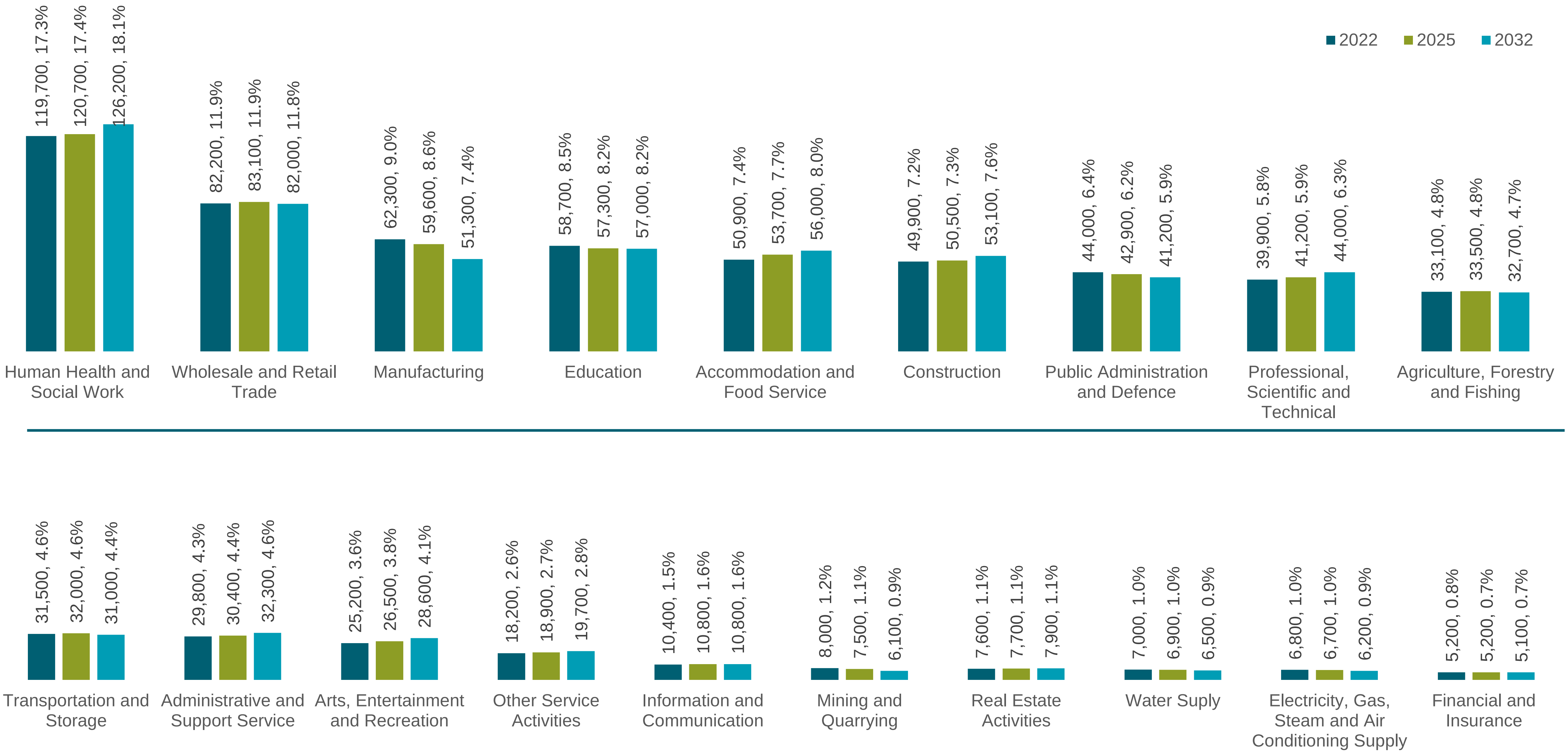
Growth in the Health and Social Care sector is expected to continue over the long-term, with an extra 5,500 people required between 2025 and 2032.

The Chemical Sciences and Energy sectors are forecast to see the largest decline in the mid-term with 200 fewer people required each. In the long-term, the Food and Drink sector is forecast to see the largest decline with 2,800 fewer people needed between 2025-2032.

More information on the key sectors at a national level can be found in the Sectoral Skills Assessments.

For data on employment by industry/ key sector and share of total employment at local authority level please see page 33 of the Data Matrix.

Figure 6: Employment by industry and share of total employment, 2022, 2025 and 2032, Rural Scotland



For data on employment by industry/ key sector and share of total employment at local authority level please see page 33 of the Data Matrix.

Employment by Occupation

Industries tell us about the sectors that people work in, and occupations provide insight into the type of jobs people do.

Jobs can be classified according to skill level and specialisation, by aspects such as duration of training, work experience, and knowledge required. In 2022, 40.3 per cent of employed people in Rural Scotland were in ‘higher-level’ occupations, 34.1 per cent were in ‘mid-level’ occupations and 25.5 per cent were in ‘lower-level’ occupations. The occupational structure of Rural Scotland was different to Scotland in 2022. Compared to Scotland, Rural Scotland had a higher percentage of the workforce in mid and lower-level occupations. Scotland had a higher percentage of the workforce in higher-level occupations.

A detailed look at the occupational structure shows that the largest occupation group in Rural Scotland in 2022 was estimated to be Caring Personal Service Occupations, accounting for 63,900 people, or 9.3 per cent of the workforce. Administrative Occupations was the second largest, accounting for 57,200 people (8.3 per cent), followed by Elementary Occupations: Clerical and Services Related, and Corporate Managers, accounting for 53,900 people (7.8 per cent) and 44,800 people (6.5 per cent), respectively (see Figure 7).

Similar to industries, occupations have varying outlooks. In the mid-term the greatest growth is forecast to be in Corporate Managers, with 1,500 more people expected to be required by 2025, followed by Managers / Proprietors in Agriculture and Services and Caring Personal Service Occupations with 1,200 and 900 more people required, respectively.

Process, Plant and Machine Operatives is likely to experience the greatest contraction over the mid-term. It is forecast to require 800 fewer people by 2025.

Over the longer term, the growth in Caring Personal Service occupations is forecast to continue, accounting for the largest increase between 2025 and 2032, with 3,400 additional people expected to be required. Growth in these occupations is closely related to the growth forecast within the Health and Social Care sector. This is followed by Corporate Managers where an additional 2,500 people will be required.

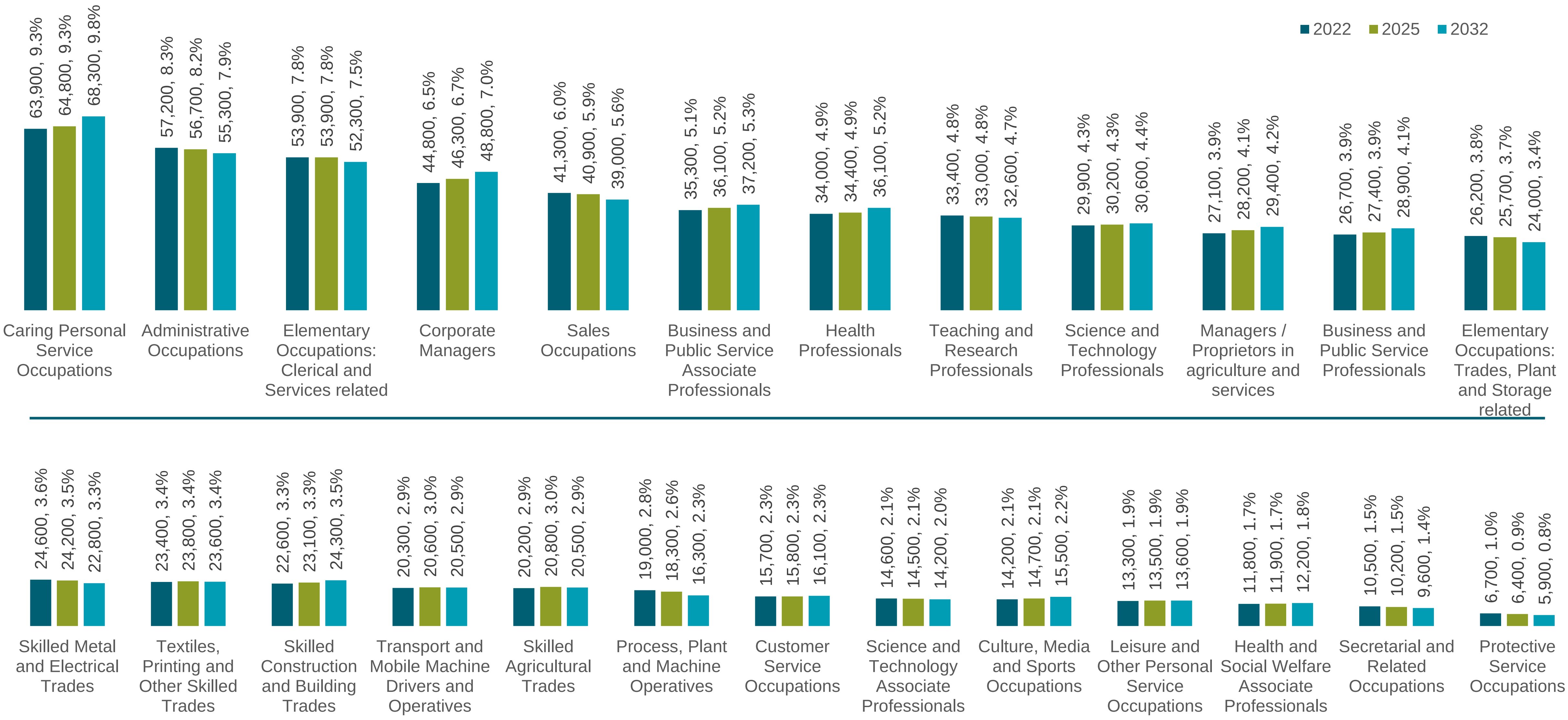
Over the longer term, Process, Plant and Machine Operatives is expected to experience the greatest contraction. It is expected that 2,000 fewer people will be required within these occupations between 2025 and 2032.

There will also be changes in the types of roles workers undertake within industries, as new ways of working and technologies are introduced to the workplace. This supports growth in IT and technological-based roles across a broad range of sectors, from manufacturing to retail to professional services – so not just in the digital sector.

There will be an increased focus on developing, utilising, and rewarding ‘meta-skills’ such as complex problem solving, critical thinking, communication, creativity, and leadership within the workplace. Workers and employers will be required to embrace practices that support the use of these skills. Practices such as openness to new ideas, autonomous working, and continuous professional development.[28]

For data on employment by occupation at local authority level please see page 34 of the Data Matrix.

Figure 7: Employment by occupation and share of total employment, 2022, 2025 and 2032, Rural Scotland



For data on employment by occupation (SOC 1 digit, SOC 2 digit) at local authority level please see page 34 of the Data Matrix.

Labour Market Indicators

Prior to the pandemic, Rural Scotland's labour market saw employment rates (16-64) typically higher than Scotland's average each year. Unemployment (16+) in Rural Scotland was generally lower than Scotland overall. Youth unemployment (16-24) and economic inactivity (16-64) rates were also typically lower than the Scotland average.

The latest data (July 2021 – June 2022) shows that the unemployment rate for those aged 16+ has fallen, while employment (16-64) across Rural Scotland has increased, compared to the previous year.[29]

The employment rate for those aged 16-64 in Rural Scotland in 2022 was 74.7 per cent, which was above the rate for Scotland (74.4 per cent).

In 2022, the unemployment rate in Rural Scotland was 3.7 per cent for those aged 16+, and 12.1 per cent for those aged 16-24. Both 16+ and youth unemployment rates remain higher across Rural Scotland than across Scotland overall (3.4 per cent and 8.8 per cent, respectively).

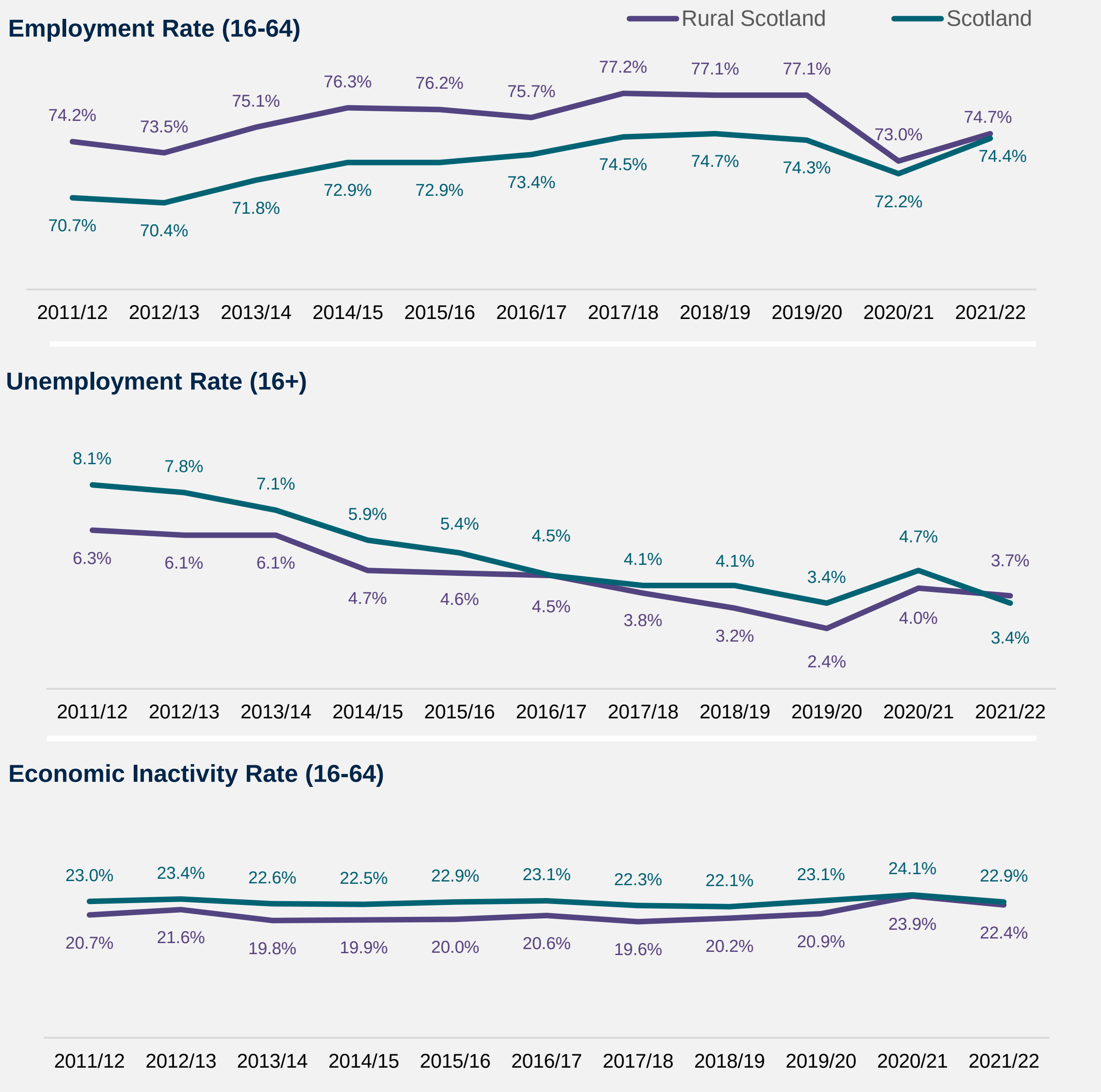
Unemployment did not reach the levels forecast during the pandemic, however economic inactivity levels increased. In 2022, 22.4 per cent of those aged 16-64 in Rural Scotland were economically inactive, which was lower than the rate for Scotland overall (22.9 per cent). Rural Scotland saw a proportionally larger increase in economic inactivity compared to the pre-pandemic levels than Scotland overall. The most common reasons for being inactive were: long-term sick, retirement and studying. family/home.

Throughout the pandemic, there was a marked increase in Universal Credit claims and claimant count levels across Rural Scotland. Both Universal Credit and claimant count started to fall in the first four months of 2021. As of September 2022, the number of people on Universal Credit remained higher than pre-pandemic levels.[30,31]

In 2022, the employment rate for males (76.9 per cent) was higher than that for females (72.5 per cent) in Rural Scotland.

Please see Data Matrix for a breakdown of equality characteristics.

Figure 8: Labour Market Indicators (July – June)



Please note, data covered in this page is regularly updated and this page presents a snapshot of the data as of October 2022. To find the updated data past October 2022 or the same data for local authorities please see pages 13, 14 and 19 of the Data Matrix.

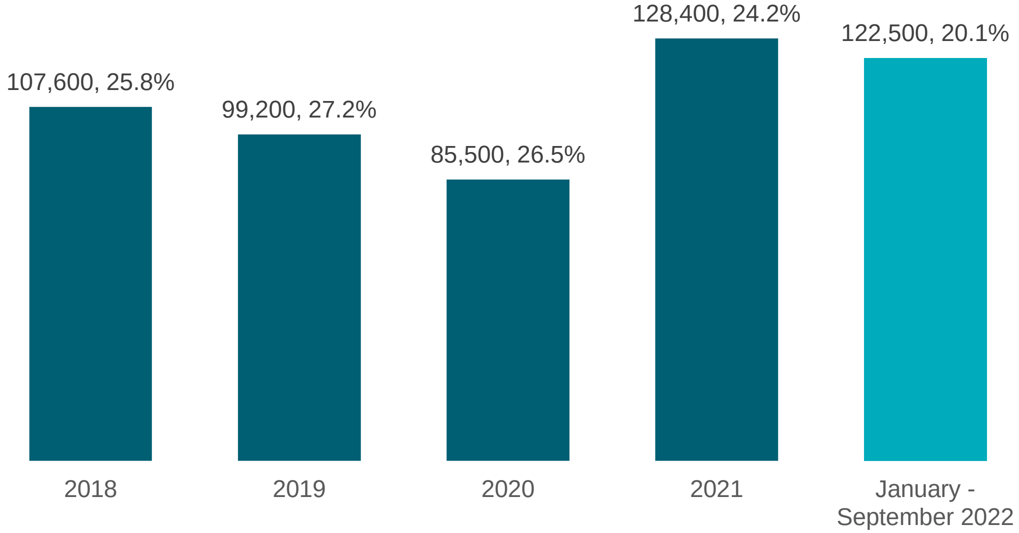
Job Postings in Rural Scotland[32]

Online job postings data provides a useful barometer for the health of the jobs market. It is important to note that the data does not capture all activity, so it should be considered as an estimate of activity only.

The number of job postings significantly declined in 2020 due to the pandemic and restrictions on businesses. This was followed by a sharp rise in 2021 and, as of September 2022, job postings remain above pre-pandemic levels across Rural Scotland.

Between January and September 2022, there were **122,500 job postings** in Rural Scotland, which accounted for 20.1 per cent of Scotland's total job postings.

Figure 9: Job postings 2018 – 2022 and share of Scotland's total, Rural Scotland



From January 2022 to September 2022, there were **6,700 postings related** to green jobs in Rural Scotland. This accounted for **17.3 per cent** of green job postings across Scotland.

Between January and September 2022, there were **122,500 job postings** in **Rural Scotland,** of which:

The locations with the most jobs advertised were:

Inverness
15,800 postings

Perth
10,200 postings

Dumfries
6,800 postings

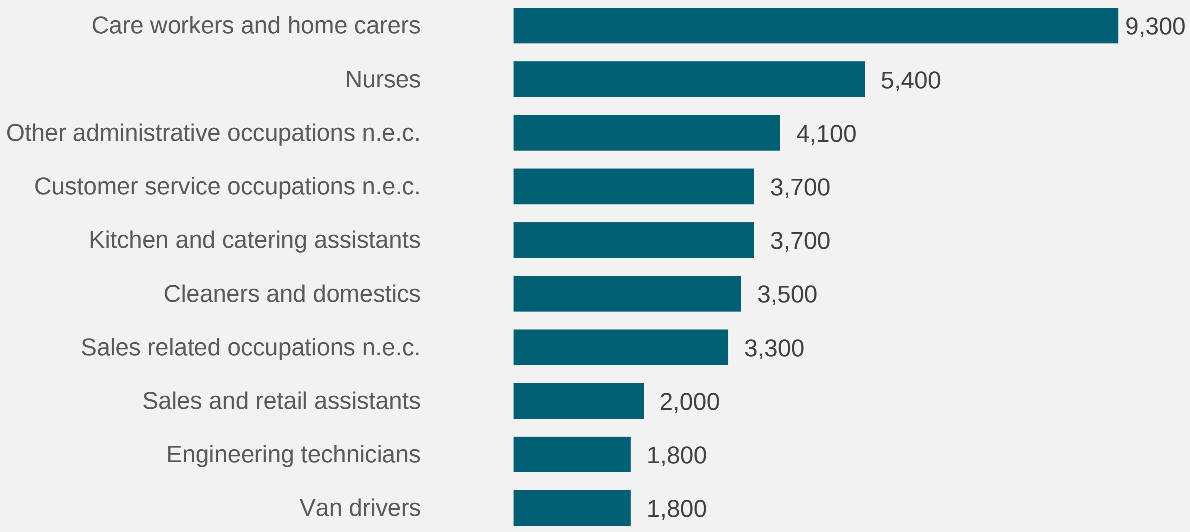
The most requested specialised skills were:

Corporate Social Responsibility
15,900 postings

Customer Service
13,800 postings

Teamwork/Collaboration
12,600 postings

The top job postings were:



Total Requirement

Future Demand for Skills

In this section, we provide an overview of the total labour market requirement. Our forecasts are based on the Oxford Economics model at this time. They should be used as guidance on overall trends based on current evidence - rather than definitive numbers. We provide this overview for two time periods:

- The mid-term, 2022-2025; and
- The long-term, 2025-2032.

It is important to note that the forecasts do not account for national or regional activities, initiatives or investments that are planned. This is true for planned activity relating to jobs being lost in the area through relocation or business closure, and also activity that may lead to jobs being created. Users of the RSAs are encouraged to overlay the forecasts with their knowledge of local factors.

Expansion Demand

Expansion demand is the measure of an increase/decrease in jobs, as a result of economic growth or contraction.

Replacement Demand

Replacement demand is the number of job openings generated by people leaving the labour market (i.e. those who retire, move away, or change jobs).

Total Requirement

Total requirement is made up of expansion demand and replacement demand to show the total number of job openings.

*The RSA Technical Note includes an explanation of how Expansion and Replacement demand are calculated.

Job Openings in the Mid-Term (2022-2025)

In Rural Scotland, the labour market forecast for the mid-term (2022-2025) suggests there could be some jobs growth and opportunities created as a result of the need to replace workers leaving the labour market due to retirement and other reasons.

In Rural Scotland, 78,700 job openings are forecast from 2022 to 2025. As shown in the previous chapter, the number of people required is forecast to increase by 4,900 from 2022 to 2025 due to expansion in the labour market. The replacement requirement of 73,800 people will also create a need for workers.

In Scotland, 331,700 job openings are forecast from 2022 to 2025. The number of people required is forecast to increase by 31,900 from 2022 to 2025 due to expansion in the labour market. The replacement requirement of 299,800 people will also create a need for labour.

At the time of writing, there are a wide range of factors that may impact on the labour market. The economic outlook is uncertain and labour shortages continue to be a dominant issue. Addressing labour shortages will require a concerted effort across talent attraction, upskilling and reskilling, and reducing economic inactivity.

Expansion Demand
Rural Scotland:
4,900 people

Scotland: 31,900 people

+

Replacement Demand
Rural Scotland:
73,800 people

Scotland: 299,800 people

=

Total Job Openings
Rural Scotland:
78,700 people

Scotland: 331,700 people

The total requirement by qualification level for **Rural Scotland:**

SCQF 11-12	SC6F 7-10	SCQF 6	SCQF 5	SCQF 1-4	No quals.
4,500 (6%)	37,400 (48%)	12,000 (15%)	16,900 (21%)	2,300 (3%)	5,600 (7%)

The total requirement by qualification level for **Scotland:**

SCQF 11-12	SCQF 7-10	SCQF 6	SCQF 5	SCQF 1-4	No quals.
25,400 (8%)	164,900 (50%)	43,400 (13%)	65,200 (20%)	10,100 (3%)	22,600 (7%)

* Figures may not sum due to rounding

For data on future demand for skills at local authority level please see page 35 of the Data Matrix.

Job openings are expected to be concentrated in a small number of industries, with four industries in Rural Scotland forecast to account for 42,100 (53.5 per cent) of the requirement. These are (see Figure 10):

Wholesale and Retail Trade:
13,800 people

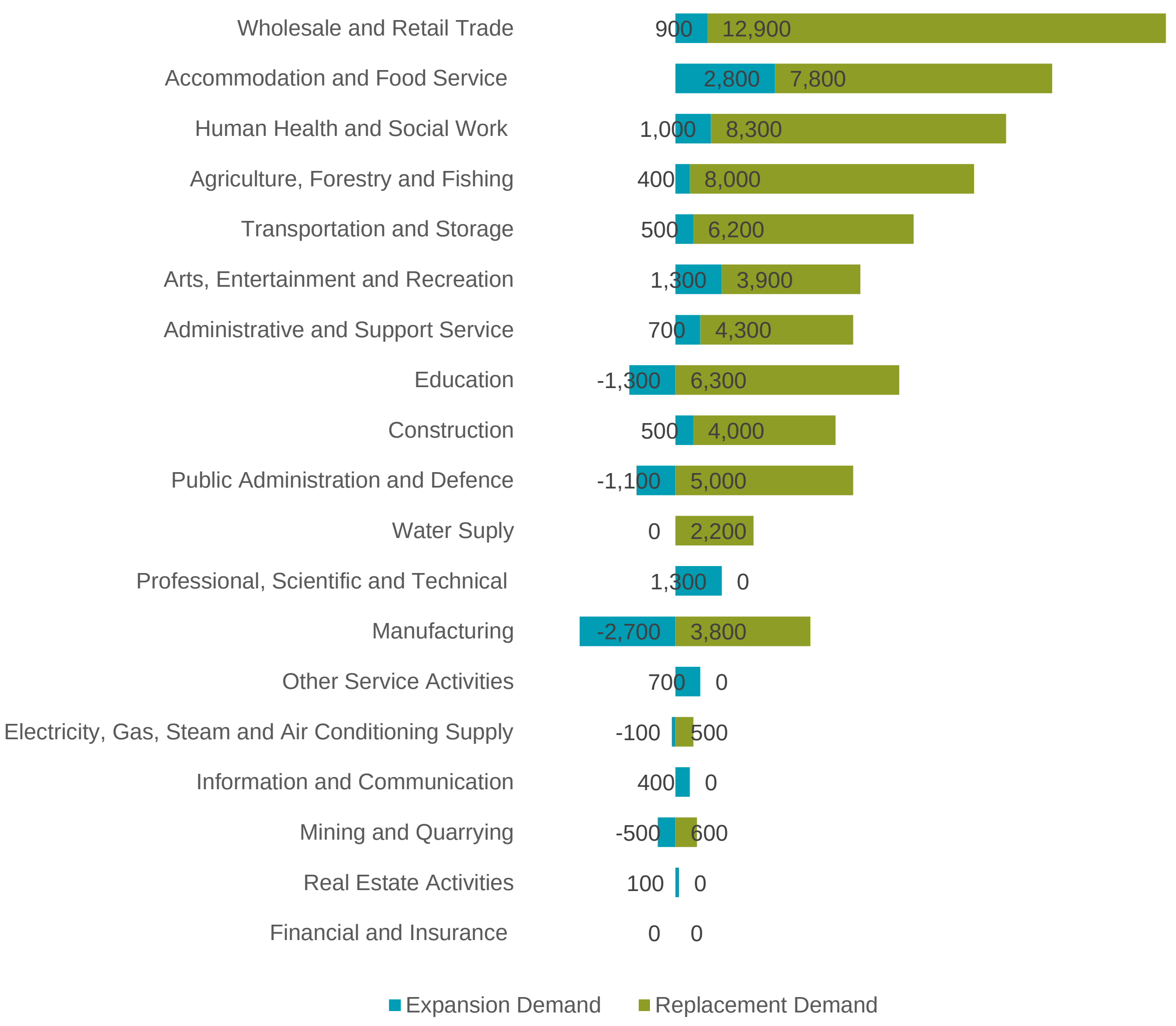
Accommodation and Food Service:
10,700 people

Human Health and Social Work:
9,300 people

Agriculture, Forestry and Fishing:
8,400 people

Headline figures for each industry do not show how the composition of the industry is changing. Within industries changes to operating practices are taking place, for example the shift to online shopping with a reduction of shopping on the high street within Wholesale and Retail Trade. These shifts are not captured in the aggregated groups. Similar experiences to a greater or lesser extent will be taking place in other industries too and we would encourage readers to bear this in mind when interpreting the data. For further sectoral evidence, please see our Sectoral Skills Assessments.

Figure 10: Forecast total requirement by industry (2022-2025), Rural Scotland



* Figures may not sum due to rounding

For data on forecast job openings by industry at local authority level please see page 36 of the Data Matrix.

In Rural Scotland, employment growth by industry is forecast across a range of occupations. Growth is expected to be highest in Corporate Managers (1,500 people), Managers / Proprietors in Agriculture and Services (1,200 people) and Caring Personal Service Occupations (900 people).

Occupations that are growing indicate how the labour market will develop in the future in terms of the type of jobs created and skills that may be required. However, the replacement requirement of people in Rural Scotland will create a strong demand for labour.

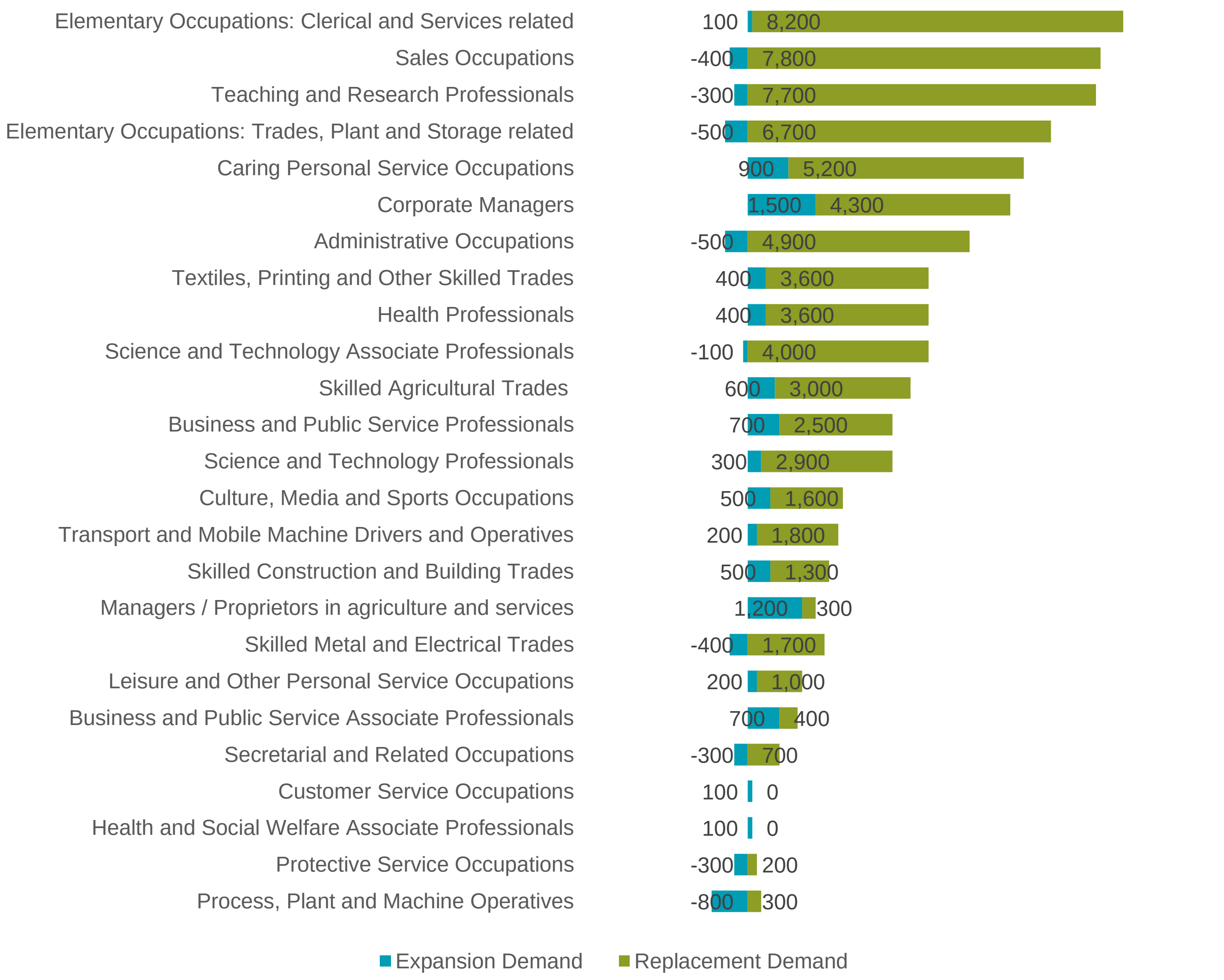
By occupation, the greatest number of people are forecast to be required in (see Figure 11):

Elementary Occupations: Clerical and Services related:
8,300 people

Sales Occupations:
7,400 people

Teaching and Research Professionals:
7,400 people

Figure 11: Forecast total requirement by occupation (2022-2025), Rural Scotland



* Figures may not sum due to rounding

For data on forecast job openings by occupation at local authority level please see page 37 of the Data Matrix.

Job Openings in the Long-Term (2025-2032)

The forecasts for the long-term (2025-2032) highlight that jobs growth is forecast to continue in Rural Scotland. It is also expected that there could be an ongoing requirement for skilled people to fill opportunities created by people leaving the labour market. This feature of the labour market, known as the replacement requirement, is a symptom of the demographic change strategic driver.

In Rural Scotland, 168,700 job openings are forecast from 2025 to 2032. As shown in the previous chapter, the number of people required is forecast to increase by 2,500 from 2025 to 2032 due to expansion in the labour market. The replacement requirement of 166,200 people will also create a need for labour.

In Scotland, 737,600 job openings are forecast from 2025 to 2032. The number of people required is forecast to increase by 40,700 from 2025 to 2032 due to expansion in the labour market. The replacement requirement of 696,900 people will also create a need for labour.

The long-term forecast is changeable and could be influenced by a range of factors. National and local policy, investment and initiatives for example could all influence the long-term outlook presented.

Expansion Demand
Rural Scotland: 2,500 people
Scotland: 40,700 people

+

Replacement Demand
Rural Scotland: 166,200 people
Scotland: 696,900 people

=

Total Job Openings
Rural Scotland: 168,700 people
Scotland: 737,600 people

The total requirement by qualification level for **Rural Scotland:**

SCQF 11-12	SCQF 7-10	SCQF 6	SCQF 5	SCQF 1-4	No quals.
9,500 (6%)	81,300 (48%)	25,300 (15%)	38,100 (23%)	2,900 (2%)	11,600 (7%)

The total requirement by qualification level for **Scotland:**

SCQF 11-12	SCQF 7-10	SCQF 6	SCQF 5	SCQF 1-4	No quals.
54,000 (7%)	368,000 (50%)	94,300 (13%)	156,900 (21%)	16,200 (2%)	48,200 (7%)

* Figures may not sum due to rounding

For data on future demand for skills at local authority level please see page 35 of the Data Matrix.

Job openings are expected to be concentrated in a small number of industries, with four industries in Rural Scotland forecast to account for 90,500 (53.6 per cent) of the requirement. These are (see Figure 12):

Wholesale and Retail Trade:
27,900 people

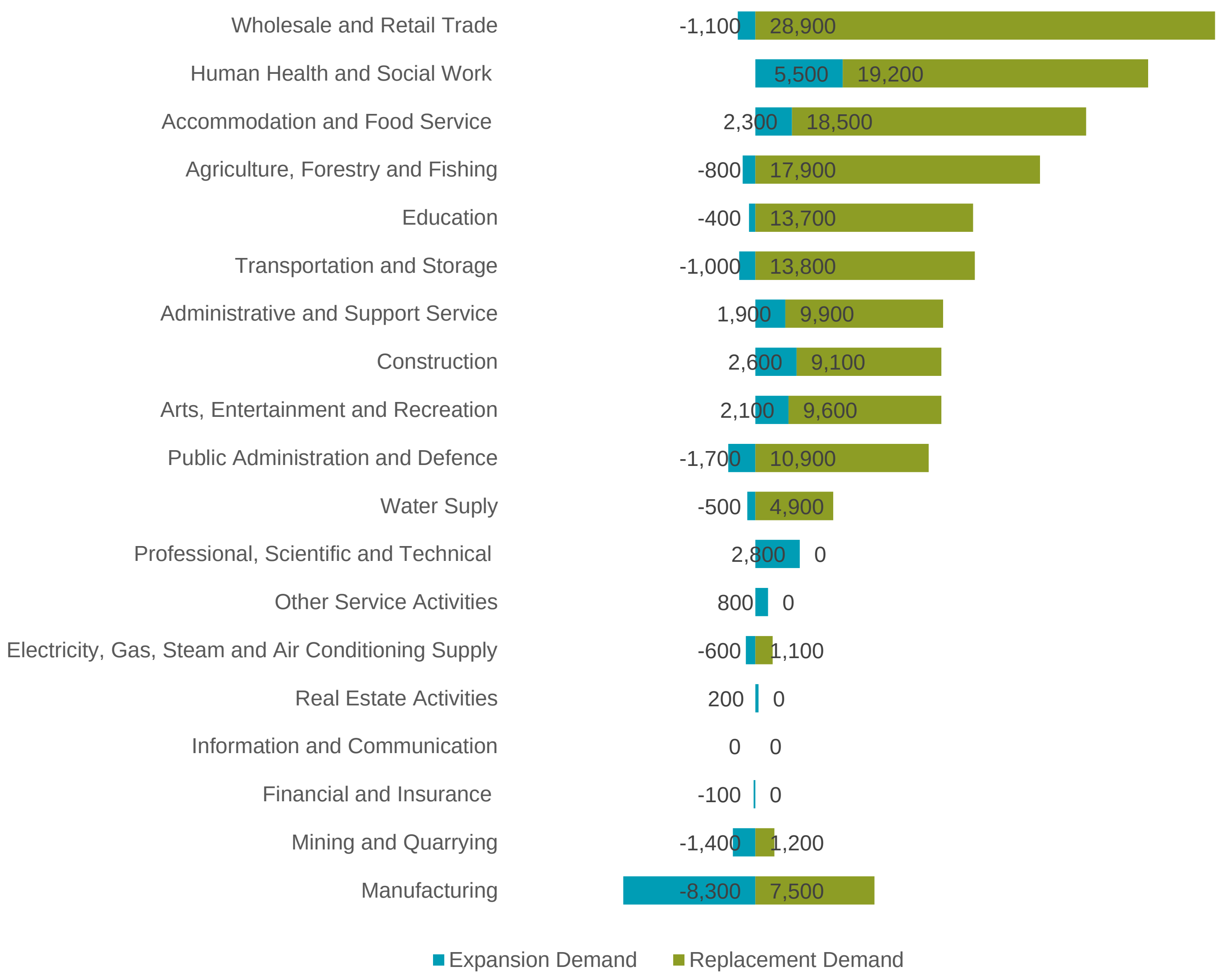
Human Health and Social Work:
24,700 people

Accommodation and Food Service:
20,800 people

Agriculture, Forestry and Fishing:
17,100 people

As we highlighted in our analysis of the mid-term, the operating practices of some industries are changing and evolving and will continue to do so over the longer term too. Automation has accelerated as a result of the pandemic and Industry 4.0 is set to have an even greater impact on the operating practices of industries such as Wholesale and Retail.

Figure 12: Forecast total requirement by industry (2025-2032), Rural Scotland



* Figures may not sum due to rounding

For data on forecast job openings by industry at local authority level please see page 36 of the Data Matrix.

Similar to mid-term projections, employment growth by sector will be spread across a range of occupations in Rural Scotland. Between 2025 and 2032, growth is expected to be greatest in Caring Personal Service occupations, with 3,400 more people needed to work in this occupation, followed by Corporate Managers with a demand for 2,500 more people.

Occupations that are growing indicate how the labour market will develop in the future in terms of the type of jobs created and skills that may be required. However, the replacement requirement of people in Rural Scotland will create a strong demand for labour.

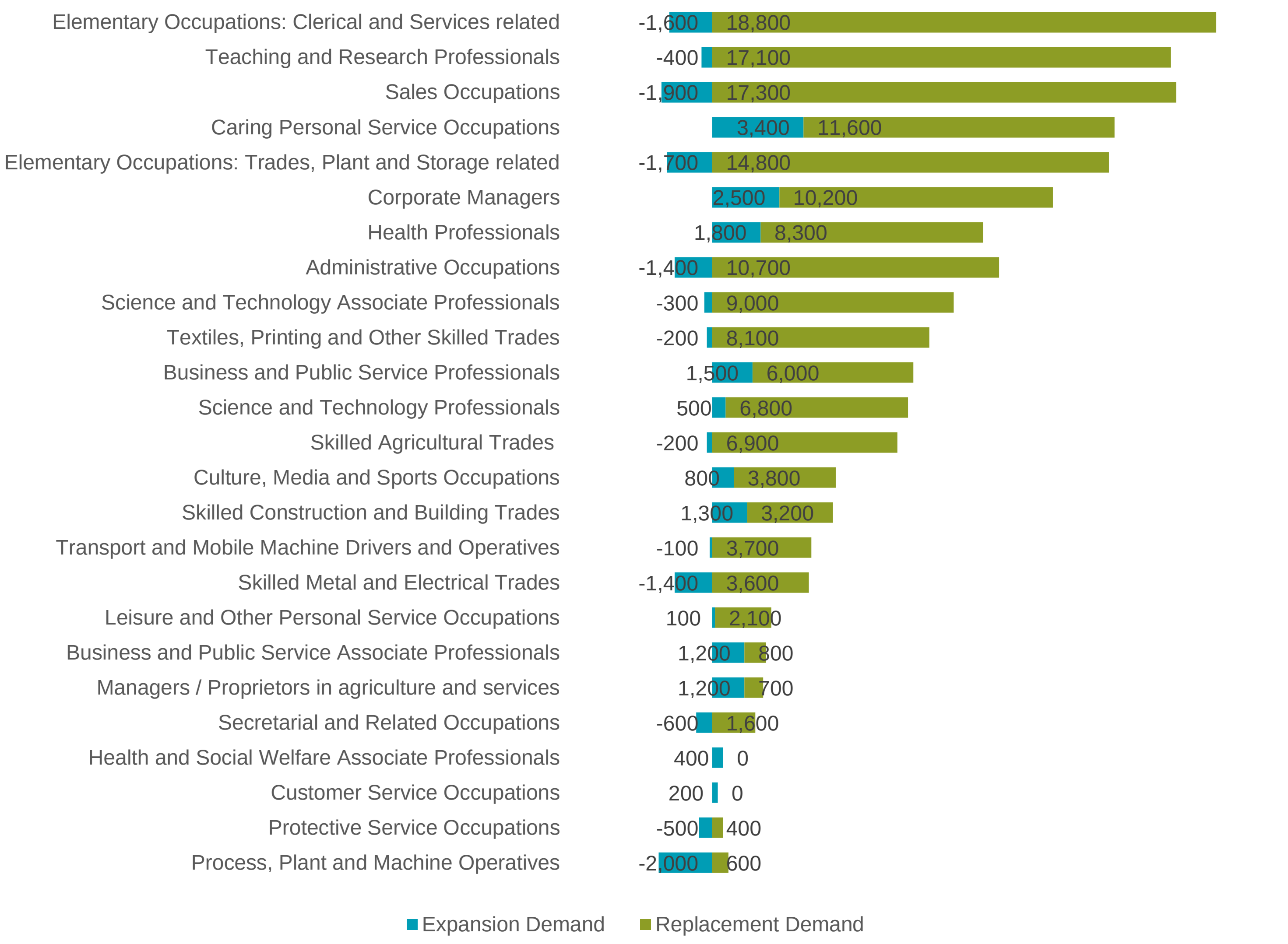
By occupation, the greatest number of people are forecast to be required in (see Figure 13):

Elementary Occupations: Clerical and Services related:
17,200 people

Teaching and Research Professionals:
16,700 people

Sales Occupations:
15,400 people

Figure 13: Forecast total requirement by occupation (2025-2032), Rural Scotland



* Figures may not sum due to rounding

For data on forecast job openings by occupation at local authority level please see page 37 of the Data Matrix.

Insight

Partnership skills response to addressing skills demand[15]

Rural Scotland's economy, its people, land and coasts make a significant contribution to Scotland's economy and wellbeing and play a key role in achieving national economic policy objectives. Rural, coastal and island communities are vibrant, diverse, innovative and entrepreneurial. Self-employment is more common in rural Scotland than in the rest of the country. This is particularly true for remote rural areas.

Of all employed people, 23 per cent in remote and rural areas and 17 per cent of in accessible rural areas are self-employed.[33] In addition over two thirds are employed in micro businesses (0-9)[33] making rural Scotland a place of **high entrepreneurialism** and innovation. A culture of entrepreneurialism is a key ambition of Scottish Government's National Strategy for Economic Transformation (NSET).[9] Transferring knowledge and learning from rural Scotland is essential for providing self-employment pathways for learners and workers.

Whilst employment rates are higher in rural Scotland than in Scotland as a whole[33], rural areas face particular skills challenges including skills shortages, demographic challenges and meeting the demand of emerging opportunities in the transition to Net Zero.

In addition, **the cost of doing business** is disproportionately higher for rural businesses with increased fuel costs for transport as they often cover larger sparsely populated areas, off-grid heating costs and increased supplier costs. The impact of Brexit and skills shortages mean that whilst there is demand rural businesses are still having to scale back their offer.[34]

In June 2019, Skills Development Scotland (SDS) and the Scottish Government launched the Skills Action Plan for Rural Scotland (SAPRS). The SAPRS set out a strategic, partnership approach to support the skills needs for the rural economy. It addressed the challenges through work-based learning pathways and by increasing awareness of the diversity of employment opportunities, learning provision and pathways in rural Scotland and worked together on tackling the barriers. It brought together a range of actions to support skills planning for rural areas. The SAPRS is currently being independently evaluated -commissioned by the Scottish Government and SDS. It is anticipated that a refresh will take place.

Commission for the Land-based Learning Review 2022[35] is a short-term advisory group that has been established to undertake a root and branch review of learning in Scotland's land-based and aquaculture sectors - from early years to adulthood - to provide opportunities and qualifications through school, college, university and work-based learning, including apprenticeship, for more people, and specifically more women, to work with and on the land, particularly in green skills.

The work of the group will support the Scottish Government's ambitions of delivering a just transition to net-zero, by ensuring our learning system equips people with the skills and knowledge needed to work in Scotland's land-based sectors as well as any new and emerging green occupations in land-based sectors.

Early adopters of New Technology: Almost three quarters (72 per cent) of businesses were using or planning to use new technologies, the most common being low carbon technology (34 per cent) and the Internet of things and sensor technologies (34 per cent). However, the biggest barrier to adopting new approaches and technologies was the cost of the new technology (52 per cent).[34]

Low Carbon Approaches: Two thirds (66 per cent) of rural businesses are taking action to help them move to low carbon working. Most (85 per cent) businesses were taking or planning actions to improve their energy efficiency. The biggest barriers to moving to low carbon ways of working were cost of making changes (61 per cent), lack of green transport options (45 per cent) and difficulty making existing premises more energy efficient (44 per cent).[34]

Summary Infographics

Please note, infographics are available at local authority level through the Data Matrix.

Rural Scotland

RSA Infographic 2022

Regional Skills Assessments (RSAs) aim to provide a coherent evidence base to inform future investment in skills. This infographic is for **Rural Scotland**. It uses Oxford Economics forecasts for the 2022-2032 period to show current and future economic contribution, as well as current and future demand for skills.

The Economy

Gross Value Added (GVA) 2022 [1]

Total in **Rural Scotland** is: **£39,300**m

26.1% of total Scottish output

Mid-term forecast average annual growth (2022-2025)

Rural Scotland: 1.1%

Scotland: 1.2%

Long-term forecast average annual growth (2025-2032)

Rural Scotland: 1.2%

Scotland: 1.3%

Productivity (GVA per job) 2022 [2]

Total in **Rural Scotland** is: **£51,700**

Total in **Scotland** is: **£54,100**

Mid-term forecast average annual growth (2022-2025)

Rural Scotland: 0.7%

Scotland: 0.8%

Long-term forecast average annual growth (2025-2032)

Rural Scotland: 1.1%

Scotland: 1.1%

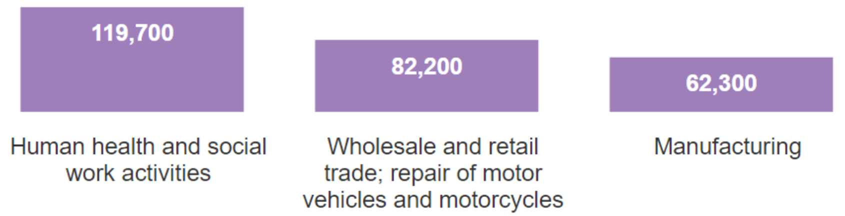
Current Demand for Skills

Workforce Size 2022: 690,400 people

Over the last 10 years (2012-2022) employment **declined** by **-300** people

Compared to a Scotland-wide **growth** of **130,500** people

Top employing industries in 2022 (people)



Top employing occupations in 2022 (people)

[1] Gross Value Added (GVA) is the measure of the value of goods and services produced in an area and is an indicator of the economy's health.

[2] Productivity is the measure of goods and services produced per unit of labour input. Oxford Economics provide a measure of productivity, that has been calculated by dividing total regional GVA by total regional employment (measured by jobs).

Rural Scotland

RSA Infographic 2022

Regional Skills Assessments (RSAs) aim to provide a coherent evidence base to inform future investment in skills. This infographic is for **Rural Scotland**. It uses Oxford Economics forecasts for the 2022-2032 period to show current and future economic contribution, as well as current and future demand for skills.

Future Demand for Skills in Mid-term

Workforce Size 2025: 695,200 people

The workforce is expected to **grow** by **0.7%** or **4,900** people between 2022 and 2025

Compared to a Scotland-wide increase of **1.2%** or **31,900** people

Job openings* between 2022-2025:

Expansion Demand: **4,900** people
Scotland: **31,900** people

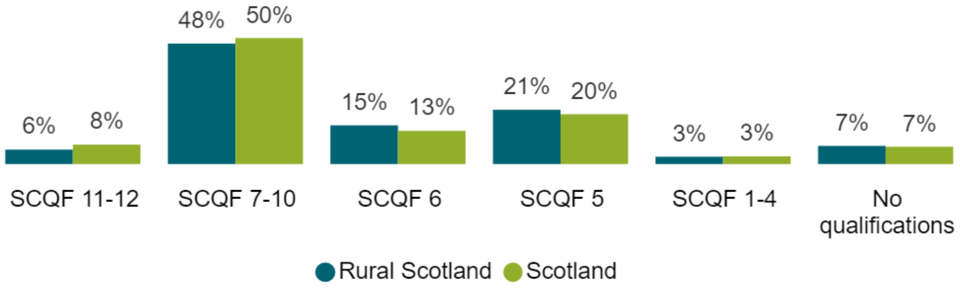
+

Replacement Demand: **73,800** people
Scotland: **299,800** people

=

Total Job Openings: **78,700** people
Scotland: **331,700** people

Total Requirement for people with Qualifications between 2022-2025 are:



Future Demand for Skills in Long-term

Workforce Size 2032: 697,800 people

The workforce is expected to **grow** by **0.4%** or **2,500** people between 2025 and 2032

Compared to a Scotland-wide increase of **1.5%** or **40,700** people

Job openings* between 2025-2032:

Expansion Demand: **2,500** people
Scotland: **40,700** people

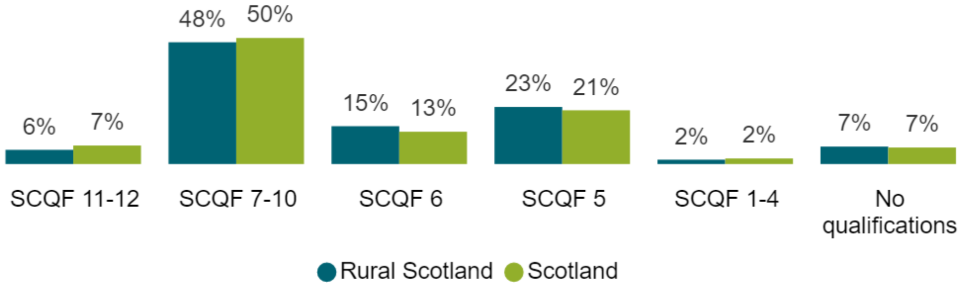
+

Replacement Demand: **166,200** people
Scotland: **696,900** people

=

Total Job Openings: **168,700** people
Scotland: **737,600** people

Total Requirement for people with Qualifications between 2025-2032 are:



*Total requirement for people is made up of expansion and replacement demand. Expansion demand is the measure of an increase/decrease in jobs as a result of economic growth or contraction; replacement demand is the number of job openings generated through labour market churn (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.

References

1. Technical Note. Available online at: https://www.skillsdevelopmentscotland.co.uk/what-we-do/skills-planning/regional-skills-assessments/
2. Office for National Statistics UK Standard Industrial Classification (SIC) Hierarchy. Available online at: https://bit.ly/3eMy1V9
3. Office for National Statistics UK Standard Occupational Classification (SOC) Hierarchy. Available online at: https://bit.ly/3F3xQQ0
4. Skills Development Scotland Skills Investment Plans. Available online at: https://www.skillsdevelopmentscotland.co.uk/what-we-do/skills-planning-alignment/skills-investment-plan/
5. Scottish Government (2022). Scotland's National Strategy for Economic Transformation. Available online at: https://bit.ly/3Dr5BJT
6. Bank of England (2022). Monetary Policy Report - August 2022. Available online at: https://www.bankofengland.co.uk/monetary-policy-report/2022/august-2022
7. Fraser of Allander Institute (2022). Economic Commentary 2022 Q3. Available online at: https://fraserofallander.org/publications/fai-economic-commentary-2022-q3/
8. Joseph Rowntree Foundation (October 2022). Poverty in Scotland 2022. Available online at: https://www.jrf.org.uk/report/poverty-scotland-2022
9. Scottish Government (2022). Scotland's National Strategy for Economic Transformation. Available online at: https://bit.ly/3Dr5BJT
10. National Records of Scotland (2022). Population Projections for Scottish Areas (2020-based). Available online at: https://bit.ly/3DgM1Q7
11. National Records of Scotland (2019). Population Projections for Scottish Areas (2018-based). Available online at: https://bit.ly/3DiFrsu
12. National Records of Scotland (June 2021). Mid-2020 population estimates, Scotland. Available online at: https://bit.ly/3VOw6A0
13. National Records of Scotland (July 2022). Mid-2021 population estimates, Scotland. Available online at: https://bit.ly/3DjZYx2
14. ONS (2022). Annual Population Survey, April 2021-March 2022, Working Age EU and Non-EU nationals in Scotland areas by areas occupation and industry working-age EU and non-EU nationals in Scotland areas by industry groups and economic activity reasons.
15. Skills Development Scotland, Skills Planning and Sector Development Directorate. Insight from Regional Skills Planning Leads
16. Oxford Economics Forecasts (September 2022).
17. Scottish Government, Business Insight and Conditions Survey (BICS) weighted Scotland estimates (Wave 64)
18. Scottish Government, Business Insight and Conditions Survey (BICS) weighted Scotland estimates (Wave 65)
19. Scottish Government (2015). Scotland's Economic Strategy. Available online at: https://www.gov.scot/publications/scotlands-economic-strategy/
20. Scottish Government (2020) Impacts of Covid 19 on Equality in Scotland. Available online here: https://www.gov.scot/publications/the-impacts-of-covid-19-on-equality-in-scotland/
21. Scottish Government (2021) Covid Recovery Strategy available online at: https://www.gov.scot/publications/covid-recovery-strategy-fairer-future/
22. IPPR (2018). Preparing for Automation and Ageing. Available online at: https://www.ippr.org/research/publications/preparing-for-automation-and-ageing
23. ScotlandIS (2022). Scottish Technology Industry Survey 2022. Available online at: https://www.scotlandis.com/scottishtechsurvey/
24. Scottish government (2021). A changing nation: How Scotland will thrive in a digital world. SCDI (2021). Available online at: https://bit.ly/3sdW02n
25. Scottish Government (2021) Energy strategy: position statement available online at: https://www.gov.scot/publications/scotlands-energy-strategy-position-statement/
26. International Labour Office (2019). Skills for a Greener Future: a global view. Available online at: https://www.ilo.org/skills/pubs/WCMS_732214/lang--en/index.htm
27. Kelly, J-F., Mitchell, M., Zymek, R. (2018) Wealth of the Nation. David Hume Institute. Available online at: https://bit.ly/3shakaA
28. Skills Development Scotland. Skills 4.0 A Skills Model to Drive Scotland's Future. Available online at: https://bit.ly/2O0mDqa
29. Annual Population Survey, accessed via NOMIS October 2022. Data is for July 2021 to June 2022.
30. Office for National Statistics, Claimant Count. Accessed via Nomis October 2022.
31. Department for Work and Pensions. Universal Credit. Accessed October 2022.
32. Lightcast (Burning Glass Technologies), 2022.
33. Scottish Government (2021). Rural Scotland Key Facts 2021. Available online at: https://bit.ly/3zJbpvQ
34. Scottish Government (2022). Rural Scotland Business Panel Survey. Available online at: https://bit.ly/3NCmCUF
35. Scottish Government. Commission for the Land-Based Learning Review. Available online at: https://bit.ly/3WpLqmZ

Skills Development Scotland

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