

JOBS AND SKILLS IN SCOTLAND

Addressing productivity, progression and in-work poverty

IPPR
SCOTLAND

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60-SECOND SUMMARY

This report looks at the jobs recovery in Scotland since 2010, the current jobs market and the implications for the skills system in Scotland of changes to Scotland's economy. Scotland's jobs recovery has been well balanced between services and manufacturing, while youth employment has improved, and there has been a narrowing in differences in pay and productivity between Scotland and the UK. However, job growth in Scotland has been lower than in the UK as a whole, and the sectors that have expanded in terms of jobs are generally lower skilled than the sectors that have lost jobs over the same period.

Scotland, like the UK, has a problem in relation to career progression. Although productivity and pay rates have improved against the UK, the UK has had a poor record on both. Additionally, there is a large and worrying mismatch between the skills system in Scotland and labour market demand.

This report forms the foundation for IPPR Scotland's forthcoming research this year in relation to skills in Scotland. Overall, the Scottish skills system needs to more clearly show how it successfully contributes to improving rates of progression, productivity and reducing in-work poverty in Scotland.

KEY FINDINGS

The last few years have been a period of substantial change for parts of the skills system in Scotland. College mergers and regionalisation, the introduction of outcome agreements for further and higher education provision, a new youth employment strategy following the Commission on Developing Scotland's Young Workforce, and the effects of the financial crisis and recession of 2008 have seen a number of changes to the skills system in Scotland.

Labour market recovery

Scotland has enjoyed a jobs recovery between 2010 and 2015, creating 118,000 additional jobs, with employment close to or surpassing its pre-2008 peak in recent months. However, the jobs recovery in Scotland has been weaker than in the UK as a whole:

- In 2007, the Scottish employment rate stood at 73.9 per cent, the UK rate at 72.4 per cent.
- In 2015, the Scottish rate was 73.1 per cent, the UK rate was 73.5 per cent.

The youth employment rate is higher in Scotland than the UK and has consistently been so throughout the downturn and recovery:

- In 2015 the Scottish youth employment rate was 56.2 per cent, the UK's was 53.5 per cent.

Jobs growth has been more balanced between services and manufacturing in Scotland than in the UK:

- Between 2010 and 2015, 54 per cent of new jobs in Scotland have come from the service sector, compared to 87 per cent in the UK.

The sectors that have lost jobs in Scotland have been of higher skill than the sectors that have expanded:

- For example, Scotland has seen a contraction in its important financial and insurance activities sector of 9.6 per cent between 2010 and 2015.

Pay, progression and productivity

Between 2010 and 2015, pay rates in Scotland have caught up with the UK – though pay in Scotland and the UK has fallen in real terms over recent years:

- In 2015, median weekly earnings were £425.10 in Scotland and £425.80 across the UK.

The proportion of workers progressing from low-skilled jobs to mid- or high-skill jobs is lower in Scotland than the UK (excluding Northern Ireland) as a whole:

- Between 2010 and 2015, 4.4 per cent of workers in low-skilled roles progressed to higher-skill roles each quarter in Scotland, compared to 5.1 per cent in the UK as a whole.

While productivity has improved in Scotland against the UK-wide rate, productivity across the UK has stalled in recent years:

- Between 2008 and 2014, Scottish gross value added (GVA) per hour worked increased from 94.1 per cent to 97.6 per cent of the UK level, however total UK GVA per hour worked increased by only 1.3 per cent over this time.

Skills mismatch

Crucially, the skills system in Scotland is not well matched to current labour market demand or future labour market demand:

- Comparing entry-level mid-skill vacancies in 2014 to the number of mid-skill qualifiers from the skills system we estimate there is an aggregate gap between skills demand and supply of 29,000 people annually.

KEY RECOMMENDATIONS

This report marks the start of a series of IPPR Scotland reports on the skills system in Scotland and sets out our priorities for this forthcoming work.

Overall, the skills system needs to more clearly show how it successfully contributes to improving rates of progression, productivity and reducing in-work poverty in Scotland.

1. **Greater engagement at the individual learner level, from employers and employees, could help to address the skills mismatch displayed by the skills system in Scotland.**

The significant skills mismatch in Scotland is a failure of engagement between employers, employees/learners and skills providers. The skills system needs to develop further ways to stimulate learner demand, informing learners' choices in accessing the skills system. Better data in relation

to labour market demand could be crucial. In addition, working with employers, in return for public investment in skills provision, to more closely link successful learning outcomes with successful career progression, could be a powerful driver of employer engagement and both employer and learner demand for skills provision.

2. **The skills system needs to be better prepared for learners with multiple careers, stop-start learning, and more flexible learning routes.**

With an ageing population, technological change and an extended working life, many more workers will have multiple careers in the future. This will likely require a skills system that can work with employees/learners and employers throughout a lifetime of learning, making it possible for learners to pick up and drop learning with very flexible modes of delivery. In our future work we will consider whether the skills system will require a greater focus on modularised learning, on a common spine, allowing learners and employees to build suites of learning tailored to their needs.

3. **New regional approaches are needed to bring the whole of the skills system together in planning and investing in skills provision.**

We would like to consider in our future work whether the skills system should be brought together into single regional groupings for the post-16 skills system as a whole. This could begin with a focus on the post-school and sub-degree elements of the skills system. New regional approaches that consider the full range of the skills system could bring budget considerations together in one place, alongside decisions in relation to provision, enabling greater engagement and involvement from employers and learners.

For the full report, including all references, data sources and notes on methodology, see: www.ippr.org/publications/jobs-and-skills-in-scotland-addressing-productivity-progression-and-in-work-poverty

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