

# **COVID- 19 Labour Market Insights**

**November 2020**

# COVID-19 Labour Market Insights: Introduction

## Overview<sup>1,2</sup>

COVID-19 emerged in China near the end of 2019 and quickly became a global pandemic. To contain the pandemic and mitigate the impact on health, restrictions on movement in the UK and further afield were introduced. These restrictions have had a major impact on the global economy. The Scottish and UK governments have introduced a range of fiscal interventions to help mitigate the economic impact on people and businesses.



The Scottish Government have introduced a new five tier system of local COVID-19 restrictions effective from 2<sup>nd</sup> November:

- **Level 0:** Hospitality would operate subject to physical distancing. Indoor meetings allowed up to a maximum of eight people from three households and fifteen people from five households can meet outdoors.
- **Level 1:** Hospitality has a 22:30 curfew. Indoor contact sports for adults are not permitted. Only those unable to work from home should go to their place of employment
- **Level 2:** No indoor meetings with other households. Pubs, bars and restaurants permitted to sell alcohol indoors only with a main meal – and only until 8pm.
- **Level 3:** Alcohol sales not permitted indoors or outdoors. Cafés, pubs and restaurants are allowed to open until 6pm to serve food and non-alcoholic drinks. All leisure and entertainment venues are closed at this level, including cinemas.
- **Level 4:** Closer to a full-lockdown the closure of non-essential shops, hospitality and gyms. Some outdoor meetings will still be allowed, and schools will stay open.

Full details of the restrictions are available on the Scottish Government [website](#).

## Speed and Shape of Recovery

### Factors affecting the shape of recovery:



Revival of domestic and international demand leading to recovery of incomes



Challenges with finding alternative markets for some businesses who can't reopen



Speed of mitigation response and number of businesses lost



Supply chain recovery in key markets



Physical distancing and the impact on the labour market

Sectors may adapt to the 'new normal' at different paces, as external demand, consumer behaviour and business models may have changed.

These changes may be temporary in nature, however economic commentators agree there may be some permanent structural changes to the economy.



## Recovery Scenarios<sup>6</sup>

The Scottish Government have updated their economic modelling of the impact of COVID-19 on GDP and unemployment.

- The latest scenario analysis suggests GDP could decrease **by 9.8% in 2020 compared to 2019**.
- In Scottish Government's central forecast, recovery to pre-pandemic levels of economic growth is expected by the **end of 2023**.
- Although growth is predicted to return, it will take some time for the economic output in Scotland to return to levels expected pre-pandemic. In Q1 2025, Scotland's economic activity is predicted to be around **3% lower than expected, if pre-pandemic trends continued**.
- The Scottish Government predict the **unemployment rate could reach 8.2% in Q4 2020** and may remain elevated for several years.
- Their central forecast suggests unemployment may begin to reach pre-pandemic levels towards the **end of Q1 2025**.

The decline in economic output in Scotland has been smaller than initially expected in April 2020. The reasonable worst case scenario predicted a decrease of around 30% in Q2 2020. In part, the fall was lower because some sectors of the economy were more resilient than initially anticipated.



<sup>1</sup>World Health Organisation (WHO) (April, 2020): <https://www.who.int/emergencies/diseases/novel-coronavirus-2019/question-and-answers-hub/q-a-detail/q-a-coronaviruses>

<sup>2</sup>Center for Economics and Business Research (March, 2020): <https://cebr.com/wp-content/uploads/2020/03/Global-Perspects-March-2020-Coronavirus-update.pdf>

<sup>3</sup>Scottish Government (April, 2020): <https://www.gov.scot/publications/state-economy-april-2020/>

<sup>4</sup>Fraser of Allander Institute (April, 2020): <https://fraserofallander.org/scottish-economy/scottish-business-monitor-findings-by-sector/>

<sup>6</sup>State of the Economy, Scottish Government (September 2020)

# COVID-19 Labour Market Insights: Scotland in Context

Gross Domestic Product (GDP) is the standard measure of the size and health of a country's economy. The Purchasing Managers' Index (PMI) tracks monthly change in the output of goods and services across the private sector. Any figure below 50 signals contraction and the speed of decline is signalled by how far below 50 the value is. For example, an output value of 10 signifies decline at a faster pace than an output value of 45. It is a useful tool for understanding current and expected business conditions.

## Scotland's Economy<sup>1</sup>

### Monthly Gross Domestic Product

Scotland's monthly gross domestic product (GDP) **decreased** by -19.2% in April 2020. In August, Scotland's GDP **is estimated to have increased** by 2.6% in real terms, the fourth consecutive month of growth. However, this represents a slow down from the increase in July (6.4%). Overall, Scotland's GDP remained 9.4% below the level in February 2020 (pre-COVID-19).



In August, GDP growth was more uneven across Scotland's sectors compared to recent months. Output in the production sector fell, whereas output in the services sector increased. Across the board, output in August remained lower than pre-COVID-19 levels.

### Quarterly Gross Domestic Product

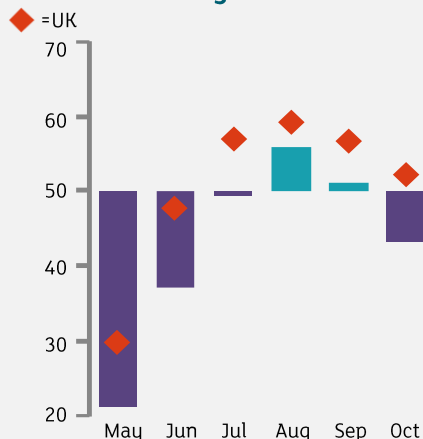
Scotland's GDP contracted by -19.4% during the second quarter (April –June) of 2020 following a 3.2% decrease in quarter one. In the UK, GDP decreased by -19.8% in the second quarter of 2020.



Longer term GDP trends are presented in the COVID-19 dashboard.

## Purchasing Managers' Index (PMI)<sup>2</sup>

### Business Activity Index for Scotland

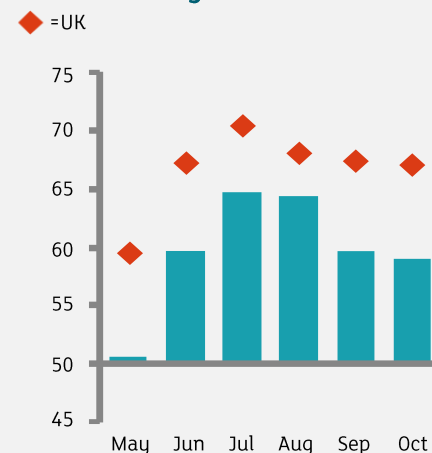


In October, Scotland's Business Activity Index fell to 43.2, following marginal growth in September (51.2). This signals contraction in business activity due to the reintroduction of restrictions to tackle the spread of COVID-19.

The decline in activity was slower than the period of lockdown in the spring, and slower than the UK overall.

## Purchasing Managers' Index (PMI)

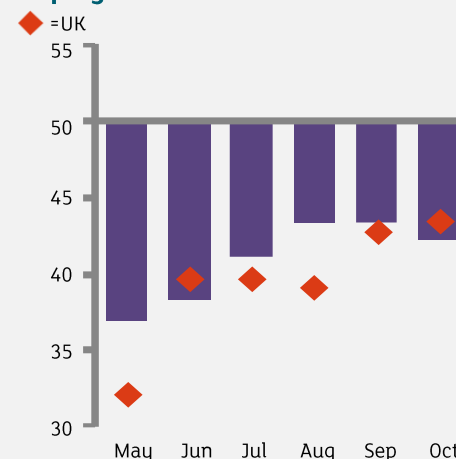
### Future Activity Index for Scotland



The Future Activity Index remained above 50 for the sixth month in a row. This reflects private sector confidence in business activity over the next year.

In Scotland, confidence in future business activity remained subdued compared to UK overall, and confidence was weakest since May. This reflects concerns around further restrictions on businesses and Brexit uncertainty.

### Employment Index for Scotland



In October, Scotland's Employment Index suggests private sector businesses reduced staff levels for the ninth month in a row.

The rate of decline was sharpest since July 2020 and faster than the rate of decline in the UK overall.

<sup>1</sup> Scottish Government (2020), GDP: <https://www.gov.scot/publications/about-gdp/>

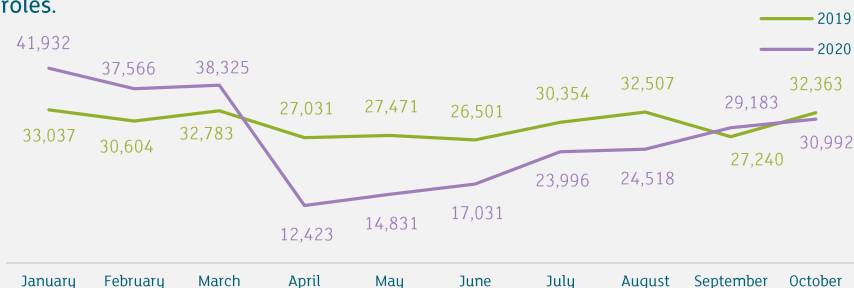
<sup>2</sup>Purchasing Managers' Index (PMI) by Royal Bank of Scotland (November 2020). All charts shown have been taken from the

referenced report: <https://rbsbusinesshub.com/articles/renewed-private-sector-downturn-in-scotland>

## Job Postings in Scotland<sup>1</sup>

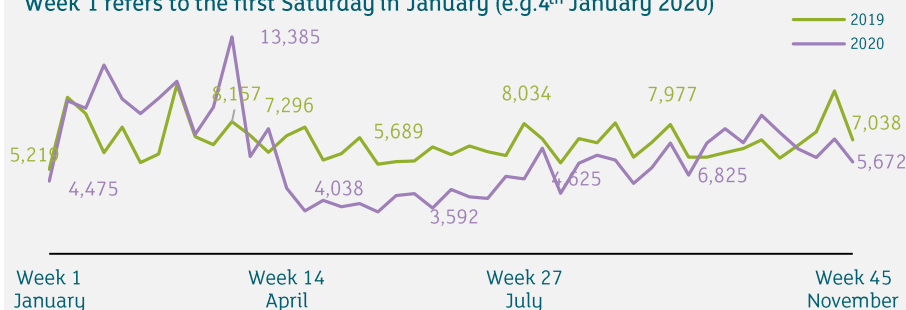
Following a 68% decrease between March and April, job postings more than doubled between April and September 2020. While this indicates the return of some recruitment activity, there were around 19% fewer job postings in October compared to pre-lockdown levels (March 2020). This suggests employers may be taking a cautious approach to recruitment.

The composition of job postings was similar in October 2020 compared to October 2019, with highest demand for Information and Technology professionals, Caring personal services, Nursing and Midwifery and Teaching and Education professionals. In October 2020, the occupations with the highest number of jobs advertised included Road Transport Drivers and Business Research professional roles.



## Weekly Job postings in Scotland\*

Week 1 refers to the first Saturday in January (e.g. 4<sup>th</sup> January 2020)



Since Week 14 (April), job **postings increased by 40%** up to Week 45. While the number of job postings in Week 45 2020 was **19% lower than same point last year.**

<sup>1</sup> Burning Glass Technologies (November, 2020). Burning Glass Vacancies gather insights from online job postings and websites.

<sup>2</sup> Royal Bank of Scotland [Report on Jobs](#), (November

2020)

<sup>3</sup> Scottish Chambers of Commerce [Quarterly Economic Indicator](#) 2020.

<sup>4</sup> [British Contract Furnishing Association](#), 2020

## The Voice of Businesses

### Workforce



- The Royal Bank of Scotland (RBS) Report on Jobs<sup>2</sup> indicated a moderate decline in demand for permanent and temporary staff compared to previous months. The report also highlighted a further increase in the number of people who are looking for both permanent and temporary jobs. This increase is linked to redundancies and lay-offs as a result of the pandemic and associated restrictions.
- The British Contract Furnishing Association reported that a blended working approach – working remotely and in the office – is set to be the future.<sup>4</sup>
- Across the UK, **34.6% of employees** who worked in an office prior to the pandemic continued to work remotely in August.<sup>4</sup>
- Across the UK, a **record 25% of small firms** reported a reduction in their workforce over the past quarter. Over the next three months, this is set to increase, with **29% of small firms reporting** they expect to lay off staff.<sup>6</sup>

### Financial



- In Scotland, 30.8% of businesses said their cash reserves could last less than three months, while 29.6% of businesses reported their cash reserves will last more than six months.<sup>7</sup>
- Majority of businesses in Construction, Manufacturing and Tourism anticipate a **further reduction in sales** in Q4.<sup>3</sup>
- Businesses in Financial and Business Services, Construction and Manufacturing are concerned about increasing taxation.<sup>3</sup>
- In Scotland, **more than half (53%)** of small businesses reported a **fall in revenues in Q3** and around **43% of businesses forecast the revenues to fall in Q4.**<sup>6</sup>

### Business Confidence



- In October, Lloyds Bank Business Barometer reported that **overall business confidence fell by 7ppts** for the first time in five months across UK. This is a result of new lockdown measures being introduced across the UK.<sup>5</sup>
- The Federation of Small Businesses in Scotland reported that business confidence **decreased over the last three months to -26.3 points from -10.5 points earlier this year.**<sup>6</sup>

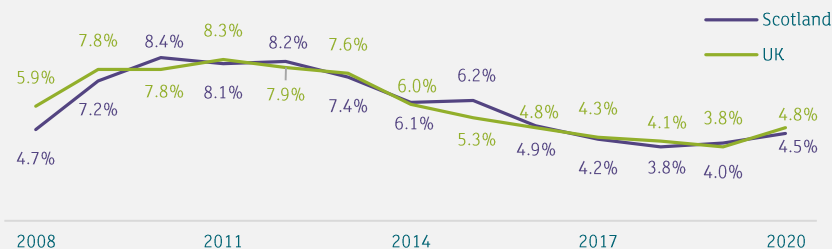
<sup>5</sup> [Lloyds Bank Business Barometer](#), October 2020

<sup>6</sup> [Federation of Small Businesses](#), October 2020

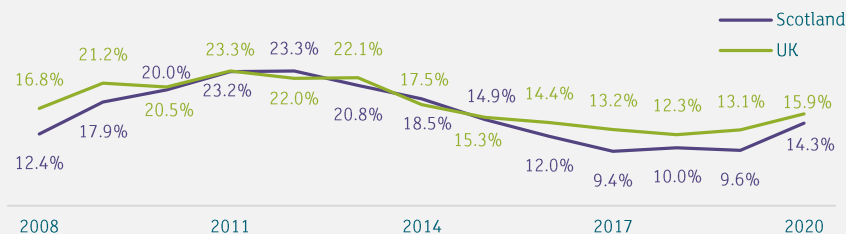
<sup>7</sup> [Scottish Government weighted Scotland estimates of BICS](#) (October, 2020) - Wave 15

## Rising Unemployment

### Unemployment rate 16+<sup>1</sup> (July – September 2020)



### Unemployment rate 16-24<sup>1</sup> (July – September 2020)



- Compared to same quarter of the previous year (July 2019 – September 2019), unemployment in Scotland increased by **16,000 people (or 0.5 ppts)** to **4.5%**. This reflects the impact of lockdown on the labour market.
- The male unemployment rate in Scotland was 4.9 per cent, while the female unemployment rate in Scotland was 4.2 per cent between July 2020 - September 2020.
- Compared to the same quarter of the previous year (July 2019 – September 2019) the youth unemployment rate in Scotland increased by **4.7 ppts to 14.3%**. This is equivalent to an additional **17,000** young people unemployed.
- The Scottish Government forecast that **unemployment rate could rise to 8.2% in 2020 Q4 and not return to pre-crisis levels until 2025.**<sup>2</sup>
- The seasonally adjusted claimant count almost doubled between March 2020 and October 2020 from 111,400 to 214,800 in Scotland.
- The number of people claiming Universal Credit in Scotland increased from 264,100 in March 2020 to 473,500 in October 2020. The lag between someone being made unemployed and receiving their first Universal Credit payment can be up to five weeks (including a four-week assessment period).

## Furlough

- As at 31st August 2020, 242,600 jobs in Scotland were still supported by the furlough scheme, this equates to 10% of eligible employments. Of those still supported by the scheme, around two thirds (160,500) were fully furloughed and one third (82,100) were partially furloughed.<sup>4</sup>
- According to BICS, Arts, Entertainment and Recreation and Accommodation and Food Services had the highest rates of employees on furlough leave in Scotland (42.8% and 35.8% respectively) between 21<sup>st</sup> September and 18<sup>th</sup> October.<sup>5</sup>
- The UK government announced the Coronavirus Job Retention Scheme will be extended to March 2021. The rules allow individuals made redundant before 23<sup>rd</sup> September to be re-hired and placed on furlough leave.



## Redundancies

- Compared to the previous quarter (April- June 2020), the redundancy rate across the UK increased from **4.7 per 1,000 people to 11.3 per 1,000 people** between July and September 2020. There were **314,000** redundancies across the UK in the three months to September 2020, an increase of 181,000 compared to the previous quarter (April- June 2020).<sup>1</sup>
- Across the UK, **82,000 positions were notified as at risk of redundancy** in September. Although this is lower than peak figures reported over the summer, the number of jobs at risk of redundancy was three times higher than in September 2019.<sup>6</sup>
- 21,830 individuals** have received Partnership Action for Continuing Employment (PACE) support in Scotland between April and September 2020. In the full year 2019/20, 11,189 individuals were provided with PACE information.<sup>7</sup>

<sup>1</sup>ONS, Labour Force Survey (July–September 2008 to 2020, 10<sup>th</sup> November 2020)

<sup>2</sup>Scottish Government (September, 2020): <https://www.gov.scot/publications/state-economy/>

<sup>3</sup>Office for Budget Responsibility, 2020: [https://cdn.ubr.uk/OBR\\_FSR\\_July\\_2020.pdf](https://cdn.ubr.uk/OBR_FSR_July_2020.pdf)

<sup>4</sup>HMRC, (October 2020) <https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-october-2020/>

<sup>5</sup>Scottish Government weighted Scotland estimates of BICS (October, 2020) - Wave 15 <https://www.gov.scot/publications/bics-weighted-scotland-estimates-data-to-wave-15/>

<sup>6</sup>BBC, 2020, <https://www.bbc.co.uk/news/business-54620758>

<sup>7</sup>Partnership Action for Continuing

## People in Employment

As businesses focus on survival over the coming months, there may be changes to individual's working lives. There may be a need for businesses to cut staffing levels, working hours or pay, which could have a substantial impact on household incomes and spending.



- HMRC data estimates there were around 2.3 million payrolled employees in Scotland in October 2020. This is a decrease of 3% (71,000) compared to pre-pandemic levels (March 2020). In the UK overall, payrolled employment decreased by 2.7% over the same period.<sup>1</sup>
- **More than one-quarter** of people who worked in a **temporary role** did so because they could **not find a permanent job** between July 2019 and June 2020.<sup>2</sup>
- Of those who worked part-time in Scotland between July 2019 and June 2020, **10% did so because they could not find a full-time role.**<sup>2</sup>

- The average number of hours worked per week (all workers) in Scotland **decreased from 31.9 to 29.4 hours** (-7.9%) between July 2018 to June 2019 and July 2019 to June 2020.<sup>2</sup>
- In the UK over the quarter July to September 2020, the average number of hours worked **was 28.5 (all workers) a decrease from 31.2** between January and March 2020.<sup>3</sup>



- Estimated median monthly pay across all industries in Scotland was **£1,935 in October 2020**, an increase of 4.3% on October 2019. This increased followed a period of decline between March and June 2020.<sup>1</sup>
- On the topic of household finances, the Scottish Consumer Sentiment Indicator reported that individuals considered their current household **financial security to be in a worse position than 12 months ago**. This indicates a **significant deterioration in households' sentiment** regarding their financial security.<sup>4</sup>
- In September, **non-essential and essential spending were both above 2019 levels**. Non-essential spending increased by 7% year on year across Scotland. This was the largest increase in any single month since July 2019. Essential spending on food and drink was 25% higher than last year.<sup>5</sup>



<sup>1</sup>HMRC, ONS, Pay as You Earn Real Time Information, seasonally adjusted, November 2020

<sup>2</sup>Annual Population Survey (October 2020) July 2019 – June 2020

<sup>3</sup>ONS, Labour Force Survey (July–September 2008 to 2020, 10<sup>th</sup> November 2020

<sup>4</sup> Scottish Government, [Scottish Consumer Sentiment Indicator](#),

<sup>5</sup> Bank of Scotland, October 2020,

<https://www.lloydsbankinggroup.com/Media/Press-Releases/2020-press-releases/bank-of-scotland/bos-restaurant-spending-up/>

<sup>6</sup> HM Revenue & Customs (October, 2020) <https://www.gov.uk/government/statistics/self-employment-income-support-scheme-statistics-october-2020>

## Self-Employment<sup>6</sup>



- At the end of September, **137,000** individuals made claims to the Self-Employment Income Support Scheme (SEISS) in Scotland, of 207,000 people who were deemed eligible. The total value of claims in Scotland was **£347 million**, which equates to an average claim value of £2,500.
- The take up rate of SEISS varied across Scotland. The highest rate of **73%** was in **West Dunbartonshire**, followed by Glasgow City and North Lanarkshire (each 72%). The lowest take up rate was in **Orkney and Shetland Islands (50% and 54% respectively)**.
- The **Construction** sector accounted for the **highest number of SEISS claims made** in Scotland. By the end of September, construction workers made 36,100 claims for SEISS totaling £112 million.
- The Self-Employment rate in Scotland rate increased by 1.8 ppts between 2008 and 2020. There has been no change compared to same point last year.<sup>2</sup>

## Equality Considerations



- A recent IPPR report highlighted that some groups of people have been disproportionately affected by the coronavirus, such as parents and carers, disabled people, young people, renters and ethnic minorities.
- Across the UK, more than half of furloughed employees returned to work by September, while 9% of furloughed employees have lost their jobs. The percentage of furloughed employees who have lost their job was higher for:
  - workers aged 18-24 (19 per cent were no longer working in September);
  - those previously in insecure work (22 per cent);
  - Black, Asian and minority ethnic (BAME) workers (22 per cent); and
  - those working in hospitality (15 per cent) (Resolution Foundation, 2020).
- The furlough take-up rate for both men and women in Scotland was 10%. However, HMRC analysis (2020) highlighted that men were more likely to be retained in employment after being furloughed compared to women.
- Of those employed in September, 12% reported being on lower pay than they were in February (Resolution Foundation, 2020).
- Single parents, predominantly women, are more exposed to reductions in earnings and job losses than those with partners due to “self-furlough”. With school closures and reduced access to childcare, they are more likely to ask their employer to use the retention scheme (Scottish Government, 2020).

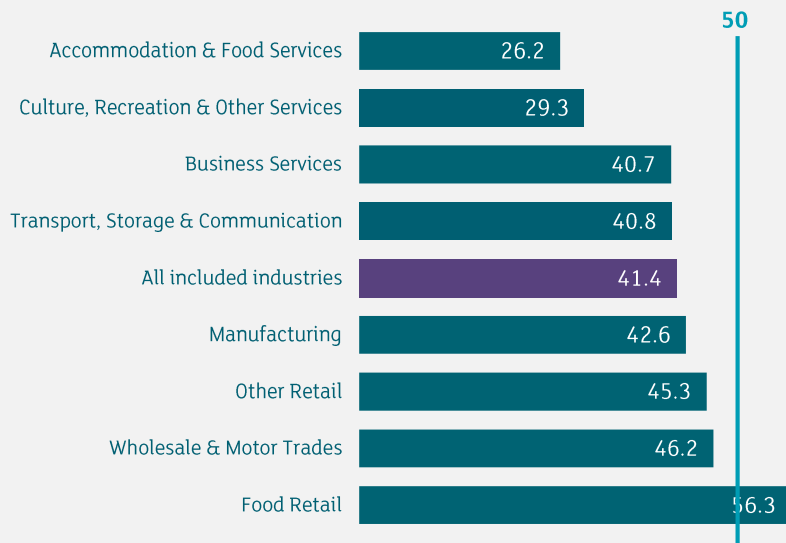
# COVID-19 Labour Market Insights: Scotland's Sectors

## Business Turnover Index Scotland<sup>1</sup>

The Monthly Business Turnover Index provides an early indication of business activity in Scotland, covering around half of the economy. It reports the net balance of firms reporting increased or decreased turnover, in real terms, compared to 12 months ago. Values below 50 indicate that more companies are showing decreased turnover.

- Scotland's Business Turnover Index increased for the fifth month in a row to 41.4 in September. While this indicates a further increase in business activity, the index remained significantly below pre-pandemic levels with most businesses reporting lower sales than the previous year.
- Turnover fell in all industry sectors compared to 12 months ago, except for Food Retail.

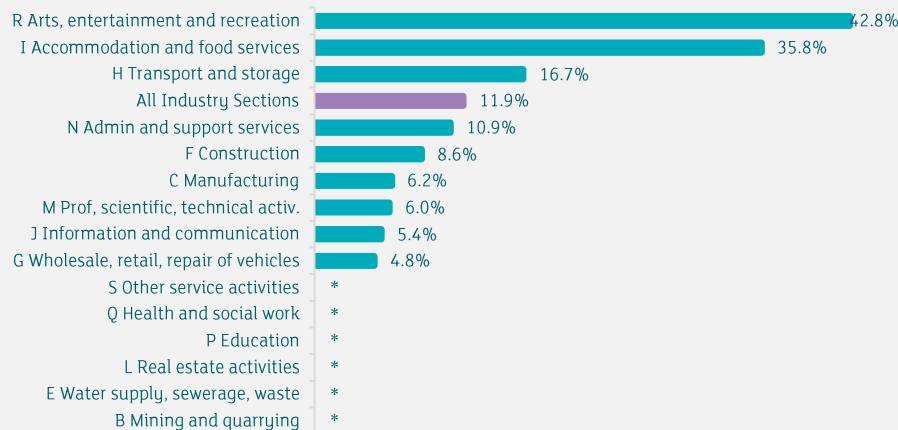
## Monthly Business Turnover Index, September 2020 compared to September 2019



Longer term trends are presented in the COVID-19 dashboard.

## Furlough Leave<sup>2</sup>

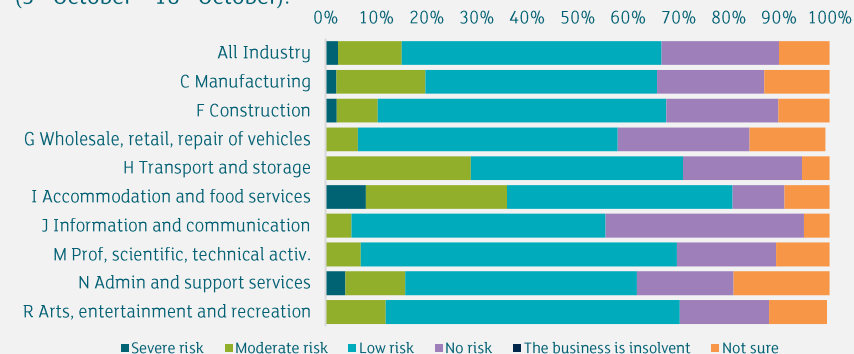
In Scotland, the share of the workforce on furlough leave is estimated to be 11.9% between 21<sup>st</sup> September and 18<sup>th</sup> October.



\* Base count less than 25

## Risk of Insolvency<sup>2</sup>

Percentage of businesses reporting their risk of insolvency by industry at Scotland level (5<sup>th</sup> October – 18<sup>th</sup> October):



Mining and quarrying, Water supply, sewage, Real estate activities, Education and Health and Social Work are excluded due to low numbers

<sup>1</sup> Scottish Government (October, 2020): <https://www.gov.scot/publications/monthly-business-turnover-index-august-2020/>

\*Does not include data for Agriculture,

Mining, Utilities, Construction, Financial Services, Real Estate, and Public Service industries as defined in Business Turnover Index.

<sup>2</sup> Scottish Government weighted Scotland estimates of BICS (October, 2020) - Wave 15 <https://www.gov.scot/publications/bics-weighted-scotland-estimates-data-to-wave-15/>

# COVID-19 Labour Market Insights: Scotland's Sectors

## SDS Ongoing Contact with Sector<sup>1</sup>

 **91** Industry groups and stakeholders contacted to gather insight on COVID-19 impact, response and opportunities in sectors

 **16** Public Bodies with sectoral interest contacted to date<sup>2</sup>

 **14** Sectors in focus:

|                           |                     |                               |                      |              |                          |          |
|---------------------------|---------------------|-------------------------------|----------------------|--------------|--------------------------|----------|
| Food, Drink & Agriculture | Creative Industries | Engineering & Manufacturing   | Digital Technologies | Energy       | Life & Chemical Sciences | Tourism  |
| Health & Social Care      | Oil & Gas           | Financial & Business Services | Public Services      | Road Haulage | Construction             | Forestry |

## Key Insight from Industry<sup>3</sup>

| Sector                      | Business viability concerns | Supply chain impacted | Accelerate adoption of Industry 4.0 | Changing work practices | Labour/skills shortages | Impact on Apprenticeships |
|-----------------------------|-----------------------------|-----------------------|-------------------------------------|-------------------------|-------------------------|---------------------------|
| Construction                | ✓                           | ✓                     | ✓                                   | ✓                       | ✓                       | ✓                         |
| Creative industries         | ✓                           | ✓                     |                                     | ✓                       |                         | ✓                         |
| Digital Tech                |                             | ✓                     | ✓                                   |                         | ✓                       | ✓                         |
| Energy                      | ✓                           | ✓                     | ✓                                   | ✓                       |                         | ✓                         |
| Engineering & Manufacturing | ✓                           | ✓                     | ✓                                   | ✓                       |                         | ✓                         |
| Financial Services          |                             | ✓                     | ✓                                   | ✓                       |                         | ✓                         |
| Food, drink & Agriculture   | ✓                           | ✓                     | ✓                                   | ✓                       | ✓                       | ✓                         |
| Forestry                    | ✓                           | ✓                     | ✓                                   | ✓                       | ✓                       | ✓                         |
| Health & social care        | ✓                           | ✓                     | ✓                                   | ✓                       | ✓                       | ✓                         |
| Life and chemical sciences  | ✓                           | ✓                     | ✓                                   | ✓                       | ✓                       | ✓                         |
| Oil & gas                   | ✓                           | ✓                     | ✓                                   | ✓                       |                         | ✓                         |
| Public sector               |                             |                       | ✓                                   |                         |                         | ✓                         |
| Road haulage                | ✓                           | ✓                     |                                     |                         | ✓                       | ✓                         |
| Tourism                     | ✓                           | ✓                     |                                     | ✓                       |                         | ✓                         |

## Sector Spotlight: Tourism

|                                                                                    |                                                |                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------------------------------------------------------------|------------------------------------------------|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | Gross Value Added (GVA) in 2020 <sup>4</sup>   | £2,777m          | <b>Feedback<sup>5</sup></b><br>Substantial Government support packages for the sector were provided, including the £14m Hotel Support Fund, but many businesses are still struggling to remain viable.<br><br>Tourism Recovery Taskforce Report has been published with asks of UK Govt, Scottish Govt and Industry. It includes a recommendation for a funding package to support staff retention and training across the sector.<br><br>Large numbers of redundancies are expected across the sector with more forecast as the furlough scheme comes to an end. |
|  | Productivity: GVA per job in 2020 <sup>4</sup> | £13,200          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|  | Total Employment in 2020 (people) <sup>4</sup> | 179,000          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|  | Number of MAs in-training <sup>6</sup>         | 1,754            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|  | Number of businesses <sup>7</sup>              | 14,695           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|                                                                                    |                                                | 0-49 employees   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|                                                                                    |                                                | 50-249 employees | 390                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|                                                                                    |                                                | 250+ employees   | 65                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

## Sector Spotlight: Food and Drink

|                                                                                      |                                                |                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|--------------------------------------------------------------------------------------|------------------------------------------------|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    | Gross Value Added (GVA) in 2020 <sup>4</sup>   | £5,677m          | <b>Feedback<sup>5</sup></b><br>The marketplace has faced unprecedented disruption, fragility of supply chains and the requirement to rebuild UK and international markets.<br><br>The sector has demonstrated adaptability and flexibility in accommodating physical distancing in a production environment, but requires an increase in shift patterns, multi-skilling of staff and in some cases lower production.<br><br>The industry leadership group for Scotland's Food & Drink Sector have developed a Recovery Plan to build sector resilience and capability. |
|    | Productivity: GVA per job in 2020 <sup>4</sup> | £51,600          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|   | Total Employment in 2020 (people) <sup>4</sup> | 98,000           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|  | Number of MAs in-training <sup>6</sup>         | 1,026            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|  | Number of businesses <sup>7</sup>              | 17,205           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|                                                                                      |                                                | 0-49 employees   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|                                                                                      |                                                | 50-249 employees | 140                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|                                                                                      |                                                | 250+ employees   | 45                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

<sup>1</sup> Insight from Skills Development Scotland: Two-way engagement with key partners on COVID-19

<sup>2</sup> Public bodies are only counted once – but

may appear multiple times across sectors

<sup>3</sup> Analysis by Skills Development Scotland Key themes emerging from industry. Various sources incl. SDS insight.

<sup>4</sup> Forecasts by Oxford Economics, 2020

<sup>5</sup> Skills Development Scotland (2020) MAs in training Q1 2020/21. As a best fit approach, the MA occupational grouping was used to

estimate the number of MAs in training.

<sup>6</sup> Skills Development Scotland - Qualitative feedback from Sector Managers

<sup>7</sup> Office for National Statistics, UK Business

Counts - enterprise by industry and employment size band, 2020.

## Regional Skills Assessments

The Regional Skills Assessments (RSAs) were updated in October 2020. Covering all Regional Outcome Agreement areas and all City and Growth Deal Regions, the RSAs offer the most detailed picture yet of the effect the Covid-19 pandemic is having on local labour markets across the country.

For the first time, SDS is committing to keeping all RSAs updated on a monthly basis with the latest data so that users are reassured they are accessing the most accurate and up-to-date information available. They also feature new data aimed at illustrating the impact of the pandemic including furlough data, job vacancies and PACE redundancy support.

The RSAs can be accessed [here](#).



## Impact on Rural Regions<sup>1</sup>

Rural regions continue to be particularly exposed to the impact of COVID-19.

- Features of Scotland's rural economy **potentially make it more vulnerable** to the impact of COVID-19, as rural areas have higher levels of self-employment and small businesses.
- Existing **inequalities in rural areas could be widened**, such as wage disparity.
- A larger proportion of the **workforce are employed in at risk sectors** such as tourism related sectors.
- Young people in rural areas are more likely to go into **employment upon leaving school**. There are concerns about the disproportionate impact of the crisis on young people in the labour market.
- **Upskilling in digital skills** will be important for supporting rural businesses.
- Discussions around a **'green recovery'** could present opportunities for the rural economy and labour market.
- There are concerns about the continued impact of COVID-19 in rural areas once current levels of government support is scaled back.

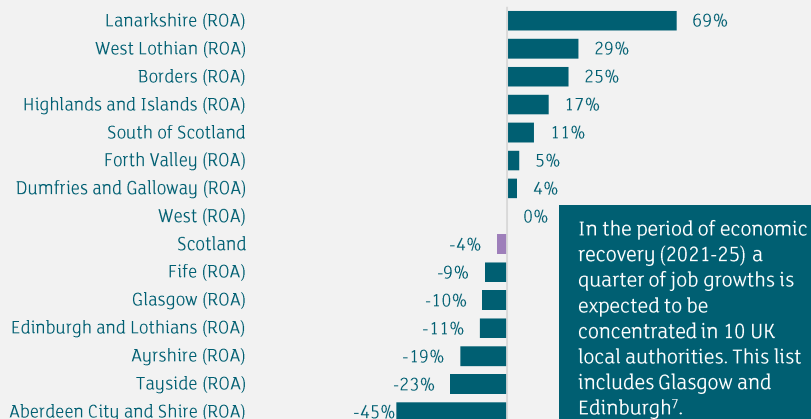


<sup>1</sup> Skills Development Scotland - Qualitative feedback from Sector Managers

# COVID-19 Labour Market Insights: Scotland's Regions

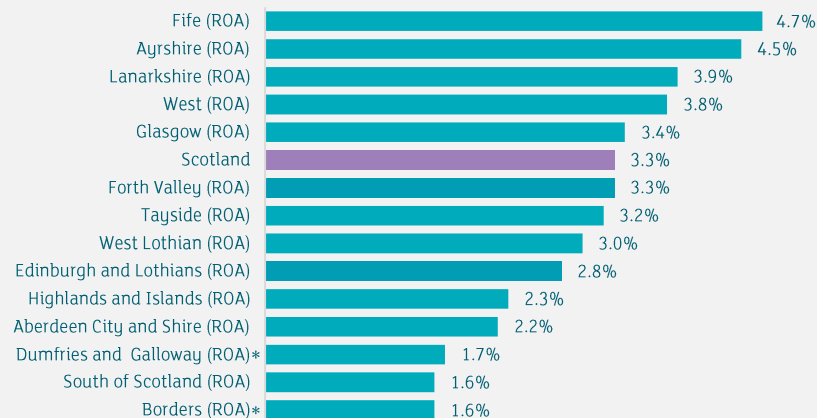
## Impact on Business – Changes to Job Postings<sup>1</sup>

Percentage change between October 2019 and October 2020, a month to month comparison is available in the COVID-19 Dashboard.



## Impact on People – Unemployment rate<sup>3</sup>

This regional unemployment rate (16+) covers the period July 2019 – June 2020

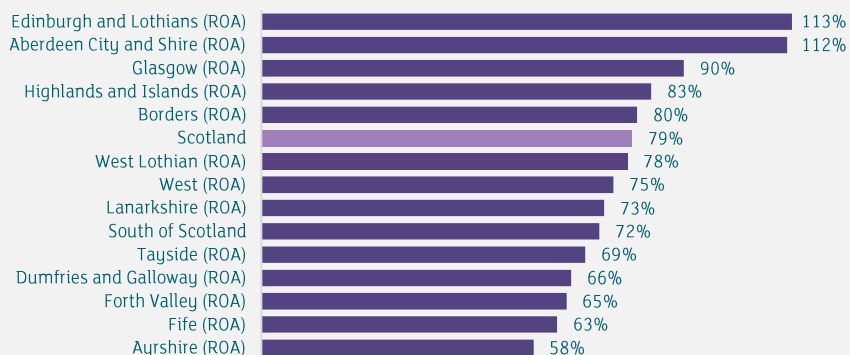


\* Data should be treated with caution due to small sample size.

## Impact on People – People on Universal Credit<sup>2</sup>

In Scotland, the number of people on Universal Credit increased by 79 per cent between March and October 2020.

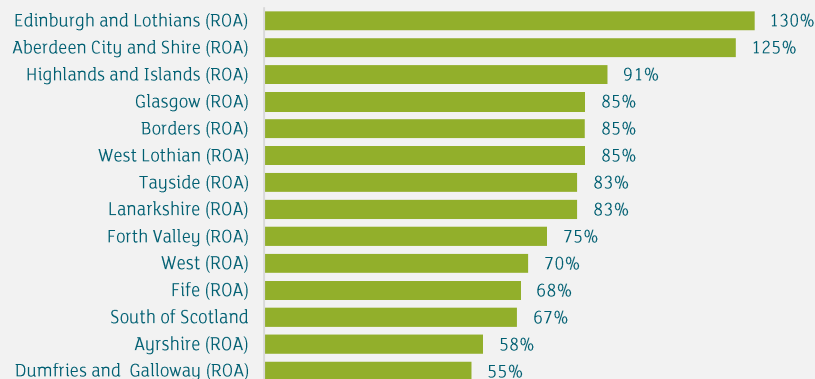
Percentage change between March 2020 and October 2020



## Impact on People – Claimant Count<sup>4</sup>

Between March 2020 and October 2020, claimant count in Scotland almost doubled (+95 per cent) (seasonally adjusted).

Percentage change between March 2020 and October 2020 (not seasonally adjusted)



<sup>1</sup> Burning Glass Technologies (November, 2020). Burning Glass Vacancies gather insights from online job postings and websites.

<sup>2</sup> Department for Work and Pensions (DWP) (Accessed via DWP Stat Xplore)  
<sup>3</sup> Annual Population Survey (October 2020) July 2019 – June 2020

<sup>4</sup> Office for National Statistics, Claimant Count (not seasonally adjusted) (Accessed via Nomis). This experimental series counts the number of people claiming Jobseeker's

Allowance plus those who claim Universal Credit and are required to seek work and be available for work.

# COVID-19 Labour Market Insights: Challenges and Response

## The Challenge



Significant negative impact on business activity and low business confidence.

Rising unemployment, increases in Universal Credit claims and Claimant Count. Young people, women and low paid most impacted.

Growth in some sectors e.g. Health and Social Care, Food Retail but negative impact on others. One size will not fit all.

Impact varying by region. Evidence of rural areas being less resilient. One size will not fit all.

The impact of COVID-19 and the timeline for economic recovery is still uncertain.

## The Economic Response: The Four R's

### Respond and Reset

#### Economic response

- Protect lives
- Protect critical national infrastructure & services
- Protect businesses – cashflow, support to hibernate from banks and UKG
- Protect household incomes – payroll support to firms, welfare support
- Emergency legislation

#### Economic reset

- £30m Scottish Government food fund
- Labour market response
- Industry specific issues/guidance
- Sectoral and Regional support
- Unclog supply chain blockages

### Restart

- Continued support for businesses (from banks and UKG) to prevent scarring effects.
- Support business to re-emerge
- Sector by sector analysis and support.
- Retraining and re-employment support to workers
- Fair work

### Recovery

- Prepare industry for post-COVID era e.g. local supply chains for resilience
- Competitiveness
- Net Zero: Green Recovery
- Inclusive Growth (place/communities)
- Data/Tech/AI
- New terms of trade, post EU
- Demographics

## Strategic Labour Market and Skills Response



The Enterprise and Skills Strategic Board and the Economic Recovery Advisory Group have produced reports that identify series of evidence based actions to minimise unemployment caused by COVID-19.

The Scottish Government responded to the recommendations and have announced measures to generate significant economic growth, combined with a focus on supporting jobs, skills and training.



### Key messages from the Programme for Government

Scottish Government's 'Programme for Government' sets out specific commitments around employability and skills support, including:

- Support for apprenticeships;
- A new Youth Guarantee;
- A new National Transition Training Fund;
- A £100 million Green Jobs Fund;
- Funding for employers to access flexible workforce development training opportunities and support inclusive economic growth through up-skilling or re-skilling of employees;
- Fair Start Scotland to help those facing the greatest barriers find work
- No One Left Behind funding aimed at helping those who face challenging barriers to finding and maintaining employment reach their potential;
- Support for those affected by redundancy through Partnership Action for Continuing Employment (PACE) initiative, including additional funding to reflect the current increase in people facing or experiencing redundancy;
- Investment in Individual Training Accounts; and
- Funding to support community jobs.

### Scottish Youth Guarantee

The Scottish Government has pledged £60 million for a Youth Guarantee. Each person aged between 16 and 24 in Scotland will be guaranteed an opportunity to study at university or college, take part in an apprenticeship programme, take up a job or work experience, or participate in a formal volunteering or training programme.



## Youth employment, training and apprenticeships at the heart of recovery

### Insight and Intelligence

Based on data and insight, SDS is working intensively with partners to reshape our services to provide support through the economic consequences of the pandemic.

From a strong position of existing service delivery, SDS will continue to gather insight and intelligence and work with partners to shape and co-create offers as part of the system-wide response that the pandemic requires.

### Supporting individuals

- Support for individuals made redundant or facing redundancy.
- Protecting apprentices and creating new apprenticeship opportunities.
- Routes to employment: for example Pathway Apprenticeships, Individual Training Accounts and a new National Transition Training Fund.

## 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.

### Pathway Apprenticeships

Created with learning providers and employers, providing a one-off short-term response supporting young people facing limited opportunities.

### National Transition Training Fund

A £25 million training fund helping people facing redundancy access short-term training opportunities in growth areas of the economy.

### Results Helpline

Advice, information and guidance for young people and their parents and carers.

### 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 Training Providers

### SDS COVID-19 Relief Grant

A grant scheme has been launched for Modern Apprenticeship and Employability Fund learning and training providers who continue to work with employers, learners and apprentices during COVID-19.

## Support for Businesses

### Find Business Support

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



### PACE

Increase in scale and structure of redundancy support by SDS and partners to respond to anticipated increase in demand.

### Adopt an Apprentice

The financial incentive (£5,000 for MAs) helps cover the wage and recruitment costs of taking on an apprentice who has been made redundant from another employer. This should be used to support an apprentice with employment for a minimum of 12 months

**Contact Us:**

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