



# SOUTH OF SCOTLAND REGIONAL ECONOMIC STRATEGY

Technical Paper: Regional Economic Strategy – Inclusive Growth Evidence Base

July 2021

THE POWER OF BEING UNDERSTOOD  
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# 1. AN INCLUSIVE ECONOMY PROFILE

## 1.1 Introduction

**This report forms part of a series of technical reports, which underpin the new SOS Regional Economic Strategy (RES).** In keeping with the inclusive growth focus of the RES, the report assesses the health and vitality of the regional economy using a broad range of indicators, allowing for a deeper and fuller review of conditions.

The report looks at the characteristics and health of the regional economy by focusing on indicators within the following four themes:

1. **Place**
2. **People**
3. **Economy**
4. **Assets**

To ensure the analysis is meaningful, data is contextualised and where possible, benchmarked against other geographies, to showcase relative performance. The comparator geographies used within this report are<sup>1</sup>:

- **Scotland**
- **Northumberland**
- **Highland and Islands (HIE)<sup>2</sup>**

Generally, data is aggregated to the level of the South of Scotland (SOS), but in some cases and where appropriate, statistics are broken down at the level of the two local authorities – Dumfries and Galloway (D&G) and Scottish Borders (SB). This provides an additional layer of insight, richness of picture and highlights where there are localised discrepancies and inequalities in performance.

The report sets out a baseline for performance across a range of economic and social outcomes. It is important to note from the outset that the region's performance and characteristics are viewed through the lens of a dynamic and changing economic, political and environmental context, including<sup>3</sup>:

- **Longer-term structural changes in the national economy**
- **Technological disruption and the automation of industry**

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<sup>1</sup> Note: comparator areas have been selected based on relevance, geographic proximity and to ensure the contextualisation of analysis is limited to locations which enable practical benchmarking.

<sup>2</sup> The 6 local authority areas that give the best fit for HIE's geography are Highland, Moray, Argyll & Bute, Na h-Eileanan Siar, Shetland Islands, and Orkney Islands.

<sup>3</sup> Note: this context and the relevance of these factors to the region's inclusive growth ambitions is set out in detail within the Policy Context and Wider Literary Review report.

- **Continued investment in the economy from the public and private sectors**
- **Demographic changes driven by an ageing population**
- **Uncertainty surrounding the impact of Brexit and new trading conditions**
- **The impact of COVID-19 on people, places and business**
- **The climate emergency and legally binding decarbonisation commitments**

The above issues will require national and international action to fully address, and most are not unique to the region. However, they set the context for the global economy within which the SOS trades and relies upon. In terms of COVID-19 and Brexit, both have not only impacted facets of the economy and regional performance, but are also key to the SOS's future prospects, whether this is seen within economic projections of GVA, or how employment is expected to grow and in what sectors.

**The true effects of COVID-19 and long-term significance are yet to be understood**, but in some cases could have quite seismic impacts, such as accelerating trends and shifting economic geographies. There are also likely to be opportunities that emerge from the pandemic that align with the region's traits and characteristics, such as a renewed emphasis on quality of life, the importance of localised supply of food and produce, an upsurge in domestic tourism (or 'staycationing'), the valuing of natural capital and new drivers of investment. Where possible, data is harnessed to provide an understanding of how COVID-19 is and could affect the region and to what extent Brexit has left the economy exposed to change and challenge.

## **1.2 Strengths Weaknesses Opportunities and Threats (SWOT)**

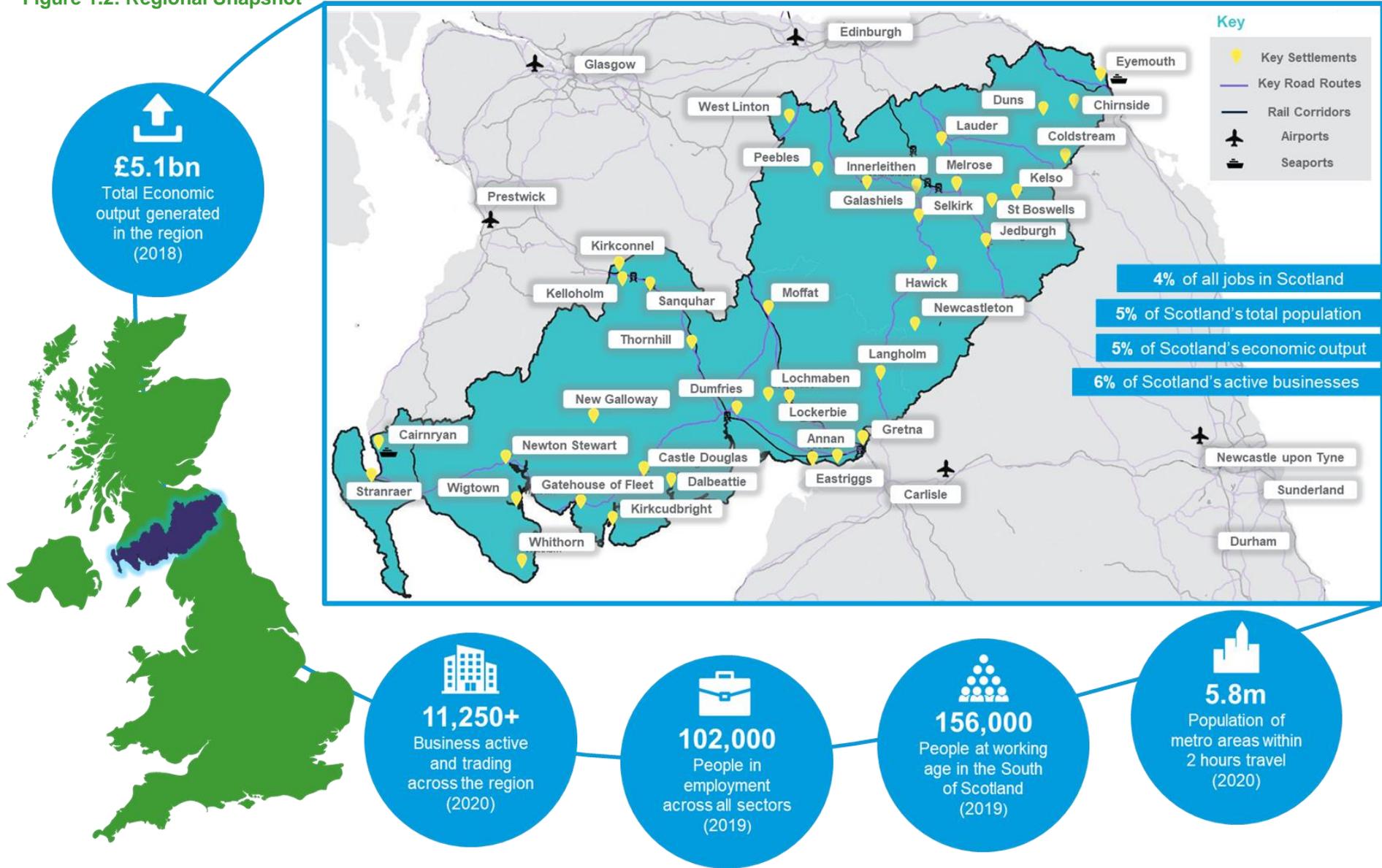
The data assembled within this report paints a comprehensive picture of regional conditions and the extent to which the SOS is achieving its ambitions of delivering inclusive and sustainable growth. This is summarised in the form of a SWOT, to highlight the key messages emerging from the evidence base and to drive the shape and focus of the RES. This draws on data and messages that show:

- **The region as an outlier in terms of its economic performance in relative terms**
- **Where there is exaggerated challenge and emerging opportunity**
- **Where new data sources provide a fuller view of inclusivity and sustainability**

Figure 1.1: Key Baseline Messages: SWOT Summary

 <b>S</b> 	 <b>W</b> 	 <b>O</b> 	 <b>T</b> 
<ul style="list-style-type: none"> <li>• The region’s location is a key asset and gateway to domestic and international markets</li> <li>• The region has shown continued growth over the past decade and proven to be durable in the face of change</li> <li>• The region has a strong sector offer, driven by existing strengths and specialisation</li> <li>• The region’s exceptional natural capital is supporting new jobs and green growth</li> <li>• The region has less out-commuting - most live and work in the SOS</li> <li>• The region’s is benefitting from large scale investment to support inclusive growth</li> <li>• People are economically engaged and less likely to need support into employment</li> <li>• The region’s heritage and cultural assets are distinct and are propelling tourism</li> <li>• There is a collective desire to do things differently and work for collective good</li> <li>• There is an active base of social enterprise and TSOs playing an important role</li> <li>• People are progressing positively from education to employment</li> </ul>	<ul style="list-style-type: none"> <li>• The SOS’s outward identity remains low key and misunderstood</li> <li>• The ageing populating shrinking workforce is a major constraint on growth</li> <li>• Wages and worker productivity are not keeping pace with other areas</li> <li>• The region has fewer people with higher skills and those needed in key sectors</li> <li>• There is evidence of inequality, in terms of deprivation, health, wellbeing and pay</li> <li>• Digital connectivity in rural areas remains a major challenge to business and social inclusion</li> <li>• A lack of public transport and east-west connectivity is undermining access to key services, jobs and education</li> <li>• The region has been unsuccessful in retaining attracting young people and attracting new talent</li> <li>• The supply of affordable and efficient housing stock is not growing at a sufficient pace</li> <li>• Access to workspace, business support and peer support could be improved</li> </ul>	<ul style="list-style-type: none"> <li>• Devolution presents opportunities to take greater control of decision-making and policy at a regional level</li> <li>• Growth Deals have the potential to be extended to channel further investment into the region</li> <li>• New strategic partnerships are emerging to accelerate progress and raise the region’s economic and place identity</li> <li>• COVID-19 brings fresh opportunities that could attract people to the region and accelerate green growth</li> <li>• UK policy commitments suggest that the region could attract funding to address its comparative weaknesses</li> <li>• The region could be an attractive location to scale up renewable energy capacity based on its location and natural resources</li> <li>• The digital agenda remains high profile and will see a focus retained on digital connectivity and skills</li> <li>• Brexit offers a chance to engage new markets and build up local supply chains</li> </ul>	<ul style="list-style-type: none"> <li>• The growth of the visitor economy could place pressure on tourism infrastructure and our local communities</li> <li>• Brexit impacts will need careful monitoring and a proactive response to mitigate against the greatest risks</li> <li>• Scottish independence could create significant uncertainty for businesses and markets should it proceed</li> <li>• Global and national competitiveness is growing the SOS will have to fight hard for resources and prioritisation</li> <li>• Continued global warming and the climate emergency makes the risk of natural disaster and health outbreaks very real</li> <li>• The region’s farming and land-based sectors are exposed to policy and regulatory change that could destabilise and stifle growth</li> <li>• The pandemic has escalated demand for housing in the region and could put considerable pressure on supply</li> </ul>

Figure 1.2: Regional Snapshot



Note: Map includes key settlements and towns with the greatest levels of overall population across the region.

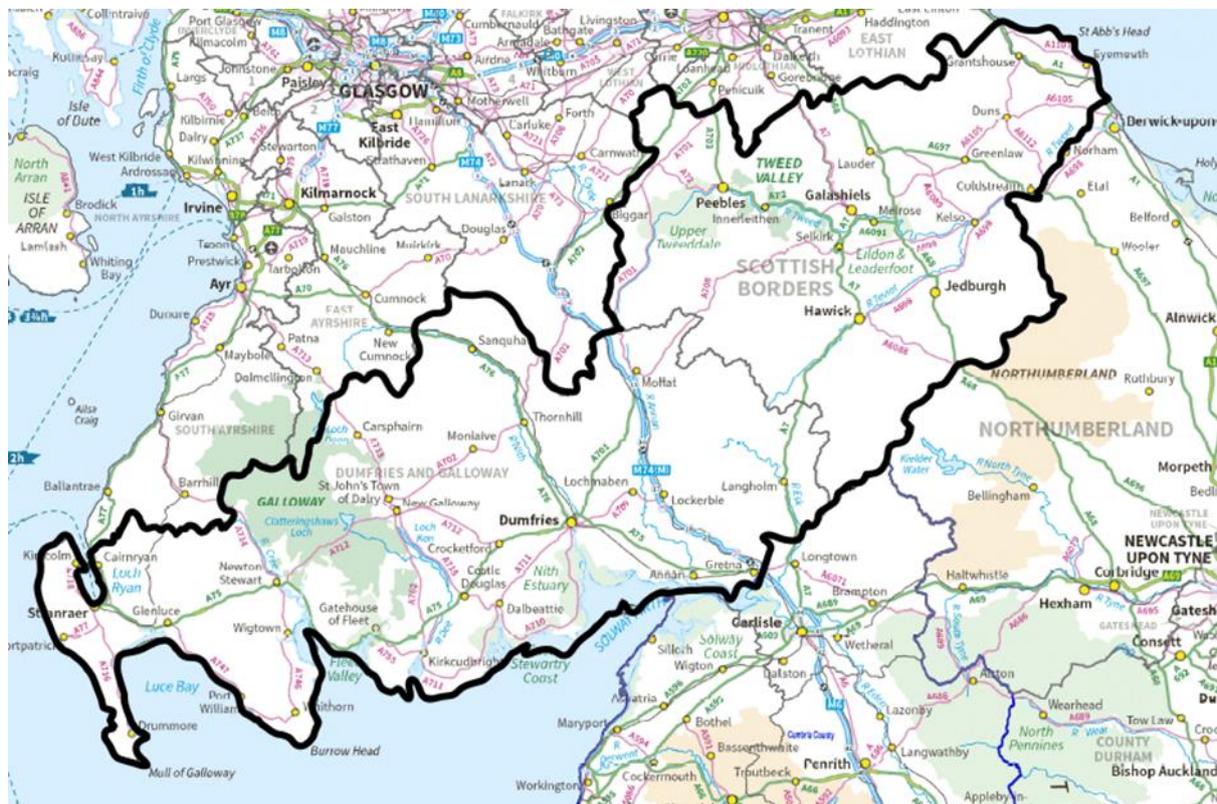
## 2. THE REGION: PLACE

### 2.1 Geography

#### Introducing the Regional Geography

The SOS covers the two local authority areas of **D&G** and **SB** – combined this covers an area of **11,158 km<sup>2</sup>**, and accounts for **14%** of Scotland's overall landmass. The SOS is therefore a large region (over **50%** the size of Wales), with population and economic activity dispersed across the region, balanced across key urban settlements, market towns and rural communities. Connectivity varies significantly across the region, with strategic corridors running north-south and east-west, creating links with neighbouring regions, towns and cities. However, the region also exhibits many connectivity challenges common to rural and remote rural areas, which are constraints on growth and equality of opportunity.

Figure 2.1: Regional Geography



Source: SOSE, 2021

The largest town in D&G is **Dumfries** with a population of approximately **34,000**. Other significant settlements are **Stranraer (10,300)**, **Annan (8,800)**, and **Locharbriggs (5,800)**. In the SB, the largest towns are **Galashiels (15,000)**, **Hawick (13,700)**, **Peebles (8,900)**, **Kelso (6,900)**, and **Selkirk (5,600)**<sup>4</sup>. The region has a number of other towns and communities which are dispersed throughout the area – each of which play important roles

<sup>4</sup> Scottish Government, Mid-2016 Population Estimates for Settlements and Localities in Scotland, 2016.

as service and commerce centres, as well as being an important base for culture, history and tourism. Key examples include **Moffat, Melrose, Eyemouth, Jedburgh, Tweedbank** and **Innerleithen**. The region is also shaped by its borders – to the south and west. The SOS borders the English counties of **Cumbria** and **Northumberland**, whilst maintaining important sea connections with **Northern Ireland**, via Loch Ryan. To the north, the region is bounded by the Scottish local authorities of South Ayrshire, East Ayrshire, **South Lanarkshire, Midlothian** and **East Lothian**.

**The region is unmistakably rural** – with widely dispersed settlements and populations and large expanses of natural landscapes, forests and water featuring prominently. The table below shows how the region is split up in terms of its Urban Rural Classification (6-Fold), which clearly demarks the region’s distinctiveness. Combined, **Accessible Rural** and **Remote Rural** areas account for nearly 50% of the region’s population, versus **~17%** for Scotland as a whole. This relative rurality is the basis for the region’s natural capital and visitor economy offer but is also at the root of some of the constraints that are holding back inclusive and sustainable growth.

**Table 2.1: Percentage of Population in Urban Rural Classifications by Council Area (%)**

Council Area	Large Urban	Other Urban	Accessible Small Towns	Remote Small Towns	Accessible Rural	Remote Rural
D&G	0	29.7	17.4	7.7	24.2	20.9
SB	0	25.1	22	6	36.1	10.7
<b>Scotland</b>	<b>34.6</b>	<b>36.2</b>	<b>8.5</b>	<b>3.5</b>	<b>11.2</b>	<b>5.9</b>

Source: Scottish Government Urban Rural Classification, 2016

## 2.2 Economic Geography

### Commuting and Travel to Work

**The SOS can also be characterised by different measures of place – namely economic geography.** In doing so, it is possible to understand how the economy functions in terms of labour supply, dependency on other areas for skills, when considering commuting patterns.

The table below shows the inflow, outflow and net-change of people commuting into and out of the SOS. This illustrates that both local authorities within the region are net exporters of people, with residents travelling to neighbouring areas to seek work. The extent of this pattern is more exaggerated in SB, where proximity to Edinburgh and the wider metropolitan area is more pronounced. The numbers also showcase the relatively small numbers of commuters in each direction, highlighting the region’s self-containment.

**Table 2.2: Travel to Work Totals**

Local Authority	Inflow	Outflow	Net change
D&G	2,907	4,797	-1,890
SB	2,872	8,834	-5,962
<b>Total</b>	<b>5,779</b>	<b>13,631</b>	<b>-7,852</b>

Source: ONS, 2011 Census



## 2.3 Transport Connectivity

### Road Rail Air and Sea Connectivity

The region lies at heart of strategically important transport networks – in terms of road, rail, sea and air. Each are key assets for the region and support the free flow of people, trade and information. They are also important in the context of making connections with cities and towns beyond the region, including the metropolitan areas of Glasgow and Edinburgh to the North, Newcastle and Manchester to the south and to the West, Ireland. In total, **nearly 6m people** are within a 2-hour drive of the region. Despite this and accounting for the region’s rurality, transport connectivity and access to public transit are key challenges which continue to constrain the SOS’s full growth potential.

The region is intersected by roads, including motorways and key trunk routes. Key road corridors, which provide important north-south and east-west connections are the **A74(M), A1, A68, A75, A77** and **A7**, supplemented by a patchwork of lower hierarchy routes, critical to servicing the region’s more rural and remote areas. Railways also serve the SOS, with a number of stations offering valuable access to towns across the region, as well as the potential to interchange and reach major conurbations, such as those accessed via the **West Coast Mainline** (London to Glasgow). The extensiveness of rail connections, which has expanded since the reopening of the **Borders Railway** in 2015, is depicted below. The region’s primary stations are **Stranraer, Annan, Dumfries, Gretna Green, Lockerbie, Tweedbank, Sanquar and Kirkcunell**.

Figure 2.3: Regional Rail Connections



Source: Network Rail, 2015

The region is within reach of **four airports** – each with international routes and, prior to the pandemic, have been serving and expanding number of global destinations. Combined,

these service a mix of passenger and freight traffic and make the region more accessible to international visitors. Those with the closest proximity to the SOS are:

- **Carlisle** – 8,200 (2019 figures)
- **Newcastle** – 5.2m passengers (from February 2019-January 2020)
- **Prestwick** – 630,000 passengers (from February 2019-January 2020)
- **Glasgow** – 8.8m passengers (from February 2019-January 2020)
- **Edinburgh** – 14.7m passengers (from February 2019-January 2020)

The region is also accessible via sea, with the primary connection point being **Cairnryan port** in D&G. This acts as the terminal for ferry services which connect the SOS with Belfast, Northern Ireland and Ireland. At present, Stena Line offers up to 5 services per day, with the crossing taking approximately 2 hours 15 minutes. This sea crossing is an important transit route for visitors and the export/import of goods to and from the region.

The accessibility of places, services, jobs and education are all defined in part, by the quality and extensiveness of transport. Within the region, data shows that there are challenges for many in relation to proximity and this distance from key services. The table below shows the range in average drive and public transport times in minutes to local services in D&G and SB, highlighting some of the extensive distances travelled to access healthcare, postal services and education.

**Table 2.3: Average Drive and Public Transport Time Ranges to Local Services (Minutes)**

	Nearest Petrol Station (by car)	Nearest GP Surgery (by car)	Nearest Post Office (by car)	Nearest Primary School (by car)	Nearest Retail Outlet (by car)	Nearest secondary school (by car)	Nearest GP Surgery (by public transport)	Nearest Post Office (by public transport)	Nearest Primary School (by public transport)
D&G	0.9 to 24.4	0.9 to 14.7	0.9 to 15.6	1.2 to 11.4	1.1 to 27.4	1.6 to 33.4	2.8 to 35.9	2.8 to 37.5	3.0 to 53.8
SB	0.8 to 17.1	1.0 to 17.0	0.8 to 15.5	1.3 to 13.4	0.9 to 24.1	1.9 to 21.7	3.5 to 41.6	2.8 to 35.9	2.9 to 43.6

Source: Scottish Index of Multiple Deprivation 2020

## 2.4 Digital Connectivity

### Fixed and Mobile Broadband

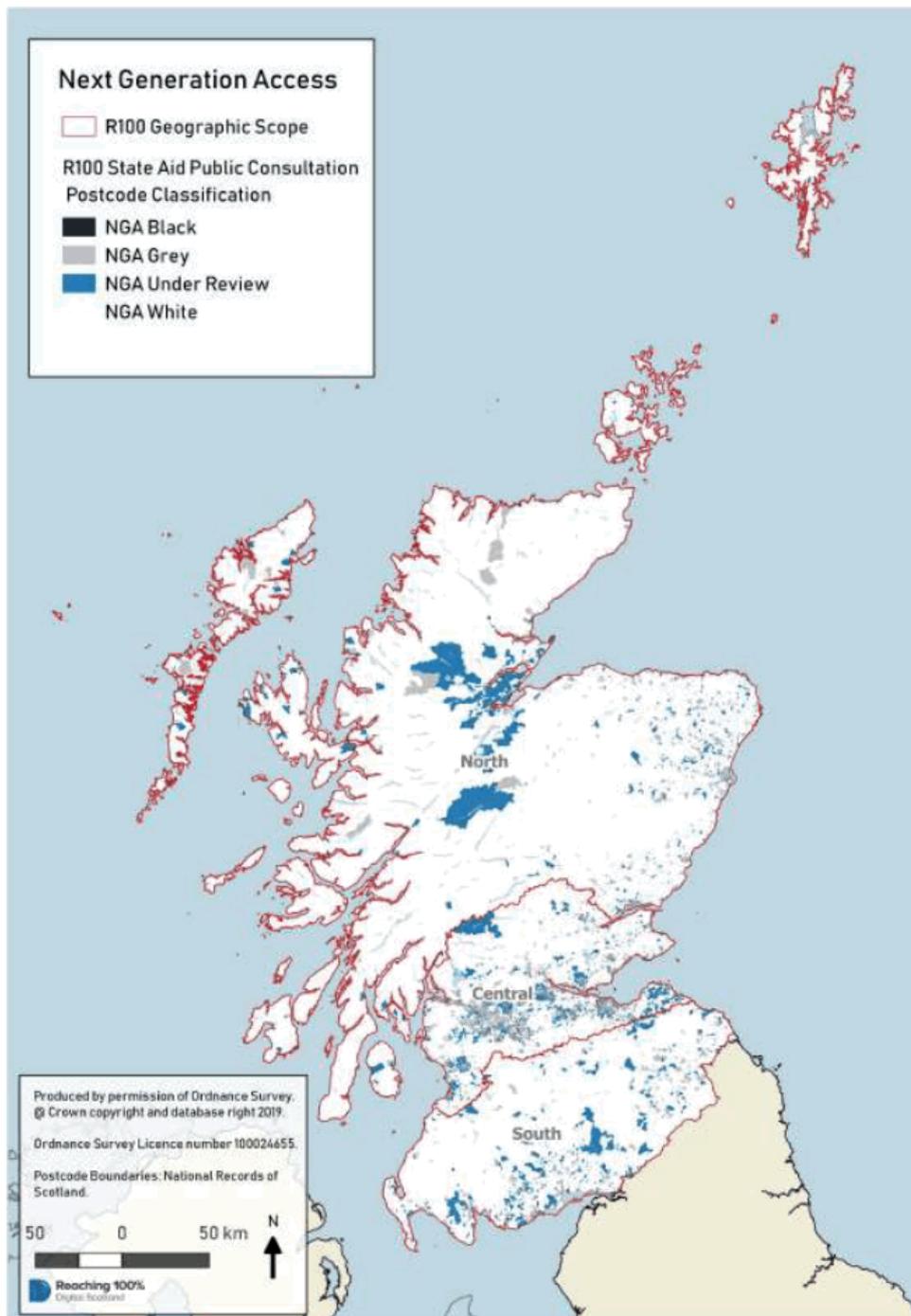
**Digital connectivity is an integral component of place and as a result of the COVID-19 pandemic, reliance on broadband and mobile technologies has grown even further.**

Today, fast and high-quality connectivity is the expectation, powering the economy, social mobility, skills, safety, environmental management and the transfer of information. It is also an important measure of attractiveness and which is subject to rapid change, as technology advances and the demand for speed and reliability increases too.

The Scottish Household Survey indicates that home internet access has improved significantly in D&G and SB over time. Households with home internet access has increased from **39%** in 2003/4 to **77%** in 2018 in D&G, from **45%** to **88%** in SB, and from **44%** to **87%**

in Scotland as a whole over the period. Home internet access in the HIE region ranged from **82%** of households in Orkney Islands to **94%** of households in Shetland Islands in 2018<sup>6</sup>. While in SB **14.5%** of premises are able to receive decent broadband from Fixed Wireless Access (FWA), no premises in D&G are<sup>7</sup>. This compares to **5.4%** of premises able to receive decent broadband from FWA in Northumberland, while in the HIE region only Highland has any premises able to receive decent broadband from FWA (**4.4%**).

**Figure 2.4: Fixed Broadband Coverage Map (2020)**



<sup>6</sup> Scottish Household Survey, Local Authority Tables (2018).

<sup>7</sup> Ofcom, Connected Nations Report, 2020.

Source: Scottish Government, R100 Open Market Review Map, 2020

The proportion of premises able to receive 10 Mbps download speeds is lower (**94%** in D&G and **93%** in SB) compared to Scotland (**96%**)<sup>8</sup>. This contrasts with the Orkney Islands, which had the lowest proportion of premises able to receive 10 Mbps download speeds (**79%**), and in Northumberland, where **98%** are able to receive similar speeds<sup>9</sup>. In 2018, **21%** of households in D&G and **12%** of households in SB did not use the internet at all, compared to **13%** of households in Scotland as a whole<sup>10</sup>. This suggests take-up and adoption could be an issue, in the context of overall connectivity and other contributory factors, such as the region's demographic profile.

The map above shows the extent of the digital coverage gap across the region, when considering superfast broadband connectivity (download speeds of 30 Mbps or more). Much of the region is categorised as 'white', which suggests that there is some way to go to improve connectivity, especially in rural areas. In this context, the Scottish Government's **R100 Programme** will focus on tackling on many of these areas, augmented by investments being made by the Borderlands Partnership (**Digital Borderlands**). Looking at gigabit connectivity (which includes technologies such as full fibre) which is rapidly becoming the desired standard for broadband, the region lags comparators, with **8%** of premises connected. By comparison, **42%** of all premises across Scotland are identified as being gigabit capable – showcasing the extent of the digital divide.

In terms of mobile coverage, which is increasingly important as a source of broadband connectivity, some **67%** of premises in D&G and **80%** of in SB have indoor 4G coverage, across all operators. As an alternate measure of reliable coverage, **79%** of premises in D&G and **88%** of those in SB have voice and text coverage indoors<sup>11</sup>. In the HIE region, none of the council areas have greater indoor 4G coverage than the SOS council areas, ranging from 33% in Orkney Islands to 63% in Highland. It is largely a similar picture for indoor voice and text coverage, ranging from 42% in Orkney Islands to 82% in Highland<sup>12</sup>. In Northumberland, 76% of premises have indoor 4G coverage and 89% of premises have indoor voice and text coverage<sup>13</sup>. Whilst the area has seen steady improvements in 4G coverage as a result of investment, a considerable number of premises remain out of reach and the next incarnation of mobile technology (5G) has yet to have much of an impact on the region, compared to urban areas and major cities.

## 2.5 Deprivation

### Indices and Domains of Deprivation

**Deprivation is a key indicator of the quality and relative health of places.** It provides a granular view how communities are functioning and the extent to which people are benefitting from employment and growth. Across the region, there is evidence of deprivation, which in some cases is pronounced and entrenched, limiting opportunity, equality and

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<sup>8</sup> Note: 10 Mbps download speeds are the basis for the government's Universal Speed Obligation (USO) which is considered to be the baseline threshold for an acceptable broadband connection.

<sup>9</sup> Ofcom, Connected Nations Report 2020

<sup>10</sup> Scottish Household Survey, Local Authority Tables (2018)

<sup>11</sup> Ofcom, Connected Nations Report 2020

<sup>12</sup> Ofcom, Connected Nations Report 2020

<sup>13</sup> Ofcom, Connected Nations Report 2020

outcomes, despite the overall level of deprivation within the top quartile (20% most deprived areas in Scotland) being relatively low.

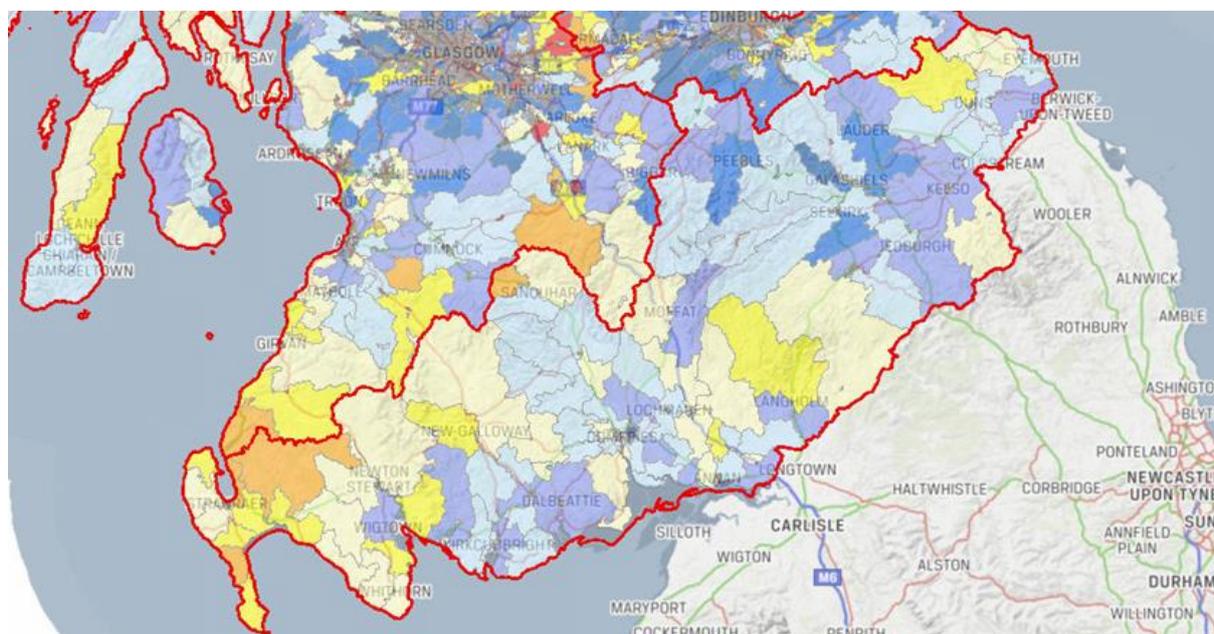
The table below shows the percentage of the SOS and HIE datazones that are in the 20% most deprived in Scotland, across the seven primary deprivation domains<sup>14</sup>. The biggest driver by far of deprivation is the **Access domain**. In total, **36%** of the SOS's 344 datazones are in the 20% most access deprived, compared to **47%** in the HIE region and **20%** in Northumberland<sup>15</sup>.

**Table 2.4: Deprivation by Domain**

Indicator	Number of Datazones in the 20% Most Deprived in Scotland		Percentage in the 20% Most Deprived in Scotland	
	SOS	HIE	SOS	HIE
Income	30	43	9%	7%
Employment	31	58	9%	9%
Health	28	33	8%	5%
Education	27	49	7.8%	7%
Access	125	309	36%	47%
Crime	58	87	17%	13%
Housing	8	31	2%	5%

Source: Scottish Index of Multiple Deprivation, 2020

**Figure 2.5: Access Domain Deprivation Mapped**



<sup>14</sup> Scottish Index of Multiple Deprivation 2020

<sup>15</sup> English indices of deprivation 2019

Source: Scottish Index of Multiple Deprivation (2020)

Note: **Red** = most deprived. **Blue** = least deprived. **Orange** = more deprived than **Yellow** areas.

Some of the most deprived areas in the SOS include **Burnfoot, Langlee and Lochside** and **Lincluden**. These areas experience particularly high levels of deprivation across all domains, except for Access and Housing<sup>16</sup>. Comparatively, D&G has a higher proportion of towns in the 20% most deprived in Scotland (**9.5%**) than SB (**6.3%**).

**Across all indicators used to measure deprivation other than Access, there is less inequality across the SOS than in Scotland as a whole.** That said, issues are apparent which hint at deprivation challenging certain groups and age ranges. Some **19%** of children in D&G and **24%** in the SB live in families with limited resources, compared to **21%** in Scotland as a whole<sup>17</sup>.

## 2.6 Housing

### Housing Supply and Affordability

**Housing is a fundamental of thriving and successful places, providing the means for people to live safe, healthy and fulfilling lives.** It is also a key attractor, which brings new people and investment to an area, as well as encouraging those who are already resident to stay. The supply of quality, affordable and energy efficient homes is integral to the delivery of inclusive growth across the region.

The household tenure split in the region is similar to that of Scotland, however the private rented sector is relatively larger in the SOS than in Scotland as a whole but smaller than that of Northumberland (**16%** of households in D&G and **17%** of households in SB, compared to **14%** of households in Scotland and **17%** in Northumberland)<sup>18 19</sup>.

Some **39%** of homes in D&G and **37%** in SB fail the Scottish Homes Quality Standard (SHQS) “energy efficient” criterion, compared to a range in the HIE region of **40%** in Highland to **61%** in Shetland Islands, and **31%** in Scotland as a whole<sup>20</sup>. This is an important sign that homes across the region are not meeting important standards of quality, leading to fuel poverty, poor health and higher bills. That said, there are signs that parts of the housing market are making an important contribution to the creation of safe, efficient and liveable homes. Statistics relative to housing provided by Relative Social Landlords (RSLs) shows that, in 2020, a high proportion of homes met energy required energy efficiency standards (EESH) – more than **90%** across the SOS, and as high as **98%** within certain housing providers<sup>21</sup>. Moreover, some **95%** of RSL homes across the region met the SHQS, with this peaking at **100%** within Scottish Borders Housing Association stock<sup>22</sup>. The regional challenge will be to reflect this progress across all housing tenures and locations.

The median house price in 2018 in D&G was **£130,000**, somewhat lower than the median house price in SB (**£150,173**) and that of Scotland as whole (**£152,500**)<sup>23</sup>. The median house

<sup>16</sup> Scottish Index of Multiple Deprivation 2020

<sup>17</sup> Scottish Government, Children in families with limited resources across Scotland, 2014-2017

<sup>18</sup> Scottish Survey Core Questions, 2019

<sup>19</sup> Alternative estimates of subnational dwelling stock by tenure England and Wales, 2018

<sup>20</sup> Scottish House Condition Survey: 2016 – 2018, Local Authority Tables

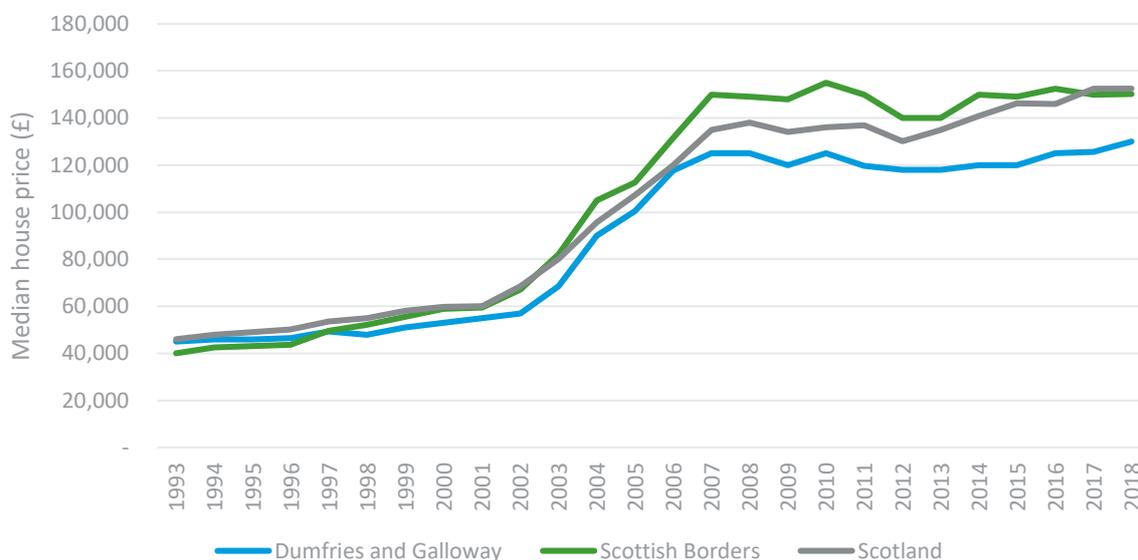
<sup>21</sup> Scottish Housing Regulator, Social Housing Charter - Headline Findings - 2019-20, 2020

<sup>22</sup> Scottish Housing Regulator, Social Housing Charter - Headline Findings - 2019-20, 2020

<sup>23</sup> Registers of Scotland, 2019

price in the HIE region in 2018 ranged from **£96,000** in Na h to Eileanan Siar to **£165,000** in Highland<sup>24</sup>. Across the border, the median house price in Northumberland in the year ending December 2018 was **£167,500**<sup>25</sup>. This suggests that housing in the region is comparatively affordable and positioned to attract new people to the area as a result.

**Figure 2.6: Median House Prices (1993-2018)**



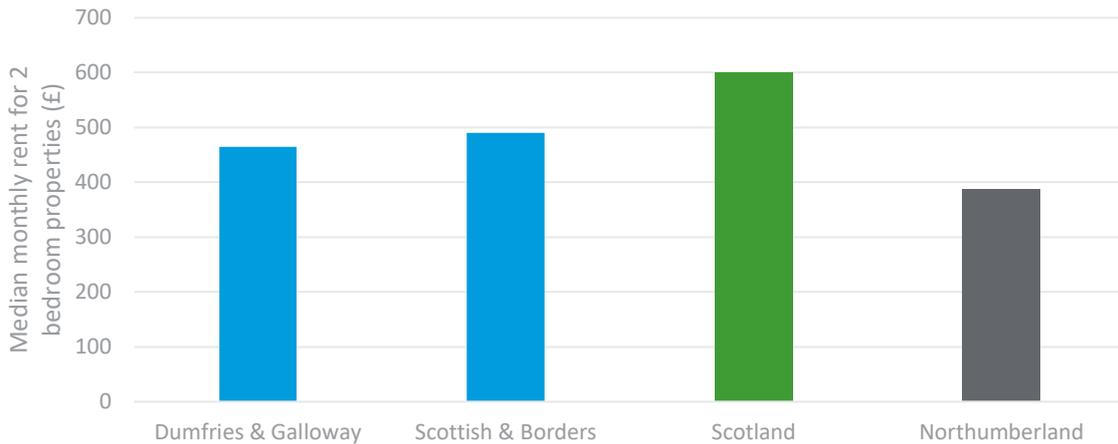
Source: Registers of Scotland, 2019

Given the nature of property prices, driven by market forces and the balance of supply and demand, renting homes is becoming an attractive proposition. As such, rental values are a good indicator of market conditions and the relative affordability of homes. Median private rents are lower in the SOS than in Scotland as a whole, as shown by in figure 2.7. However, rental yields are considerably higher than neighbouring Northumberland, with average monthly rents for a 2-bedroom property less than **£400**, whereas in SOS, this figure is over **£475**.

**Figure 2.7: Median Monthly Private Rent for 2 Bedroom Properties (2019)**

<sup>24</sup> Registers of Scotland, 2019

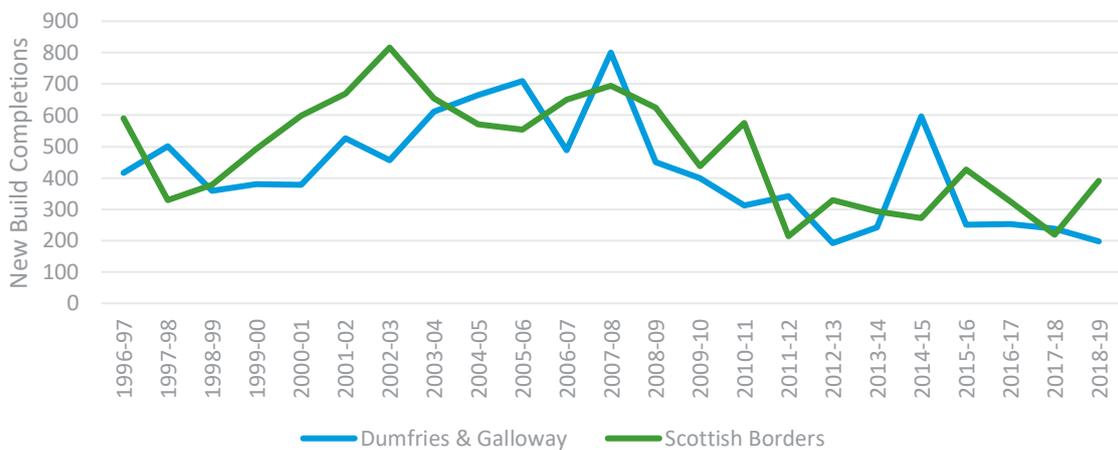
<sup>25</sup> Median house prices for administrative geographies: HPSSA dataset 9, 2020



Source: Private Sector Rent Statistics, Scotland, 2010 to 2019 and Private Rental Market Summary Statistics in England, October 2018 to September 2019

As figure 2.8 shows, new build completions in the SOS remain below pre-recession levels and continue to fluctuate, while in contrast, new build completions in Scotland as a whole have increased by **50%** from 2012/13 to 2018/19. New build completions in D&G were roughly **50%** of those in SB in 2018/19, while new build completions in the SOS overall were **2.8%** of the Scottish total<sup>26</sup>. This suggests there is an imbalance in new housing supply coming forward and a lack of new homes being built to service demand, improve accessibility and replace ageing housing stock.

**Figure 2.8: New Build Completions for all Sectors (1996/7-2018/9)**



Source: Housing Statistics for Scotland – All Sector New Builds, November 2020

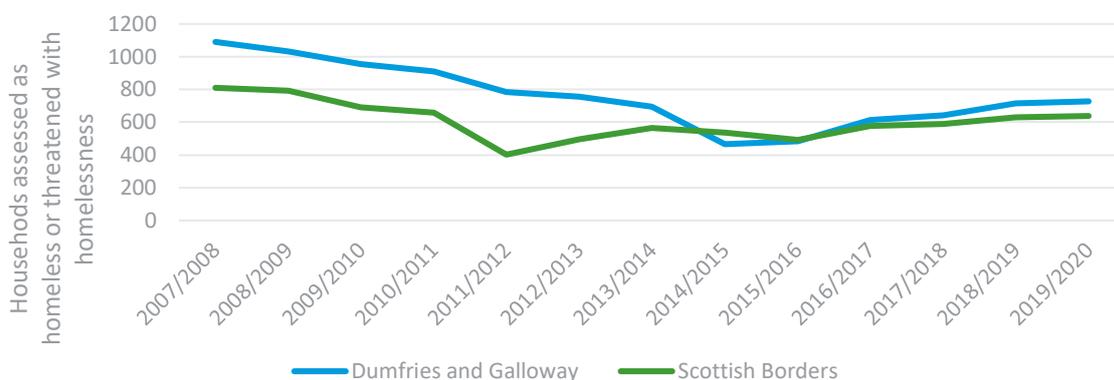
The number of people assessed as homeless or threatened with homelessness in D&G has been consistently above that of SB<sup>27</sup>, however the proportion of overall households that are assessed as homeless or threatened with homelessness is the same for both council areas (**1%**)<sup>28</sup>. In absolute terms, **~1,400** people were exposed to homelessness across the SOS.

<sup>26</sup> Housing Statistics for Scotland – All Sector new build, 30 November 2020

<sup>27</sup> Homelessness in Scotland: 2019 to 2020

<sup>28</sup> Homelessness in Scotland: 2019 to 2020; Estimates of Households and Dwellings in Scotland, 2019

**Figure 2.9: Households Assessed as Homeless or Threatened with Homelessness (2007/2008-2019/20)**



Source: *Homelessness in Scotland, 2020*

## 2.7 Standards of Living

### Measures of Prosperity and Wellbeing

The prosperity of places can also be seen in other metrics, including cost of living and fuel poverty. Both are important symbols of an inclusive economy – one which is meeting basic human needs and providing the conditions from which people and communities can thrive.

Generally, people living in the region are more likely than not to say their household is managing **very well** or **quite well** financially, which is similar to Scotland as whole. However, there are large differences in the SOS, with **69%** in SB and **55%** in D&G reporting their household is managing very well or quite well financially, compared to **55%** in Scotland. For the HIE region, the proportion of people saying their household is managing very well or quite well financially ranges from **48%** in Moray to **69%** in Na h to Eileanan Siar.<sup>29</sup>

Approximately **28%** of households in D&G and **29%** of households in SB are recognised as being in fuel poverty, compared to **25%** in Scotland as a whole. Fuel poverty is slightly higher in the HIE region with the proportion of households in fuel poverty ranging from **27%** in Shetland Islands to **36%** in Na h to Eileanan Siar<sup>30</sup>. Fuel poverty in Northumberland is considerably lower than in the SOS, the HIE region and Scotland as a whole, with just **10%** of households being fuel poor in 2018<sup>31</sup>.

In 2018/19, it was reported that **21%** of children (under the age of 16) in D&G and **18%** in SB were living in relatively low-income families. In the HIE region this ranged from **9%** in Shetland Islands to **17%** in Argyll & Bute and Highland. By comparison, this figure was **20%** for children in Northumberland<sup>32</sup>. The number of children living in relative low-income

<sup>29</sup> Scottish Household Survey (2018), Local Authority Tables.

<sup>30</sup> Scottish House Condition Survey: 2016 – 2018, Local Authority Tables.

<sup>31</sup> Sub-regional fuel poverty, 2018 data

<sup>32</sup> Children in Low Income Families - local area statistics, Great Britain: 2014/15 to 2018/19 (Experimental)

families increased by **26%** between 2014/15 and 2018/19 in the region, compared to **23%** in the HIE region and **33%** in Northumberland<sup>33</sup>.

In 2020, **53%** of primary school pupils and **16%** of secondary school pupils in D&G were registered for free school meals, while this was **49%** and **11%** respectively in SB. This compares to **54%** of primary school pupils and **16%** of secondary school pupils being registered for free school meals in Scotland as a whole<sup>34</sup>.

Looking at other measures of wellbeing and indicators that will drive standards of living – the proportion of dwellings with full central heating is lower in the SOS than in Scotland as a whole – **95%** of dwellings in D&G and **91%** in SB have full central heating, compared to **96%** in Scotland<sup>35</sup>. This is likely to be a driver of fuel poverty too.,

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<sup>33</sup> Children in Low Income Families - local area statistics, Great Britain: 2014/15 to 2018/19 (Experimental)

<sup>34</sup> School Healthy Living Survey supplementary statistics 2020

<sup>35</sup> Scottish House Condition Survey: 2016 – 2018, Local Authority Tables.

## 2.9 Perceptions of Place

### Quality of Life and Satisfaction

Life satisfaction and perceptions of place help to position the relative health of the region and the extent to which people value where they live and work. These can be underlying signals of happiness, attachment and health, which support social mobility and economic participation. Places that register high level of satisfaction and quality of life, will retain competitive advantages, be attractive to investment and signify an inclusive economy.

Around **66%** of people living in D&G and **65%** of people living in SB rated their neighbourhood as a very good place to live in 2018, compared to **57%** in Scotland.<sup>36</sup> The percentage of people in the HIE region rating their neighbourhood as a very good place to live ranged from **69%** in Moray to **84%** in Na h-Eileanan Siar<sup>37</sup>. A greater proportion of people have **very high life satisfaction** in the region (**40%** in D&G, **34%** in SB) compared to Scotland as a whole (**29%**) and Northumberland (**30%**)<sup>38</sup>. In the HIE region, this ranges from **32%** in Shetland Islands to **46%** in Na h-Eileanan Siar<sup>39</sup>.

Surveys also indicate satisfaction with local health services and schools are similar to the average across Scotland<sup>40</sup>, while satisfaction with public transport is below average (**55%** in D&G in 2018 and **54%** in SB, compared to **65%** in Scotland as a whole)<sup>41</sup>. As a potential driver of satisfaction in health services, the region benefits from a lower average number of patients per General Practitioner (GP) than comparator areas, which has likely been brought even more to the fore as a result of the pandemic.

**Table 2.5: Average number of registered patients per GP (2021)**

Council Area	Number of GPs	Number of Registered Patients	Number of Patients per GP
D&G	32	154,631	4,832
SB	23	119,960	5,216
Northumberland	38	330,379	8,694
Scotland	25	5,794,054	6,264

Source: Public Health Scotland - Practice population by age group; 01/01/2021. NHS Digital - Patients Registered at a GP Practice, February 2021

<sup>36</sup> Scottish Household Survey (2018), Local Authority Tables.

<sup>37</sup> Scottish Household Survey (2018), Local Authority Tables.

<sup>38</sup> Headline estimates of personal well-being from the Annual Population Survey (APS): by counties, local and unitary authorities, year ending March 2012 to year ending March 2020

<sup>39</sup> Headline estimates of personal well-being from the Annual Population Survey (APS): by counties, local and unitary authorities, year ending March 2012 to year ending March 2020

<sup>40</sup> Scottish Household Survey (2018), Local Authority Tables. (81% and 66% in D&G, 87% and 74% in the SB and 81% and 71% in Scotland as a whole)

<sup>41</sup> Scottish Household Survey (2018), Local Authority Tables.

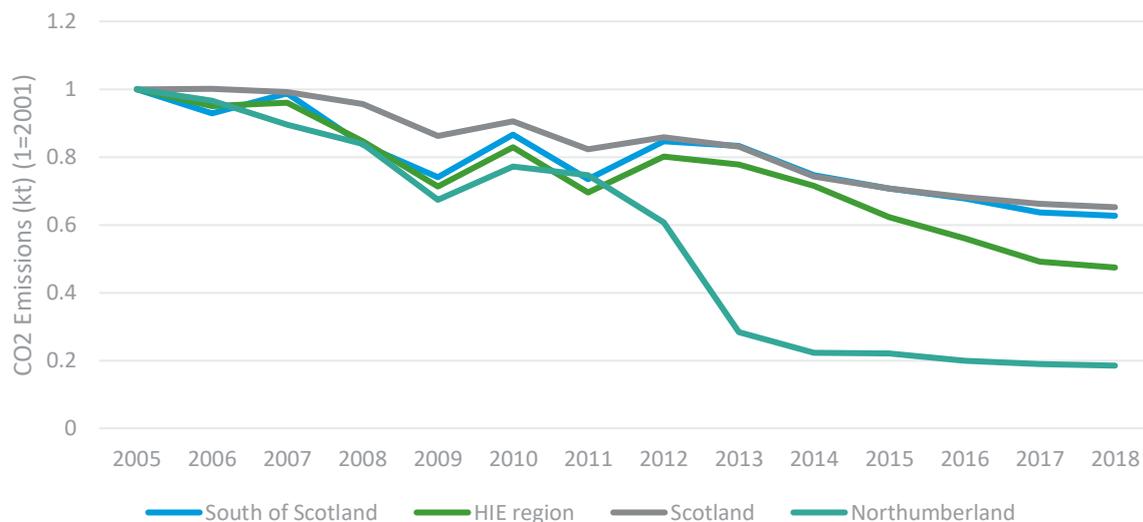
## 2.10 Air Quality and Renewables

### Decarbonisation and Energy Production

The region, mirroring UK and Scottish government targets, has its sights set on a green and sustainable future, where emissions are vastly reduced, heat, power and transportation has been decarbonised and renewable sources of energy are being generated locally, leveraging natural capture. This path to 'net zero' will be challenging and it is important to understand the scale of the challenge. Investment in a low carbon agenda, has the potential to generate prosperity, create new jobs and improve the quality of the environment, building on the region's existing competitive advantages.

Carbon Dioxide emissions in the SOS in 2018 were **lower** than in the HIE region (**1053.8 kt vs 1,418.0 kt**)<sup>42</sup>. However, emissions are much higher than in Northumberland (**709.1 kt**) where CO2 emissions have fallen dramatically since 2005<sup>43</sup>. Figure 2.10 shows how CO2 emissions have fallen between 2005 and 2018 in the different areas compared to their 2005 levels. CO2 emissions in the region have decreased since 2005 by **37%**, compared to **53%** in the HIE region, **35%** in Scotland as a whole and **82%** in Northumberland<sup>44</sup>. This clearly highlights the progress that has been made, but also shows the extent to which more needs to happen in order for the region to be carbon neutral by 2045.

**Figure 2.10: Carbon Dioxide Emissions (2005-2018)**



Source: UK local authority and regional carbon dioxide emissions national statistics: 2005 to 2018

Looking at renewable electricity generation, in 2019 in the region's output was **4,395,891 MWh**, or a **31% increase** from 2014. Over two thirds of renewable electricity generation in the SOS came from D&G, from a variety of sources and technologies.<sup>45</sup> Increasing the capacity of renewable energy is a major priority domestically and within the region – it will support the acceleration of electric vehicles, reduce fuel poverty and anchor new opportunities for community wealth building, through greater self-sufficiency.

<sup>42</sup> UK local authority and regional carbon dioxide emissions national statistics: 2005 to 2018

<sup>43</sup> UK local authority and regional carbon dioxide emissions national statistics: 2005 to 2018

<sup>44</sup> UK local authority and regional carbon dioxide emissions national statistics: 2005 to 2018

<sup>45</sup> Renewable electricity by local authority, 2014 to 2019

## 3. THE REGION: PEOPLE

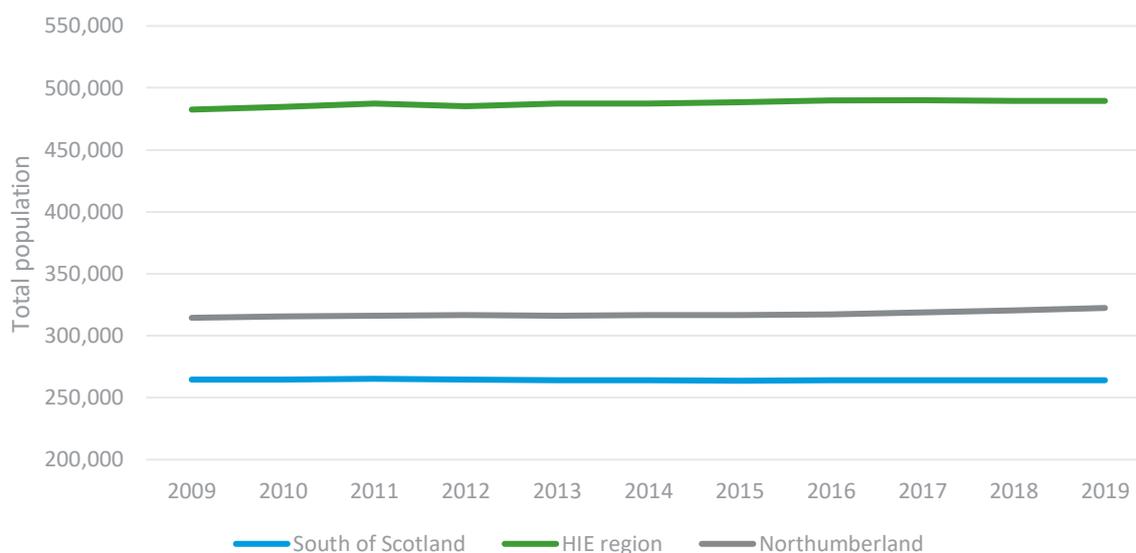
### 3.1 Population and Demographics

#### Demographic Profile and Trends

The SOS is home to approximately **264,370 people** (5% of Scotland's total population)<sup>46</sup>. The population density is **24 persons per km<sup>2</sup>**, compared to an average of **70** for Scotland as a whole<sup>47</sup>. This compares to an approximate population of **489,430** and population density of **12 persons per km<sup>2</sup>** in the Highlands and Enterprise (HIE) region<sup>48</sup>, and an approximate population of **322,434** and population density of **64 persons per km<sup>2</sup>** in Northumberland<sup>49</sup>.

Looking at the gender balance and demographic composition, there are **marginally more females (51%)** in the SOS than males (**49%**)<sup>50</sup>. The graph below shows the 10-year population change – across the SOS, HIE region and Northumberland, overall population levels have remained relatively steady.

**Figure 3.1: Total Population (2009-2019)**



Source: National Records of Scotland, Mid-Year Population Estimates, 2019

The region has a lower proportion of young and working age populations (WAP) relative to the HIE region, but the same as Northumberland. Some **59%** of the is of working age (16 – 64), compared to the HIE region average of **61%**. As a result, the dependency ratio in the SOS is correspondingly high, with **25%** of the population of pensionable age (compared to **23%** in the HIE region) and a dependency ratio of **71%** (**65%** in the HIE region), giving it the

<sup>46</sup> National Records of Scotland, Mid-Year Population Estimates, 2019.

<sup>47</sup> National Records of Scotland, Mid-Year Population Estimates, 2019.

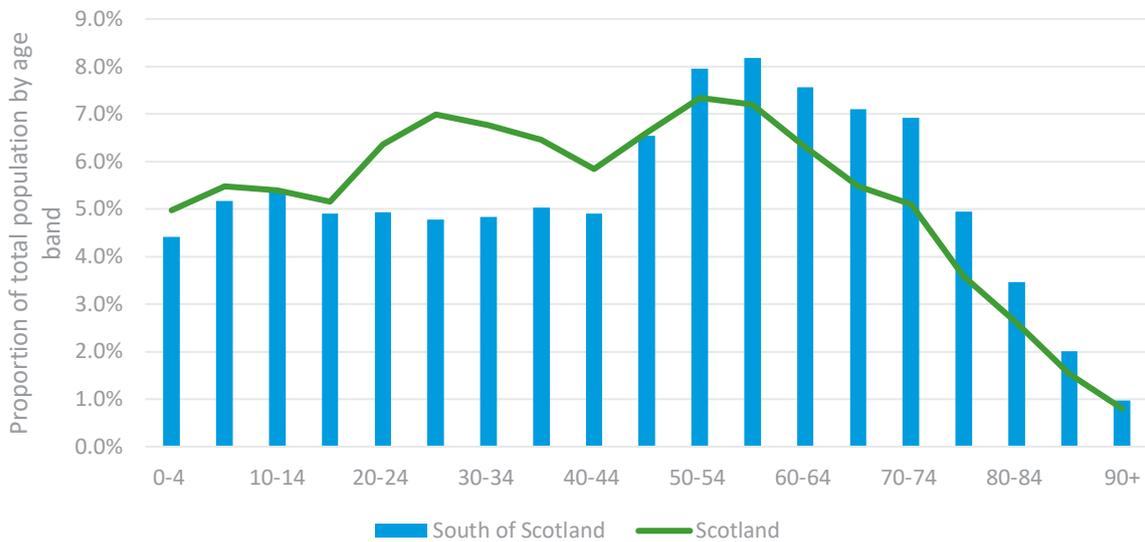
<sup>48</sup> National Records of Scotland, Mid-Year Population Estimates, 2019.

<sup>49</sup> Estimates of the population for the UK, England and Wales, Scotland and Northern Ireland, 2020.

<sup>50</sup> National Records of Scotland, Mid-Year Population Estimates, 2019.

highest dependency ratio in Scotland<sup>51</sup>. In Northumberland, **25%** of the population is of pensionable age and there is a dependency ratio of **70%**<sup>52</sup>.

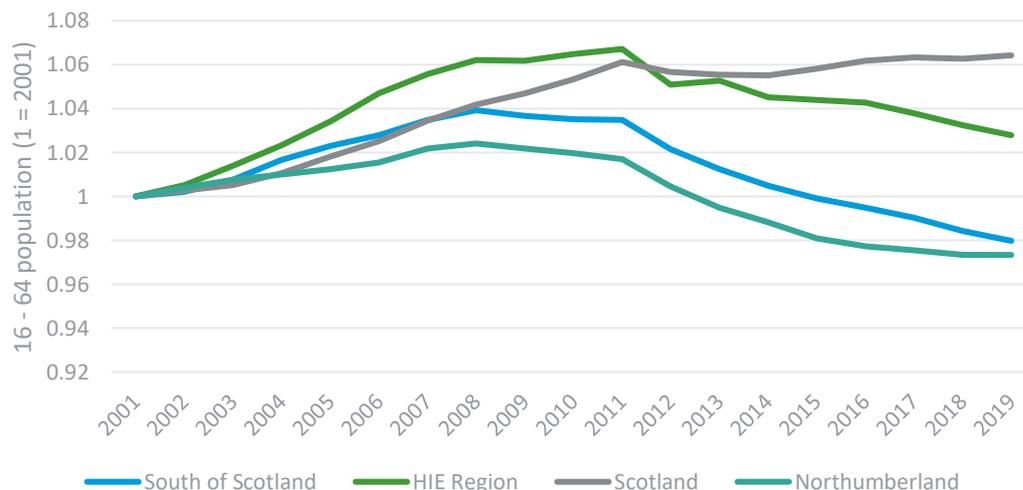
**Figure 3.2: Proportion of Total Population by Age Band (2019)**



Source: National Records of Scotland, Mid-Year Population Estimates, 2019

While the WAP population has increased in Scotland as a whole since 1992, this population group has **declined slightly in the SOS**. Only Northumberland has seen a similar rate and sustained period of population decline, occurring initially in the late 2000s. This is a significant concern for the region and its growth prospects, as the labour market tightens as a result of retirement and people leaving the SOS.

**Figure 3.3: WAP Levels Over Time (1 = 2001)**



Source: National Records of Scotland, 2019. ONS: Population estimates - local authority based by single year of age, 2019

<sup>51</sup> National Records of Scotland, Mid-Year Population Estimates, 2019.

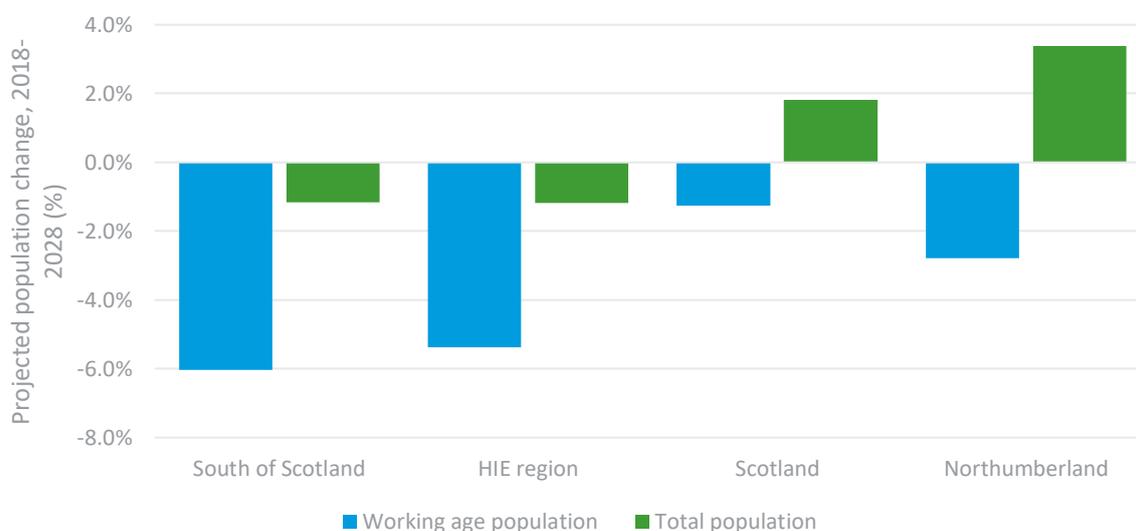
<sup>52</sup> Estimates of the population for the UK, England and Wales, Scotland and Northern Ireland, 2020.

In keeping with the total population, there is a greater proportion of working age females (51%) in the SOS than males (49%)<sup>53</sup>. Despite this balance, the region is limited in terms of its ethnic diversity, with 99% of people in the SOS being recognised as White, compared to 96% of those in Scotland as a whole<sup>54</sup>.

Populations projections, issued by government on an annual basis, provide a sense of how the demographics of the region are set to change, in the context of historic trends and prevailing factors shaping the population. The latest data shows that the **WAP is projected to decrease significantly in the region by 2028**, as a proportion of the total population.<sup>55</sup> Specifically, it is projected to decrease by 7.4% in D&G and by 4.2% in SB, while the total Scottish WAP is projected to decrease by 1.3%<sup>56</sup>. In comparison, in the HIE region, the WAP is projected to decrease by 5.4%<sup>57</sup>, and in Northumberland a decrease of 2.8% is expected<sup>58</sup>.

The graph below compares the projected growth of the working age population to the projected growth of the population as a whole. Both the WAP and total populations in the SOS and HIE regions are projected to decrease by 2028, while the total populations in Scotland and Northumberland are projected to increase as their WAPs decrease. The graph also shows that the WAP in the region is projected to decrease at a **much faster rate** than the decrease of the total population (~5 times quicker). This highlights the threat of an even more pronounced demographic crunch and tightening of the labour market, in the future.

**Figure 3.4: Percentage Change in WAP and Total Population (2018-2028)**



Source: National Records of Scotland, Sub-National Population Projections (2018-2028), ONS: 2018-Based Subnational Population Projections, 2020

<sup>53</sup> National Records of Scotland, Mid-Year Population Estimates, 2019.

<sup>54</sup> ONS, 2011 Census

<sup>55</sup> National Records of Scotland, Sub-National Population Projections (2018-2028).

<sup>56</sup> National Records of Scotland, Sub-National Population Projections (2018-2028).

<sup>57</sup> National Records of Scotland, Sub-National Population Projections (2018-2028).

<sup>58</sup> ONS: 2018-based subnational population projections, 2020

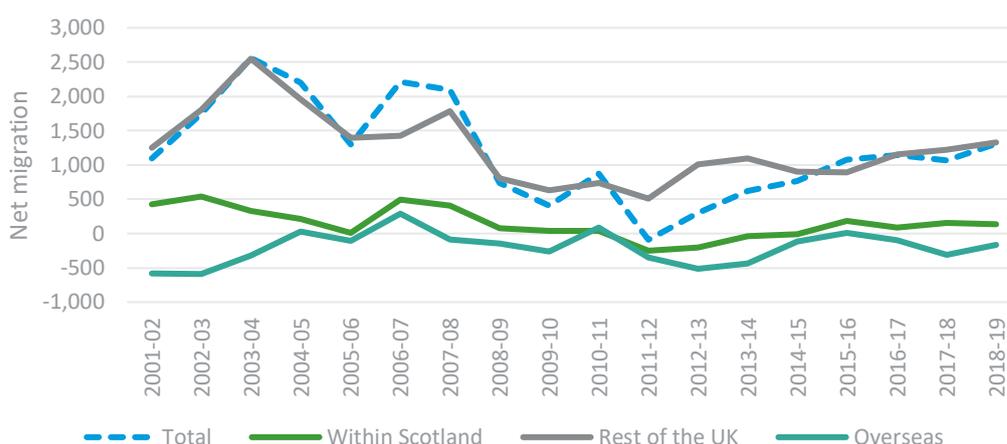
## 3.2 Migration

### Retention and Attraction of Labour and People

The flow of labour is integral to the region's economy, to sustain jobs, generate economic output and as a sign of how the SOS is able to attract skilled people from a broader catchment, including citizens from other countries. It is also an important measure in the context of prevailing demographic trends, countering the challenges associated with a shrinking WAP.

Net migration to the region has **generally been positive**, primarily due to positive net migration **from the rest of the UK**, as opposed to international inflows. By comparison, net migration within Scotland has been positive in a number of recent years, while overseas net migration has been generally negative. The effects of Brexit and restrictions on freedom of movement within the Europe are of considerable relevance here, as migration patterns evolve and, in some cases, workers return to their home countries as a result of the UK's departure from the EU. It is likely that the UK and Scotland will remain attractive to European workers, but the balance of international labour is also likely to change, as new immigration and visa systems are introduced.

**Figure 3.5: Net Migration in the SOS (2001/02-2018/19)**



Source: National Records of Scotland, 2020

Looking at the composition of foreign migrants and labour, there are approximately **6,000 people** living in the SOS who were born in EU member countries<sup>59</sup>. The table below shows the number of National Insurance registrations processed and approved for adult overseas nationals between April 2018 and March 2019 – this totalled nearly **600 people** in 2019, prior to a Brexit deal being unilaterally approved.

**Table 3.1: National Insurance Numbers Registered to Adult Overseas Nationals between April 2018 and March 2019**

Local Authority	European Union	Asia	Rest of the World	Total
D&G	204	28	34	<b>266</b>
SB	264	25	34	<b>323</b>

Source: National Insurance Numbers Registered to Adult Overseas Nationals: year to March 2019

<sup>59</sup> Population by Country of Birth and Nationality, Scotland, 2019.

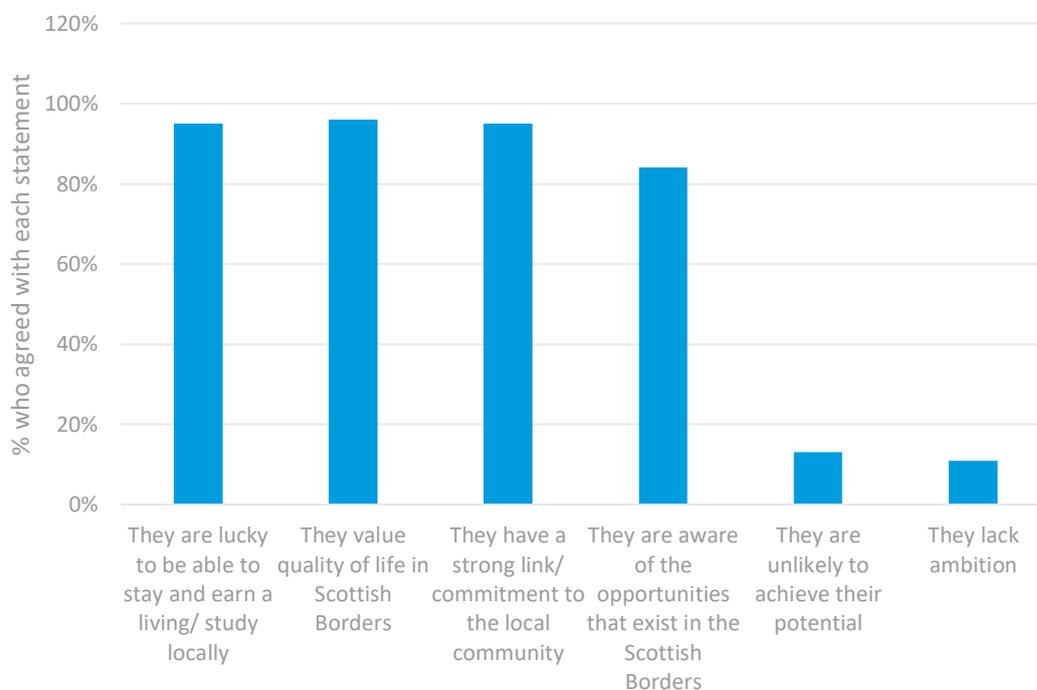
In 2019, **SB had a higher number of National Insurance number registrations** to adult overseas nationals than D&G, however, this is due to the number of those from the EU, as D&G has a higher number of national insurance numbers registered to adult overseas nationals from outside the EU. The relative dependency on EU labour may have imbalanced consequences for the region, moving forward.

A large area of focus has been the young population in the SOS. Research was conducted with young people and former SB residents exploring the reasons why young people stay in or leave the region, to support policymaking and consider housing needs. The most common reasons for young people staying were:

- **They are lucky to be able to stay and earn a living/study locally**
- **They value quality of life in SB**
- **They have a strong link/commitment to the local community**
- **They are aware of the opportunities that exist in the SB**

On the other hand, the most common reasons for young people leaving were that they **want to broaden their life experience/world view; they need to leave to access education, training and employment;** and, that they feel they **have to leave the area to get on in life**<sup>60</sup>. These are key concerns in the context of demographic trends, the area’s relative profile and the need to train and retain skilled labour to support inclusive growth.

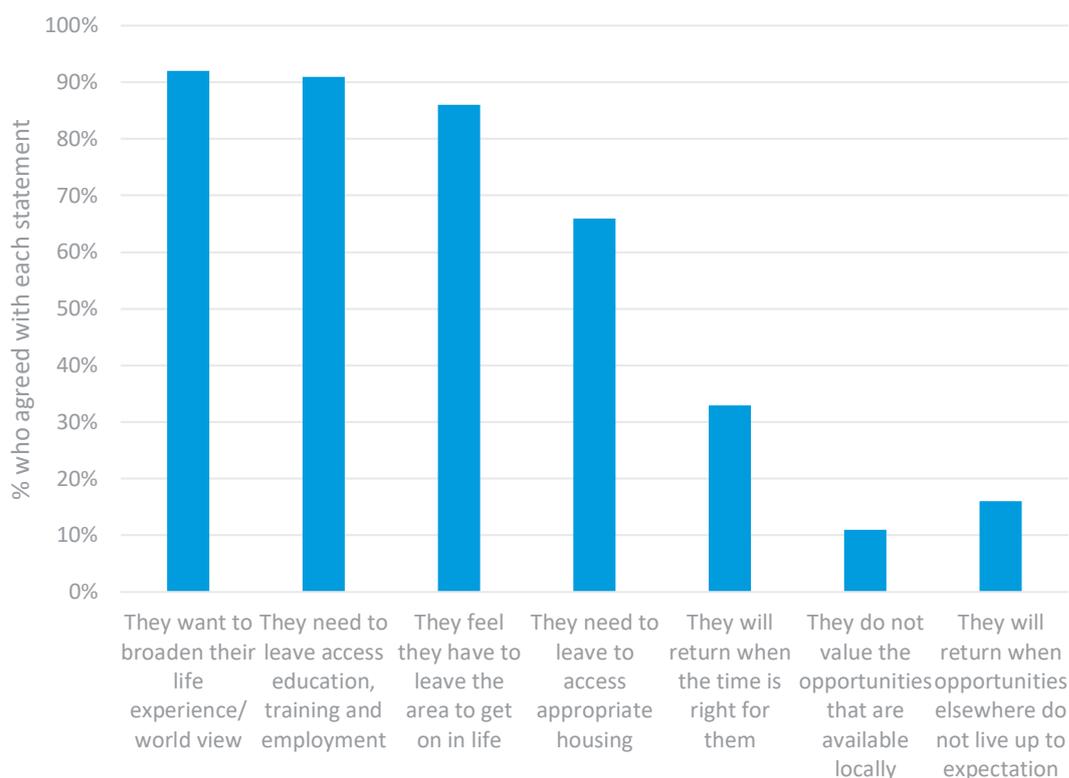
**Figure 3.6: Why Do Young People Stay in SB?**



Source: SBC, *Young People's Housing Needs Action Plan, 2019*

<sup>60</sup> Young People's Housing Needs Action Plan, 2019

**Figure 3.7: Why Do Young People Leave the SB?**



Source: SBC, *Young People's Housing Needs Action Plan, 2019*

### 3.3 Health

#### Individual Health Outcomes

In order for people to play an active and fulfilling role in the regional economy, being in good health plays a key role. Health is a potentially significant constraint on productive capacity, innovation and societal endeavour and also an underlying driver of deprivation. There is, therefore, a significant rationale to support healthier lifestyles and ensure people remain economically active for longer.

Life expectancy at birth is **slightly higher** in the region, at **78.19 years** in D&G and **79.15 years** in SB, compared to a range from **77.8 to 80.16** in the HIE region and **77.16 years** in Scotland as a whole<sup>61</sup>. By contrast, life expectancy at birth in Northumberland is **79.48 years**<sup>62</sup>. Based on the latest available data, approximately **72%** of all adults in D&G and **65%** of all adults in SB are reported to be **overweight or obese**<sup>63</sup>, compared to **65%** of all adults in Scotland<sup>64</sup> and **64%** of all adults in Northumberland<sup>65</sup>. This is a considerable disparity that is likely to be driven by a poorer diet, lack of exercise and other underlying health conditions.

Nearly **20%** of all adults in D&G and **18%** of all adults in SB are identified as regular smokers, similar to the Scottish average of **19%**<sup>66</sup>. Only **13%** of adults (18+) in

<sup>61</sup> Life Expectancy in Scotland 2017 – 2019.

<sup>62</sup> Life expectancy estimates, all ages, UK, 2020

<sup>63</sup> Scottish Health Survey: local area results 2016-19 combined

<sup>64</sup> Scottish Health Survey: local area results 2016-19 combined

<sup>65</sup> Public Health England: Obesity Profile, 2018/19

<sup>66</sup> Scottish Health Survey: local area results 2016-19 combined

Northumberland were classified as current smokers in 2019<sup>67</sup>. Excessive smoking is a leading cause of terminal illness, other health issues and remains a significant concern in the context of pressures placed on public and health services. **Two thirds** of all adults in D&G and **64%** of all adults in SB meet physical activity guidelines<sup>68</sup>, compared to **65%** of all adults in Scotland as a whole<sup>69</sup>. Some **72%** of adults in Northumberland were physically active in 2018/19 – again suggesting that measures of individual health are generally better in England<sup>70</sup>.

There are similar levels of **long-term illness** in the region as Scotland as whole, with **45%** of people in D&G and **46%** of people in SB having reported a long-term illness (either limiting or non-limiting). This compares to **47%** of people in Scotland as a whole and is quite a startling figure in the context of overall health and economic activity<sup>71</sup>.

### 3.4 Skills and Occupations

#### The Regional Skills Base

**Skills and education are the bedrock of a thriving economy.** Access to education, training and lifelong learning are fundamentals of a successful and fulfilling career and increasingly important as the nature of work changes, technology shapes jobs and sectors evolve. The development of skills is also important across a continuum, from early years through to later life upskilling and training. The skills sought from employers are changing too – flexibility, work readiness and soft skills being as important as those with a technical and digital focus.

In 2019, a lower proportion of people in the SOS, HIE Region and Northumberland held a degree level qualification than in Scotland as a whole (**25%** for SOS/HIE and **26%** for Northumberland versus **31%** in Scotland)<sup>72</sup>. This is a significant gap and a concern given the expected changes in the jobs market and as sectors are shaped by automation, digitalisation and the climate emergency – all leading to a push for a higher baseline level of skills and proficiency. The region is **overrepresented within mid-level qualifications** (SCQF 5-6) versus the national average, with around the same proportion of people holding no qualifications.

By contrast, a lower proportion of people in the region held no GCSE qualifications than in Scotland as a whole and Northumberland (**9%** in the SOS vs. **10%** in Scotland and Northumberland)<sup>73</sup>. In addition, there are signs that those who are educated in the region achieve better outcomes than their peers in comparator areas. Initial school leaver destinations are more positive in the SOS and marginally more so than in Scotland as whole – **94%** of school leavers in the region were in positive destinations<sup>74</sup> compared to **93%** in

<sup>67</sup> Annual Population Survey, 2019

<sup>68</sup> Meets moderate / vigorous physical activity (MVPA) guidelines: at least 150 minutes of moderately intensive physical activity or 75 minutes vigorous activity per week or an equivalent combination of both

<sup>69</sup> Scottish Health Survey: local area results 2016-19 combined

<sup>70</sup> <https://fingertips.phe.org.uk/profile/physical-activity/data#page/0/qid/1938132899/pat/6/ati/302/are/E06000057/iid/93014/age/298/sex/4/cid/4/tbm/1>

<sup>71</sup> Scottish Health survey: local area results 2016-19 combined

<sup>72</sup> Annual Population Survey, 2020

<sup>73</sup> Annual Population Survey, 2020

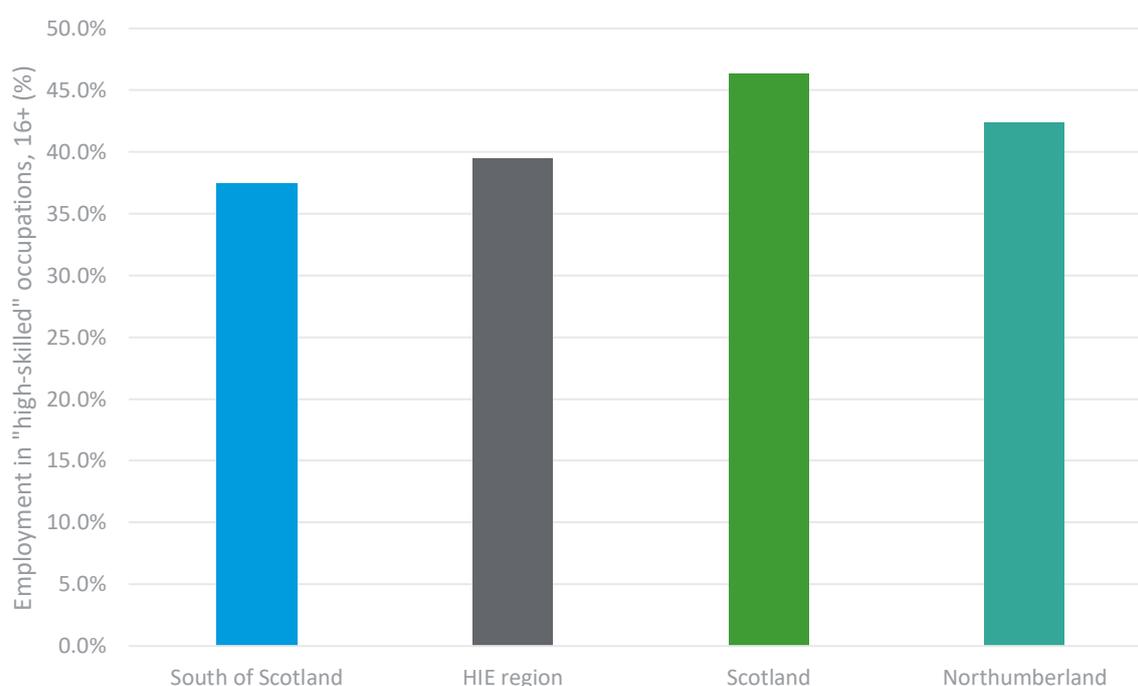
<sup>74</sup> Positive destinations are considered to be Higher or Further Education, Training, Employment, Voluntary Work, Activity Agreement or Personal Skills Development.

Scotland in 2019/20<sup>75</sup>. Within the region itself, initial school leaver destinations were more positive in SB (95%) than in D&G (93%)<sup>76</sup>.

Looking at vocational career pathways and alternative forms of further and higher education progression, there were **564 Modern Apprentice starts** in the SOS and **1,297** in the HIE region, between 1<sup>st</sup> April 2020 and 1<sup>st</sup> January 2021 (5.3% and 12.2% of the Scottish total, respectively)<sup>77</sup>. In comparison, there were **1,850 Apprenticeship starts** in Northumberland in 2019/20<sup>78</sup>. This suggests there is traction in terms of apprenticeship take-up, but numbers remain quite low. The alignment between these apprenticeships and prominent sectors in the economy will be key going forward, as will the uptake in higher level apprenticeship opportunities.

Mirroring the industrial composition of the economy and base of skills, **a smaller proportion of people** in the SOS are employed in high-skilled occupations (SOC 1-3) than the HIE region, Scotland as whole and Northumberland. This presents questions around the quality and diversity of jobs available across the region, and the extent to which these underpin well paid and productive career opportunities.

**Figure 3.8: Employment in 'High-Skilled' Occupations (2019-2020)**



Source: ONS, Annual Population Survey, Oct 2019 – Sep 2020

Note: 'High-skilled' occupations are defined as SOC2010 1-3: managers, directors and senior officials; professional occupations; and, associate professional and technical occupations.

<sup>75</sup> Summary Statistics for Attainment and Initial Leaver Destinations, No. 3: 2021 Edition

<sup>76</sup> Summary Statistics for Attainment and Initial Leaver Destinations, No. 3: 2021 Edition

<sup>77</sup> Skills Development Scotland: Modern Apprenticeship Supplementary Tables, Quarter 3, 2020-21

<sup>78</sup> Apprenticeship starts by Local Authority since May 2010 (Q4 2009/10 to Q3 2019/20)

**Skills Development Scotland's (SDS) Regional Skills Assessment provides a variety of data to paint a more detailed picture of skills supply and demand in the region.**

Some of the key skills issues and drivers regional research cites include:

- **The need for innovative workplaces and skills to boost productivity with employers and employees as active participants in the skills system**
- **The need to maximise local talent and attract new talent to fill jobs in future, to enable all people to share in the in prosperity.**
- **The need to develop fit for purpose skills to enable Scotland to achieve its ambitious target for greenhouse gas emissions.**
- **The need to develop sector specific skills for the economy and skills for resilience.**

SDS research provides a useful reference point from which to understand changing demand for skills and mismatches versus supply – so called skills gaps and shortages. Based on forecasts, the economy is expected to experience overall growth from 2019-2029, with this informing a forward view on the sectors that will generate productivity, create jobs and drive demand for skills and occupations. The headlines from this forward-looking analysis suggest<sup>79</sup>:

- GVA is forecast to grow annually by an average of **1.8%** in the region between the period 2020 – 2021, compared to an average annual growth of **2.2%** in Scotland as a whole.
- There is expected to be an increase of **0.7%** in employment between 2020 and 2023 but then a decline of **-1.1%** to 2030 in the region, compared to a **1.5%** increase from 2020-2023 and **1.1%** increase from 2023-2030 in Scotland as whole.
- There will be **13,100 job openings** in the SOS between 2020 – 2023 (**4.4%** of the Scottish total) and a further **27,000 job openings** in 2023 – 2030 (**4.1%** of the Scottish total), driven entirely by replacement demand (driven by people leaving the labour market or moving occupations) as opposed to expansion and the creation of new jobs<sup>80</sup>.
- The sectors expected to drive demand for skills, largely as a result of replacement demand, include **Wholesale and Retail Trade and Agriculture, Forestry and Fishing** – all prominent in their existing form and generators of many jobs.
- Demand for sector-based employment and in the context of drivers of change, this is expected to lead to substantive demand for occupations such as **Caring Personal Service, Health Professionals and Managers, Proprietors in Agriculture and Services**.
- This will lead to demand for **more higher-level qualifications** – specifically **SCQF 7+**, alongside retained demand for skills to service lower level occupations.

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<sup>79</sup> Note: figures consider COVID-19 recovery scenarios and the impact on SOS sectors in employment and GVA terms.

<sup>80</sup> <https://www.skillsdevelopmentscotland.co.uk/media/47101/rsa-infographic-south-of-scotland.pdf>

**Figure 3.9: Long-Term Regional Skills Demand (2023-30)**



Source: SDS, SOS Regional Skills Assessment, March 2021

These changes and the effects of COVID-19 will occur as skills shortages and gaps are apparent in the current labour market. Evidence of this is seen within data – 2017, almost **25%** of all vacancies in the region were skills shortage vacancies and **17%** of establishments reported at least one staff member not fully proficient in their role. Further, over **one third** of establishments in the region had at least one member of staff who was under-utilised – all suggesting an imbalance in the supply and demand of labour and constraints on inclusive growth.

### 3.5 Labour Market

#### Employment and Economic Activity

There are approximately **102,100 people** in employment in the SOS, or **4%** of the Scottish total. The job density in the region is marginally higher than in Scotland as a whole (**83%** compared to **82%**), although significantly higher than in Northumberland (**69%**) and significantly lower than in the HIE region (**92%**)<sup>81</sup>.

The full-time employment rate in the SOS (**72%**) is below the HIE region (**73%**), Northumberland (**73%**) and the Scottish average (**75%**)<sup>82</sup>. As in the HIE region and Scotland, **men are more likely than women to be employed full-time** in the region. Over **91%** of men in the SOS are employed full-time, compared to just **53%** of women<sup>83</sup>. Within the region, **5%** of people in employment have a second job, compared to **3%** in Scotland as a whole<sup>84</sup>. These figures expose inequalities in the regional labour market, suggest women are less able to access jobs and there may be an issue with secure and well-paid work.

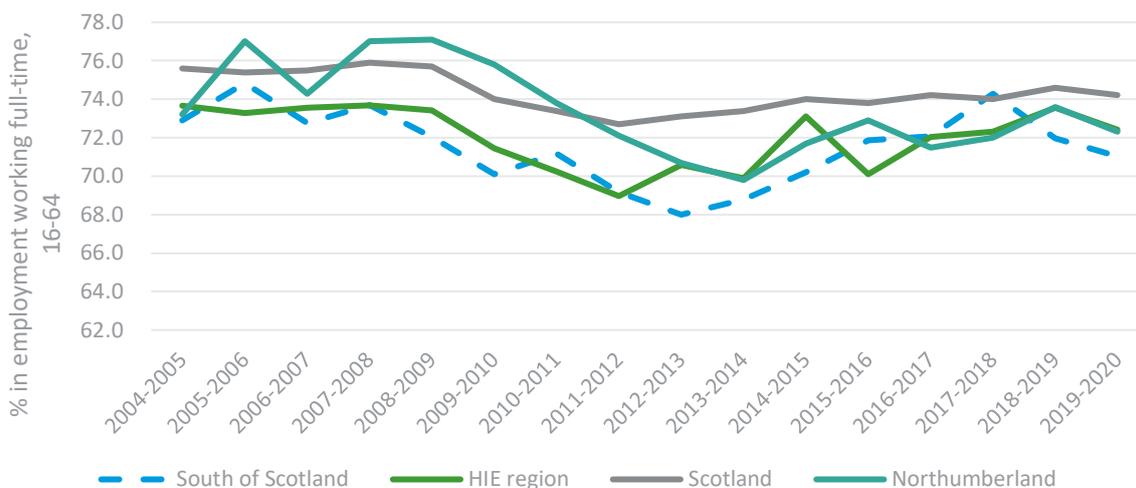
<sup>81</sup> Annual Population Survey, 2020

<sup>82</sup> Annual Population Survey, 2020

<sup>83</sup> Annual Population Survey, 2020

<sup>84</sup> Annual Population Survey, 2020

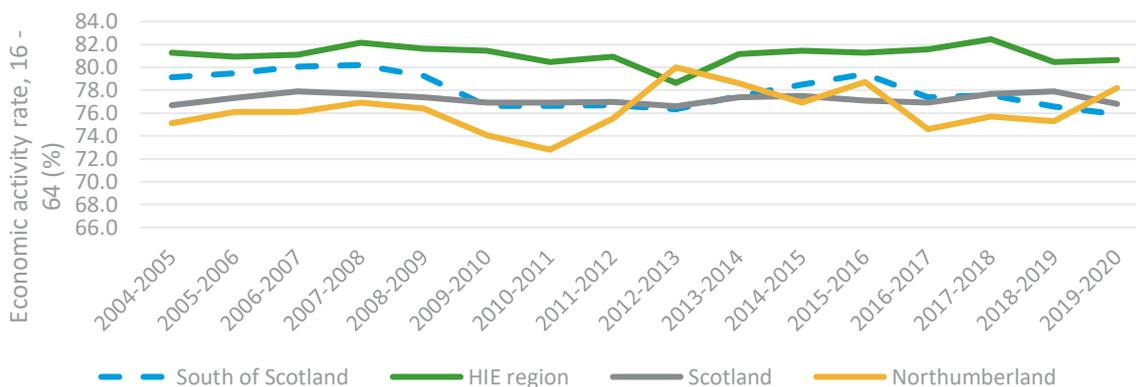
**Figure 3.10: Full-Time Employment as a Percentage of Total Employment in the WAP (Jul 2004-Jun 2020)**



Source: ONS, Annual Population Survey, 2020

There is a **higher proportion of part-time employment** in the SOS (**28%**) than in the HIE region (**27%**) and Scotland (**25%**), whilst being on par with Northumberland<sup>85</sup>. Part-time employment in the region is **38 percentage points higher** for females than for males, again showcasing the gender imbalance and relative lack of secure and productive employment opportunity for women<sup>86</sup>. High-level labour market outcomes are generally better than, or similar to, the Scottish average in the SOS. As the charts below illustrate, while economic activity and employment for the region fluctuate in relation to that of Scotland, **unemployment is generally lower**. However, the economic activity rate for the SOS has been **consistently below that of the HIE region** and is reflective of the demographics and perhaps gender imbalances in economic participation, too.

**Figure 3.11: Economic Activity Rate WAP (2004-2020)**



Source: ONS, Annual Population Survey, 2020

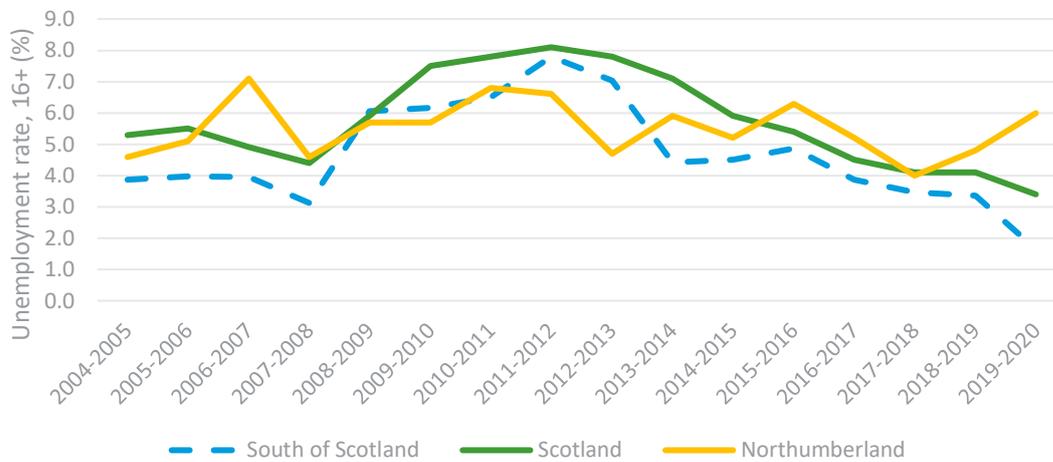
The economic activity rate is **higher for males** in the region than for females, with **80%** of males being economically active, compared to **72%** of females. However, there are localised differences between D&G and SB too – the economic activity rate of males in D&G is similar

<sup>85</sup> Annual Population Survey, 2020

<sup>86</sup> Annual Population Survey, 2020

to that of SB (79% and 82% respectively), the economic activity rate of females is significantly higher in SB (77%) than in D&G (70%)<sup>87</sup>.

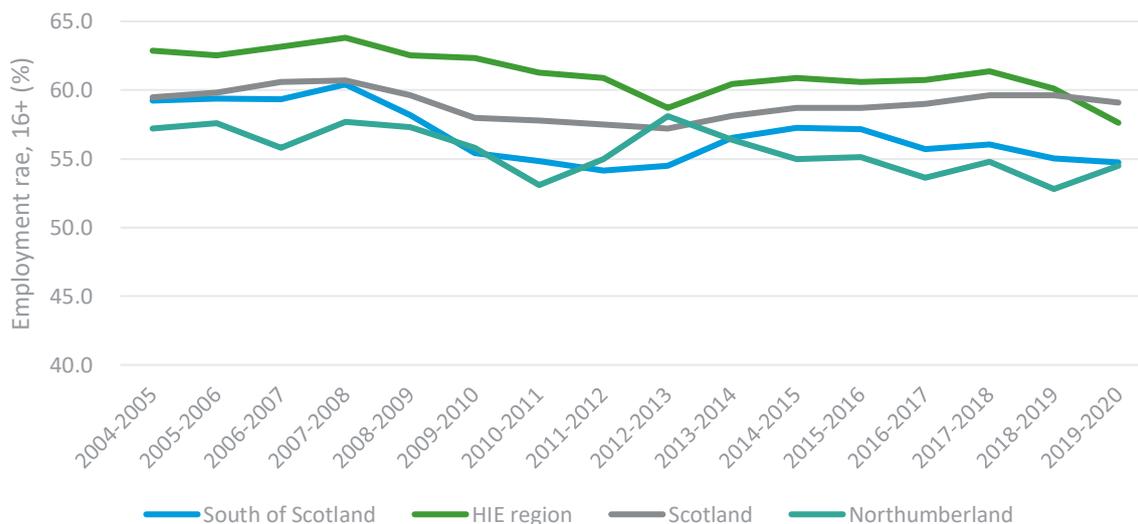
**Figure 3.12: Unemployment Rate 16+ (2004-2020)**



Source: ONS, Annual Population Survey, 2020

The unemployment rate in D&G is nearly four times that of SB (4% compared to 1%)<sup>88</sup>. The employment rate in the region, however, is **consistently lower** than that of the HIE region and Scotland as a whole, while this fluctuates in relation to Northumberland. Again, this highlights the degree of local variation and the potential for inequality between the local authority areas. In contrast, the region’s employment rate is lower than comparator areas with the exception of Northumberland, standing at **55%** for people aged 16 and over in 2020. Looking at youth unemployment – the data suggests that this remains more pronounced than other age groups and geographies – in D&G from January-December 2020, 17% of those aged 16-24 were unemployed, versus 13.5% nationally<sup>89</sup>.

**Figure 3.13: Employment Rate, 16+ (2004-2020)**



Source: ONS, Annual Population Survey, 2020

<sup>87</sup> Annual Population Survey, 2020

<sup>88</sup> Annual Population Survey, Oct 2019 - Sep 2020

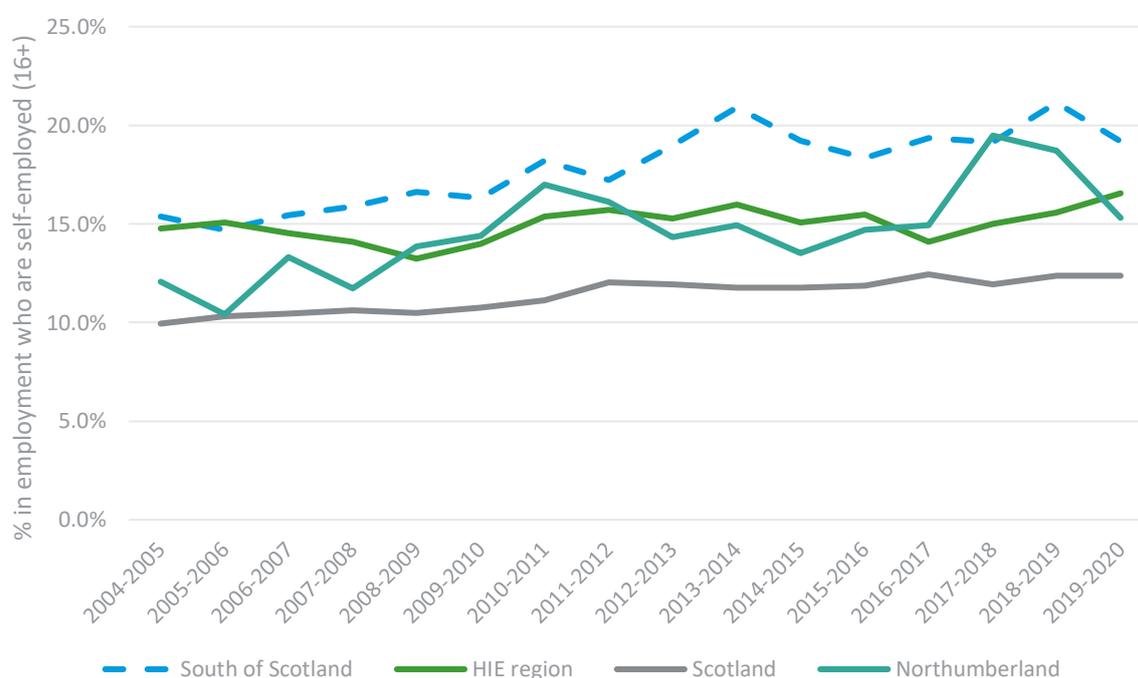
<sup>89</sup> Note: due to small samples sizes and unreliable results, no data is available for SB.

Data prepared by SDS provides cues as to how the labour market is likely to respond to COVID-19. Data suggests that, nationally, **employment levels have been reduced as a result of the pandemic**, particularly in certain sectors, some of which are important to the SOS economy. Looking ahead, scenario-based forecasts have been prepared which set out how much unemployment could increase and the potential duration of the recovery period. For the region specifically, it is possible that unemployment could rise significantly – a lower threshold of **8% would equate to the loss of nearly 10,000 jobs**. Conservative estimates also suggest that **unemployment will return to pre-pandemic levels by the Q1 of 2025**. Regardless, the future is uncertain, and the region will need to be prepared to support industries and people most affected by the pandemic.

Looking at other measures of labour market participation and economic activity, the SOS and HIE regions have the same proportion of households on Universal Credit, as of November 2020. This equates to **13%**, compared to **16%** of households in Scotland as a whole<sup>90</sup> and **15%** of households in Northumberland<sup>91</sup>.

As illustrated in figure 3.14, the **self-employment rate for the region is consistently above** the HIE and Scottish average and has also **risen over time**. This is indicative of several facets of the labour market, suggesting the region has entrepreneurial characteristics, but may also hint at a greater presence of jobs that less secure, poorly paid and more exposed to economic disruption, particularly COVID-19.

**Figure 3.14: Percentage in Employment Who Are Self-Employed 16+ (Jul 2004-Jun 2020)**



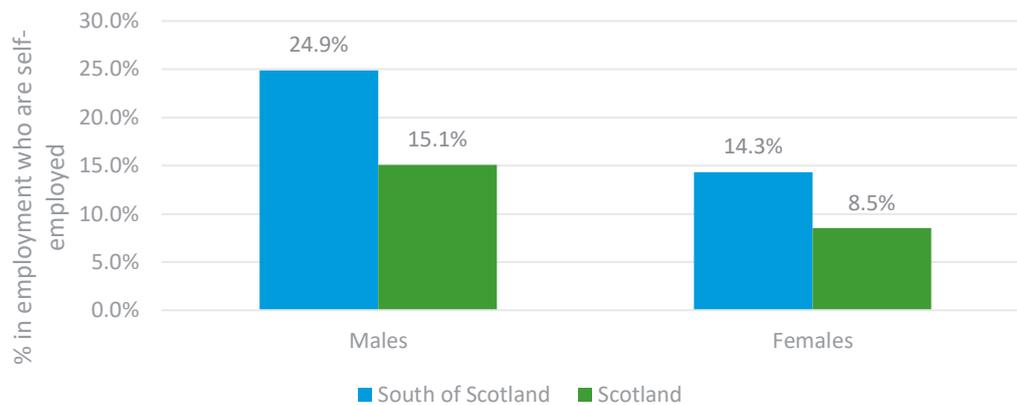
Source: ONS, Annual Population Survey, 2020

<sup>90</sup> Estimates of Households and Dwellings in Scotland, 2019. Universal Credit statistics, 2020.

<sup>91</sup> Estimated number of households in the local and unitary authorities of England and Wales, Council areas of Scotland, and local government districts of Northern Ireland, 2012 to 2018. Universal Credit statistics, 2020.

Looking more closely at this, there are differences in the rate of self-employment across genders. The self-employment rate is **11 percentage points higher** for males in the SOS than for females, suggesting women are less likely to start their own business versus male counterparts.

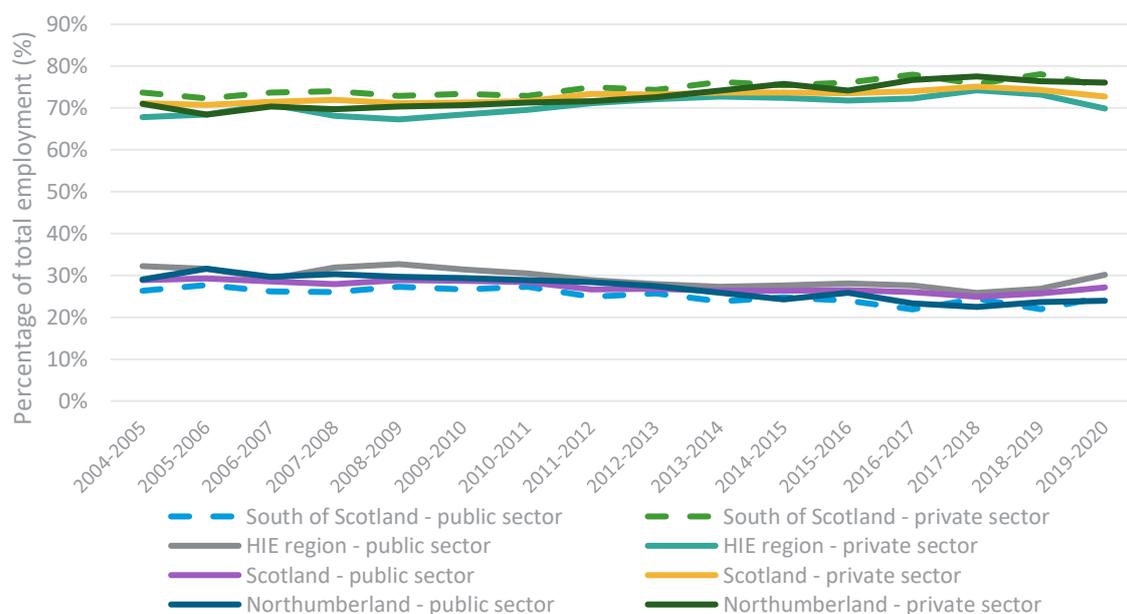
**Figure 3.15: Self-Employment Rate, Male and Female (Oct 2019-Sep 2020)**



Source: Annual Population Survey, 2020

Looking at the balance of employment at a high level, a **slightly higher proportion** of people in employment in the SOS are employed in the private sector than in the HIE region, Scotland as a whole and Northumberland. This has remained consistent over time, although in recent years Northumberland has had a similar proportion of private sector employment to the region. Whilst a lack of overreliance on public sector jobs has been considered a virtue in the context of continued austerity, the private sector has been hit particularly hard by the pandemic and will play a role in the region's exposure.

**Figure 3.16: Public and Private Sector Employment as a Percentage of Total Employment (2004-2018).**



Source: ONS, Annual Population Survey, 2020

## 3.6 Earnings

### Breaking Down Regional Income

Earnings are an important measure of prosperity and show help to show the extent to which people are benefitting from employment and to what extent wealth is created in local jobs. In 2020, the median weekly earnings of full-time employees residing and working in the SOS **was lower** than in the HIE region, Scotland as a whole and Northumberland<sup>92</sup>. Although median weekly earnings of full-time employees residing in both D&G and SB was similar, **there was a large difference** for full-time employees working in these areas, with median weekly earnings in D&G exceeding that of SB<sup>93</sup>.

**Table 3.2: Median Weekly Earnings of Full-Time Employees Residing and Working in SOS (2020)**

	D&G	SB	HIE	Scotland	Northumberland
Resident	£517.50	£521.50	£550.80 - £655	£595	£556.40
Workplace	£509.00	£481.30	£495.50 - £636.10	£592.70	£512.70

Source: ONS, Annual Survey of Hours and Earnings, 2020

In the HIE region, the median weekly earnings of full-time employees ranged from **£550.80** in Moray to **£655** in Shetland Islands for those residing in the region, and from **£495.50** in Argyll and Bute to **£636.10** in Shetland Islands for those working in the region<sup>94</sup>. Weekly earnings trends are also reflected in median annual earnings – in the SOS they **are below that of Scotland as a whole**. The median annual pay for employees in 2020 was **£22,233** in D&G and **£23,152** in SB, compared to **£25,812** in Scotland<sup>95</sup>.

Looking at how employment translates into fair wages, provides a deeper view of the quality of jobs and how people are able to maintain a good standard of living in the region. Some **22%** of employees in D&G and **25%** of employees in SB are earning below Living Wage Foundation rates<sup>96</sup>. This compares to **15%** of employees in Scotland and **31%** of employees in Northumberland<sup>97</sup>. Given the national policy focus on fair work and community wealth building, these suggest that equitable earnings could be a key area of focus.

The gender pay gap is another measure of equality and the extent to which growth and prosperity is inclusive and being felt by all. The evidence shows that the gender pay gap is **greatest in remote rural areas**<sup>98</sup>. There are significant differences within the region, as

<sup>92</sup> Annual Survey of Hours and Earnings (2020).

<sup>93</sup> Annual Survey of Hours and Earnings (2020).

<sup>94</sup> Annual Survey of Hours and Earnings (2020).

<sup>95</sup> Annual Survey of Hours and Earnings (2020).

<sup>96</sup> Annual Survey of Hours and Earnings (ASHE) - Estimates of the number and proportion of employee jobs with hourly pay below the living wage, by work geography, local authority and parliamentary constituency, UK, April 2019 and April 2020

<sup>97</sup> Annual Survey of Hours and Earnings (ASHE) - Estimates of the number and proportion of employee jobs with hourly pay below the living wage, by work geography, local authority and parliamentary constituency, UK, April 2019 and April 2020

<sup>98</sup> <https://www.gov.scot/publications/understanding-scottish-rural-economy/pages/3/>

D&G has a negative gender pay gap of **-19.5%**, while SB has a gender pay gap of **13.2%**. This compares to the HIE region which ranges from a negative gender pay gap of **-6.3%** in Highland to **12.3%** in Argyll and Bute and gender pay gap of **19.3%** in Northumberland. These are all in contrast to the Scottish average gender pay gap of **3%**<sup>99</sup>. This suggests mixed messages across the SOS, with an imperative to provide more balance to earnings across genders.

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<sup>99</sup> Annual Survey of Hours and Earnings, 2020

## 4. THE REGION: ECONOMY

### 4.1 Economic Output and Productivity

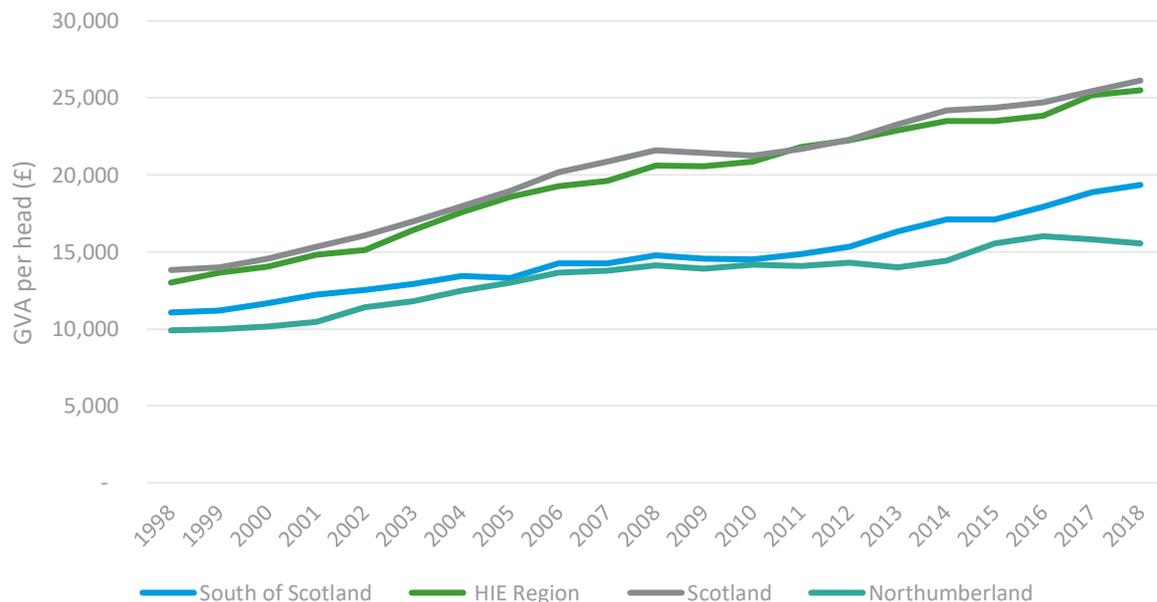
#### Baselining Regional Economic Performance

Output, in the form of Gross Value Added (GVA), is the most commonly used measure of productivity and economic scale and contribution. In context, this highlights the significance of the regional economy, how it has performed over time and provides a measure of how jobs and sectors translate economic output into individual wealth. It is also a key indicator of future economic prospects and how well the region may recover and perhaps prosper, from the effects of the COVID-19 pandemic.

In 2018, total GVA in the region was **£5,110m**, 4% of Scotland's total and an increase of **2.3%** since 2017<sup>100</sup>. In the same year, GVA per head in the SOS was **£19,352**, compared to **£26,134** in Scotland as a whole (**7.3%** of the Scottish average) and has been consistently and significantly tracking below Scottish levels over time. This compares to a GVA per head of **£25,500** in the HIE region, which has been roughly similar to the Scottish levels over time and a GVA per head of **£15,564** in Northumberland<sup>101</sup>.

Overall, output per capita is lagging and reflects on the types of employment and occupations that locally important sectors are providing. In the current political context, this is a measure of concern, as part of the push towards driving up productivity.

Figure 4.1: GVA Per Head (1998-2018)



Source: ONS, Regional Gross Value Added (Balanced) at current basic prices, 2019. National Records of Scotland, Mid-Year Population Estimates, 2019. Estimates of the population for the UK, England and Wales, Scotland and Northern Ireland, 2020

<sup>100</sup> ONS, Regional Gross Value Added (Balanced), 2019.

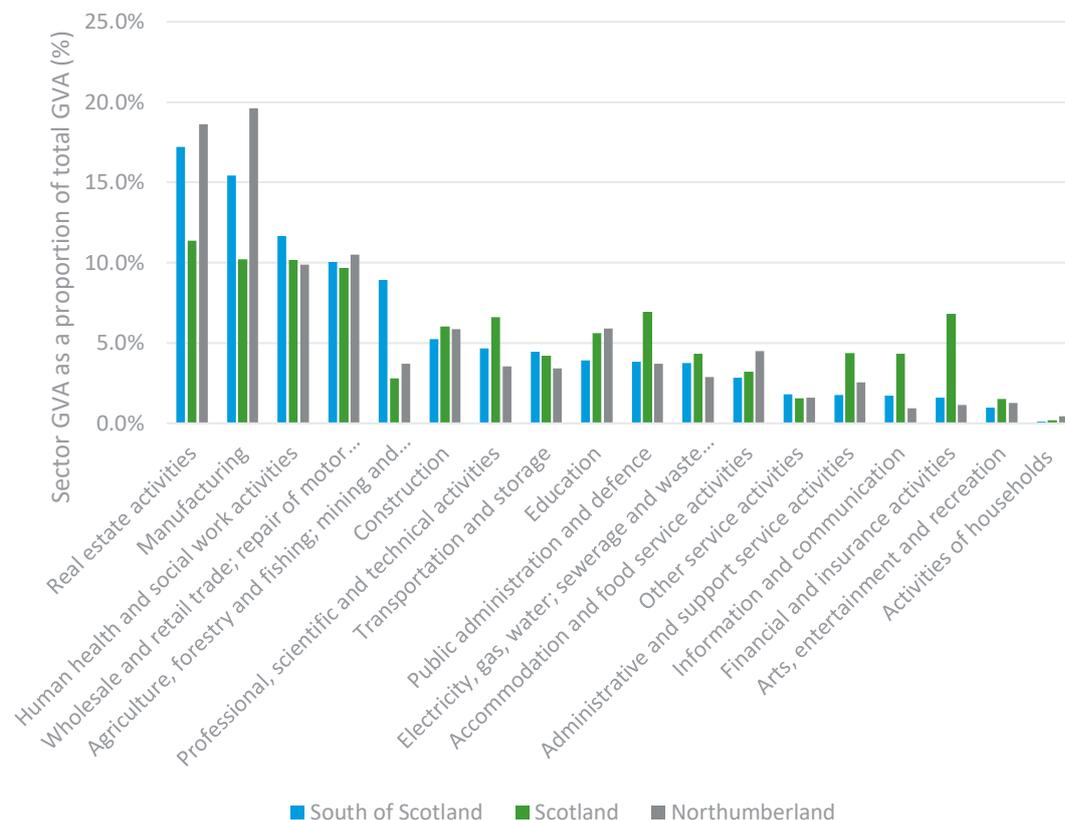
<sup>101</sup> ONS, Regional Gross Value Added (Balanced), 2019.

A better measure of productivity and the transfer of wealth to those in work is GVA per filled job. D&G has a very similar GVA per filled job (£42,469) compared to both SB (£42,475) and Northumberland (£42,484)<sup>102</sup>. By comparison, GVA per filled job in the HIE region ranges from £43,284 in Argyll and Bute to £54,741 in Shetland Islands<sup>103</sup>. Overall, the region has lower levels of productivity per job than the Scottish average (£53,903)<sup>104</sup>.

Post-recession, GVA growth has been **slightly above** the Scottish average in the SOS. GVA has grown by **31%** in the SOS since 2008, compared to **26%** in the HIE region, as another measure of comparison.

The distribution of GVA and what facets of the economy contribute to regional output is best set out in terms of the sector breakdown. Looking at sectors defined using Standardised Industrial Classification (SIC) codes – see figure 4.2, the importance of certain industries and their relative productivity is clearly seen. The **Real Estate Activities, Manufacturing, Human Health and Social Work Activities, Wholesale and Retail Trade; Repair of Motor Vehicles, and Agriculture, Forestry and Fishing; Mining and Quarrying** sectors all account for a greater proportion of GVA in the region than in Scotland as a whole<sup>105</sup>.

**Figure 4.2: Sector GVA as a Proportion of Total GVA (2018)**



Source: ONS, Regional gross value added (balanced) by industry: all NUTS level regions, 2019

**Manufacturing** remains an important economic contributor in the region but has declined as a proportion of total GVA over time, from **22%** in 1998 to **15%** in 2018. A similar pattern is

<sup>102</sup> Subregional productivity: labour productivity indices by local authority district, 2020

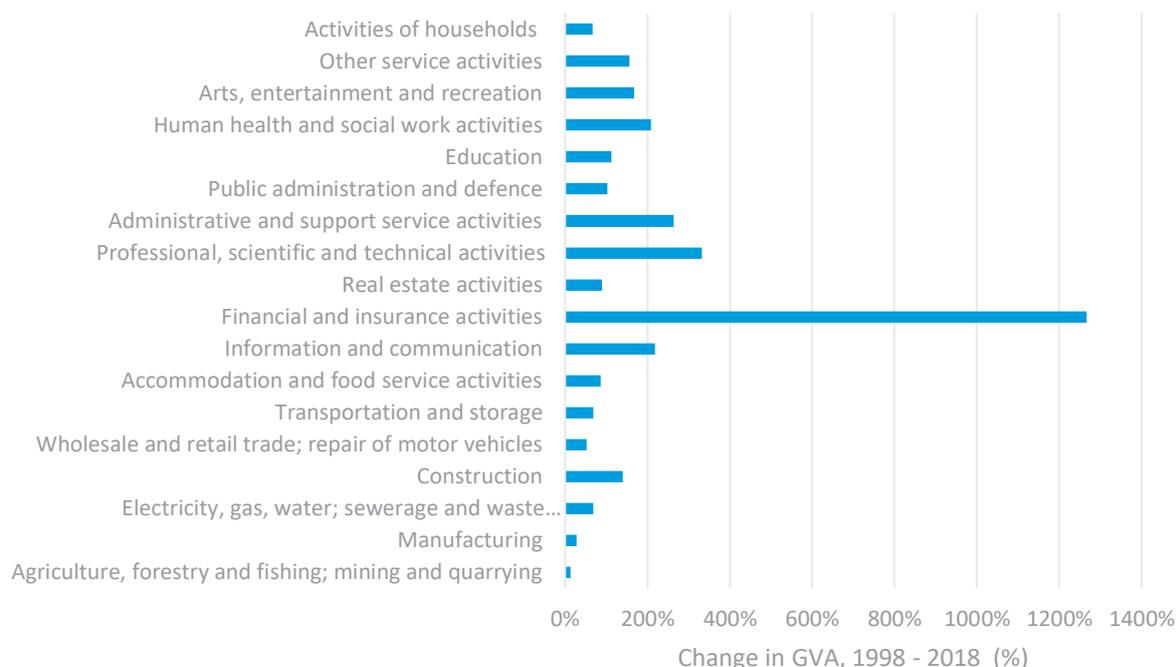
<sup>103</sup> Subregional productivity: labour productivity indices by local authority district, 2020

<sup>104</sup> Subregional productivity: labour productivity indices by UK NUTS2 and NUTS3 subregions, 2020

<sup>105</sup> ONS, Regional gross value added (balanced) by industry: all NUTS level regions, 2019.

seen in many other local authorities and Scotland as a whole, however, reflecting wider trends and industrial shifts. The chart below shows the change in GVA by sector since 1998, with the largest increases (in absolute terms) seen in **Administrative and Support Service Activities and Professional, Scientific and Technical Activities**, and a hugely significant increase in **Financial and Insurance Activities**.

**Figure 4.3: Change in GVA (£m) by Sector (1998-2018)**



Source: ONS, *Regional gross value added (balanced) by industry: all NUTS level regions, 2019*

As shown in Table 4.1, **Manufacturing** has moved from the most important sector in terms of its proportion of total GVA, to second, behind **Real Estate Activities**, despite recent and sustained retraction in its overall value.

**Table 4.1: Top Sectors by GVA, 1998, 2008, and 2018**

		1998		2008		2018	
1	Manufacturing	21.9%	Real estate activities	18.4%	Real estate activities	17.2%	
2	Real estate activities	16.4%	Manufacturing	13.7%	Manufacturing	15.4%	
3	Agriculture, forestry and fishing; mining and quarrying	14.4%	Agriculture, forestry and fishing; mining and quarrying	12.2%	Human health and social work activities	11.7%	
4	Wholesale and retail trade; repair of motor vehicles	12.0%	Wholesale and retail trade; repair of motor vehicles	10.9%	Wholesale and retail trade; repair of motor vehicles	10.1%	

		1998		2008		2018	
5	Human health and social work activities	6.8%	Human health and social work activities	10.7%	Agriculture, forestry and fishing; mining and quarrying	8.9%	
6	Transportation and storage	4.8%	Construction	5.4%	Construction	5.2%	
7	Construction	4.0%	Transportation and storage	4.4%	Professional, scientific and technical activities	4.7%	
8	Public administration and defence	3.4%	Education	4.4%	Transportation and storage	4.5%	
9	Education	3.3%	Public administration and defence	3.9%	Education	3.9%	
10	Accommodation and food service activities	2.8%	Professional, scientific and technical activities	3.0%	Public administration and defence	3.8%	

Source: ONS, *Regional gross value added (balanced) by industry: all NUTS level regions, 2019*

## 4.2 Sectors Employment and Business Base

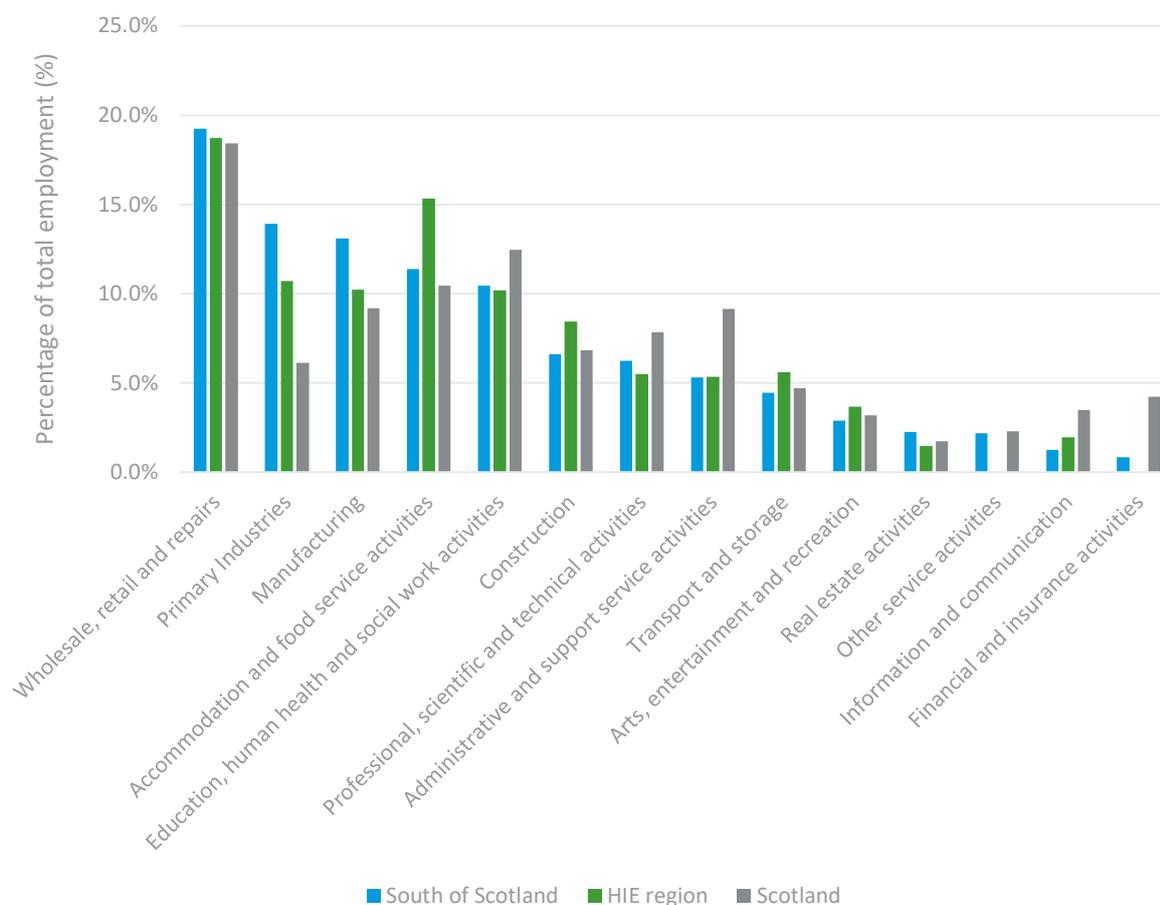
### Sectoral Composition

The economic profile of the region is further developed by looking at the composition of industry in terms of sector employment and the typology of the business base.

Here it is possible to develop a more granular understanding as to what sectors have driven growth and job creation and which industries are the drivers of the region's specialisation and competitive advantage. Sector-based forecasts also hint at the future direction of travel and where growth prospects are greatest, with consideration for the economic and political context. Figure 4.4 shows the share of total employment by sector in the SOS. The three largest sectors in the region are **Wholesale, Retail and Repairs (19% of total employment)**, **Primary Industries (14% of total employment)**, and **Manufacturing (13% of total employment)**<sup>106</sup>.

<sup>106</sup> Businesses in Scotland: 2020

**Figure 4.4: Share of Total Employment by Sector (2020)**



Source: *Businesses in Scotland: 2020*

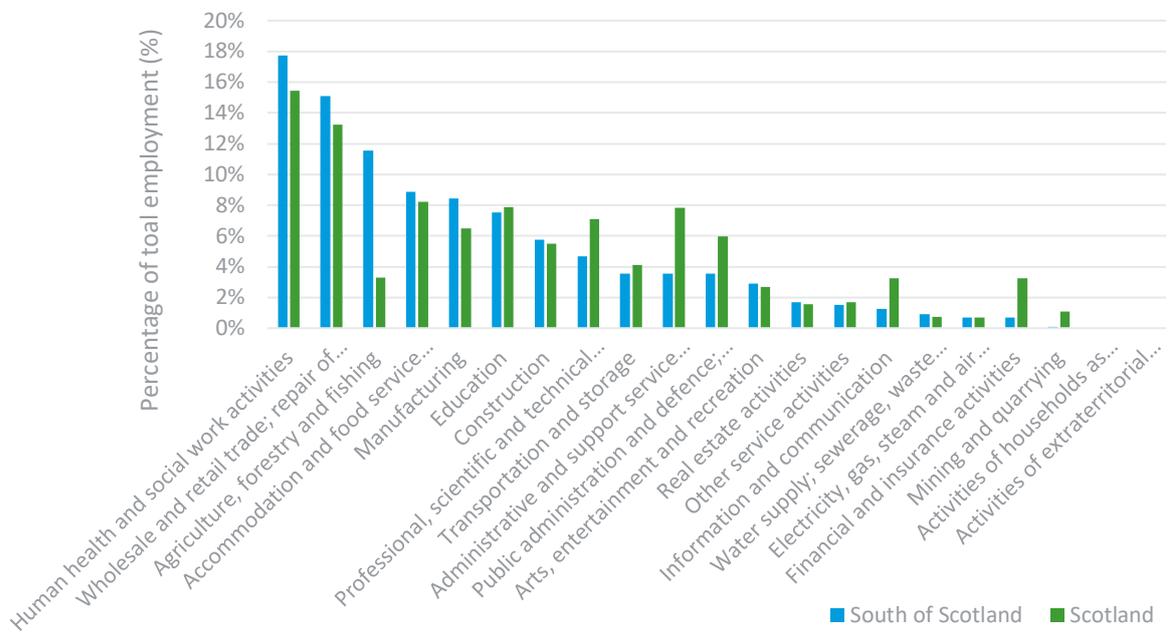
As in the HIE region and Scotland as a whole, there is a significant amount of employment in traditionally low-paid, low-skilled and low-productivity sectors in the SOS, including **Accommodation and Food Service Activities** (11% of total employment in the region and 15% of total employment in HIE), as well as **Retail**<sup>107</sup>. These sectors will play a significant role in driving the earnings and productivity trends observed across the region but are also fundamental to the creation of a large number of jobs. **Retail** in particular is often seen as an important foundational sector – one which underpins a thriving economy and improves the attractiveness of place, to residents, workers and investors. That said, given the dramatic shifts seen in the Retail sector and its exposure to the pandemic, a reliance on employment in this sector is a key strategic consideration.

Below is similar data on the percentage of total employment by sector from the Business Register and Employment Survey, 2019. This data tells a slightly different story, as a result of slightly different sector definitions being applied and public sector jobs being included in the statistics. Here, **Human Health and Social Work Activities** has the largest share of total employment in both the SOS as a whole, as well as lower shares of total employment for both Manufacturing and Construction. In terms of correlation, sectors that remain important to the regional economy in terms of jobs numbers include **Farming, Forestry and**

<sup>107</sup> *Businesses in Scotland: 2020*

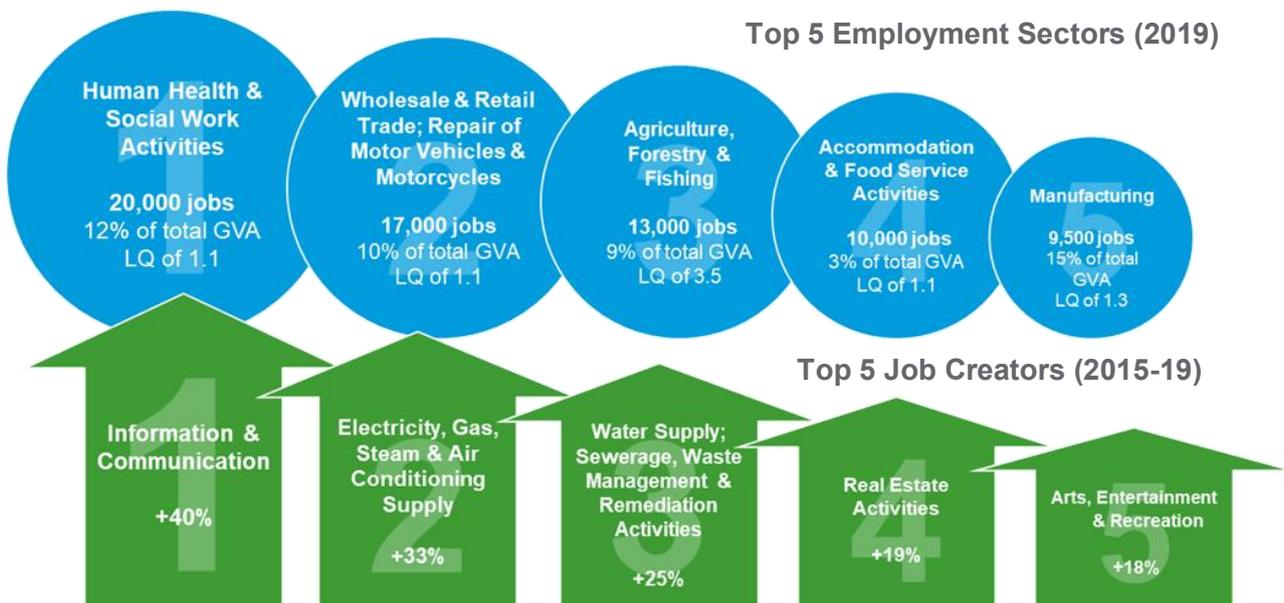
**Agriculture, Accommodation and Food Services** (which support the region’s visitor economy) and the large proportion of employment generated by **Wholesale and Retail Trade**. Also, of note is the relatively small number of jobs in the **Real Estate Activities** sector – this despite it being one of the most productive and a key generator of GVA.

**Figure 1.5: Share of Total Employment by Sector (2019)**



Source: ONS, Business Register and Employment Survey, 2019

**Figure 2.6: Regional Sector Performance (2019)**



Source: ONS, Business Register and Employment Survey, 2019

Looking at the performance over time and 5-year trends, the sectors that have exhibited the strongest performance in terms of GVA growth are **Information and Communication (+40%)**, **Electricity, Gas, Steam and Air Conditioning Supply (+33%)**, **Water Supply, Sewerage**

**Works, Waste Management and Remediation Activities (+25%), Real Estate (+25%) and Arts, Entertainment and Recreation (+18%).** Generally, these sectors have been growing from a modest employment base but provide reasons for optimism in terms of the scope for future growth, where new specialisms may be emerging, investment has been targeted and where these sectors will support the region's decarbonisation agenda. The region has a particular industrial specialisation in **Agriculture, Forestry and Fishing**, with a location quotient (LQ) of **3.5**, as well as in **Manufacturing** with an LQ of **1.3** and in **Water Supply; Sewerage, Waste Management and Remediation Activities** with an LQ of **1.2**. In contrast, the location quotient for employment in the **Financial and Insurance Activities** sector is far less specialised, with an LQ of just **0.2**<sup>108</sup>.

Aligned to the region's policy direction and the type of growth sought across the SOS, it is also possible to tell a more nuanced story the regional economy by looking at sectors slightly differently. Here, SOS's sector strengths can be seen through the lens of five key sectors – each of which are expected to be key to achieving inclusive and sustainable growth, building competitive advantage through specialisation and helping to deliver more productive and secure jobs. These strategically important sectors are:

- **Natural Capital sector**
- **Circular Economy sector**
- **Creative and Cultural sector**
- **Healthy Living sector**
- **Professional and Technical sector**

A summary of the region's sector performance, specialisation and sub-sector distinctiveness is set out in Figure 4.7<sup>109</sup>. This analysis provides additional insight and will support choices around prioritisation and investment within the region, moving forward.

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<sup>108</sup> Business Register and Employment Survey, 2019

<sup>109</sup> Note: Sub-sectors are a lower level of SIC code within the overall SIC hierarchy (3 digit) and help to better understand the nature of businesses and industries that characterise the regional economy and where a greater level of employment concentration is seen.

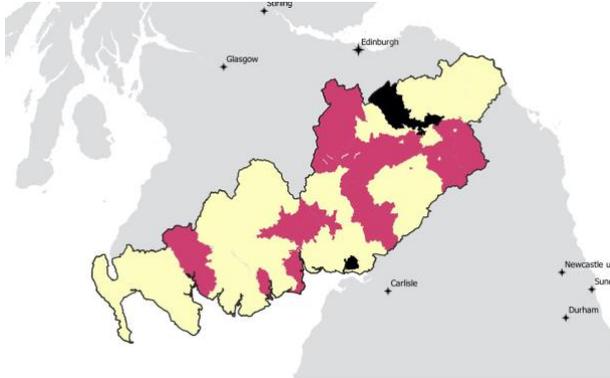
Figure 3.7: Strategically Important Sector Performance (2019)



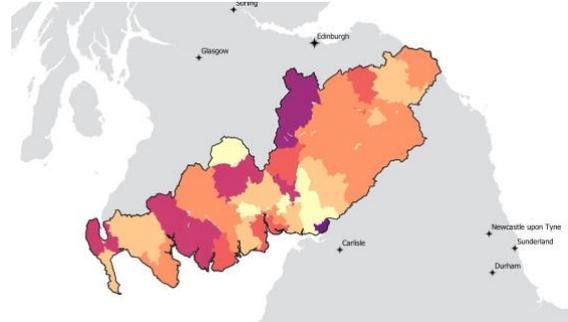
Source: ONS, Business Register and Employment Survey, 2019

From a spatial perspective, the distribution of employment is set out within the maps below. Here, considerable variation is noted across the sectors, and also helps to isolate the locations where concentration is most evident and pronounced<sup>110</sup>.

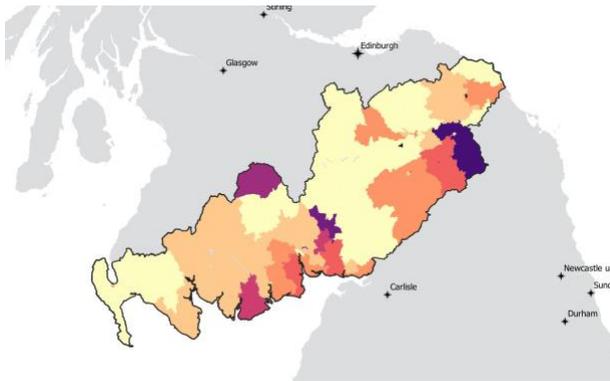
**Figure 4.8: Natural Capital Employment** (scale max 200 jobs)



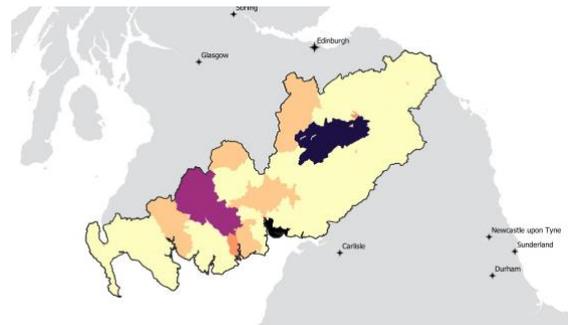
**Figure 4.9: Healthy Living Sector Employment** (scale max 3,500 jobs)



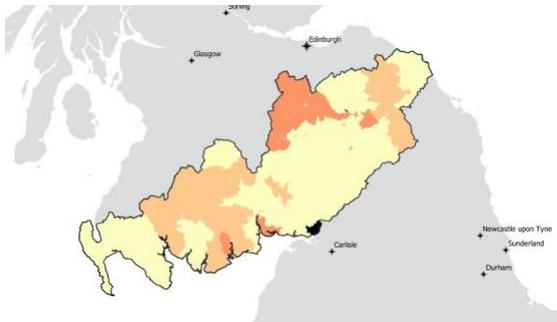
**Figure 4.10: Circular Economy Sector Employment** (scale max 1,100 jobs)



**Figure 4.11 Professional and Technical Sector Employment** (scale max 800 jobs)



**Figure 4.12 Creative and Cultural Sector Employment** (scale max 900 jobs)



**Key:**  
**Lighter colours** = lower density of employment  
**Darker colours** = higher density of employment

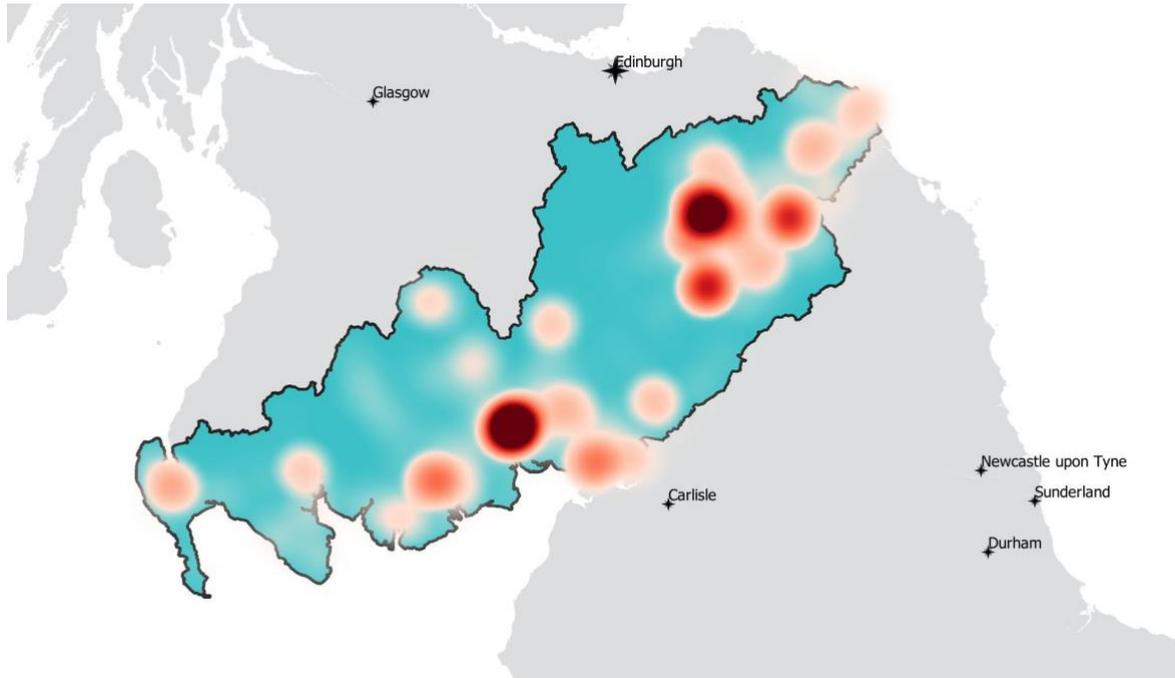
In terms of the spatial distribution of the business base, as opposed to employment, it is possible to map the presence of sectors across the region and highlight key clusters of activity. **This augments the picture of sector performance and highlights differences**

<sup>110</sup> Note: Maps have been generated by using Business Register and Employment Survey and analysing employment density at an Intermediate Zone level (a measure of statistical geography determined by Scottish Government).

between the base of businesses operating, versus the location of employment. The composition of sector-based employment remains a better overall measure of economic performance, sector growth and concentration, however.

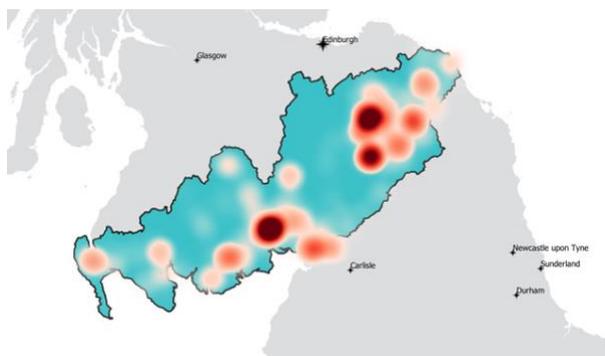
Using Companies House data, the location of businesses is observed within the maps below. At the aggregate level, concentrations of businesses largely track the region's economic geography, **with the highest density seen in key urban areas and market towns**. Across each of the five sectors, patterns and distribution is more nuanced.

**Figure 4.13: Business Distribution Across All Sectors (2020)**

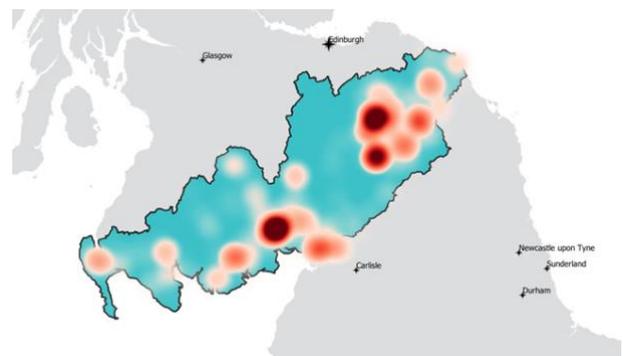


Source: Companies House, 2020

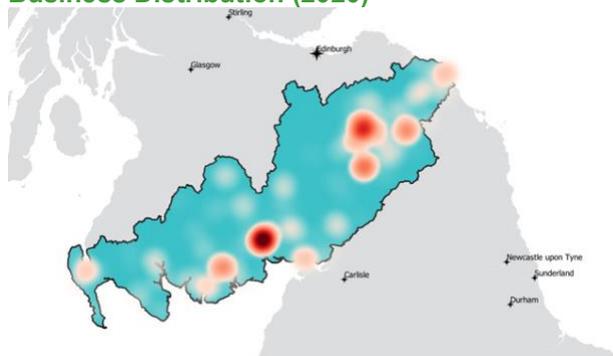
**Figure 4.14: Natural Capital Sector Business Distribution (2020)**



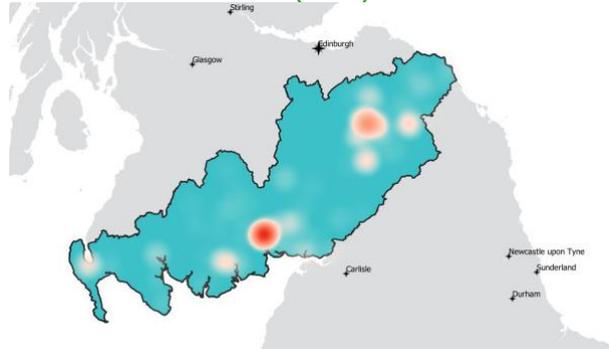
**Figure 4.15: Circular Economy Sector Business Distribution (2020)**



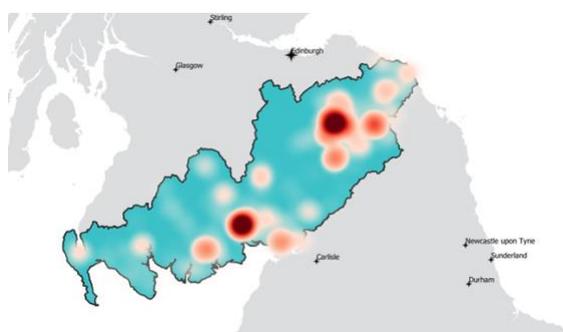
**Figure 4.16: Creative and Cultural Sector Business Distribution (2020)**



**Figure 4.17: Healthy Living Sector Business Distribution (2020)**



**Figure 4.18: Professional and Technical Sector Business Distribution (2020)**



**Key:**

Lighter colours = lower density of businesses  
Darker colours = higher density of businesses

Data recently published by SDS provides an indication as to economic growth potential and how this could translate into the expansion and retraction of sector level employment. Given the volatility of the political and economic environment and a lack of understanding regarding the longer-term effects of COVID-19, such forecasts should be treated with a degree of caution and be caveated accordingly. Nevertheless, they are a helpful indication of the potential direction of travel and provide a general sense as to how the structure of the economy may change and how this could affect local employment prospects, have implications for skills and training and to guide future investment.

The data suggests the **region will be vulnerable to change**, with employment growth forecast over the mid-term, expected to ultimately decrease in the long term. Overall, the workforce is expected to **shrink by 2.0%** (or 2,300 people) between 2019 and 2020, as a result of the economic impact of COVID-19. The data suggests that within the region job losses are likely to be most pronounced in the **Retail, Crop and Animal Production and Food and Beverage** sectors.

Looking over a longer period of time, forecasts expect the overall level of employment across the region to **reduce by around 1%** between 2023 and 2030. This will see a reversal of historic trends and will require careful monitoring in terms of the rate of change, the most impacted sectors and interventions needed to ensure people can retrain and maintain productive employment. The sectors that are expected to drive demand for jobs and support employment growth are **Wholesale and Retail Trade, Agriculture Forestry and Fishing, Human Health and Social Work and Accommodation and Food Services** – all established sectors across the SOS.

## 4.3 Business Performance

### 4.3.1 Business Stock and Enterprise Characteristics

The business base can be explored further, to better understand the region's enterprising characteristics, how well it is supporting the growth of new businesses and the extent to which social enterprise development is being furthers. At an aggregate level, the stock of active businesses is lower than the HIE region but high relative to the population size – with **538 businesses per 10,000 resident adults** in the SOS, versus **573** in the HIE region and **395** in Scotland as a whole<sup>111</sup>.

Despite this positive message, the business start-up rate in the region is below the Scottish average, with **43 business registrations per 10,000 adults** in D&G in 2019, **51** in SB, and **62** in Scotland as a whole, compared to **56** in both the HIE region and Northumberland<sup>112</sup>. This suggest the region's entrepreneurial base is lagging its competitors and there may be untapped economic potential. The 3-year business survival rate in 2019 was slightly above the HIE region, Northumberland and Scottish averages (**64%** in the SOS, **63%** in the HIE region, **57%** in Scotland and **56%** in Northumberland)<sup>113</sup>, suggesting business that do start have stronger prospects for survival and growth.

Business expenditure on research and development (R&D) per head in the SOS was **£60 per head** in 2019 compared to **£258 per head** in Scotland as a whole<sup>114</sup> - a significant margin indeed. While business expenditure on R&D per head is lower, this is not necessarily abnormal compared to other rural counterparts – for example this figure was **£20, £90, £32** and **£44 per head** in Argyll & Bute, Highland, Moray and Shetland Islands, respectively. In contrast, more urban areas such as Aberdeen City, City of Edinburgh and Glasgow City had business expenditure of **£515, £933** and **£347 per head**, respectively<sup>115</sup> - a stark contrast.

Looking at business size, small businesses (those with under 50 employees) account for a greater proportion of employment and turnover in the SOS than in Scotland as a whole. The importance of small businesses is evident with more 41% of total turnover and 56% of employment accounted for by firms with 50 employees or less – this percentage increases to more than 65% and 70% respectively, when looking at Small and Medium Sized Enterprises (SMEs)<sup>116</sup>. However, despite being a small proportion of the overall business base, large businesses (employing 250 people or more) are an important facet of the local economy and make a significant contribution in turnover and employment terms.

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<sup>111</sup> Businesses in Scotland: 2020.

<sup>112</sup> Business Demography - 2019.

<sup>113</sup> Business Demography - 2019.

<sup>114</sup> Scottish Government, Business Enterprise Research and Development 2019 Tables.

<sup>115</sup> Scottish Government, Business Enterprise Research and Development 2019 Tables.

<sup>116</sup> SMEs are categorised as businesses with 249 employees or less.

**Table 4.2: Businesses Operating in the Area by Number of Employees by Employee Size-Band and their Total Employment and Turnover (2020)**

Employee size band	Number of enterprises	% of total	Employment	% of total	Turnover (£ million)	% of total
<b>SOS</b>						
0-49 employees (small businesses)	11,175	93.4%	46,500	55.5%	4,310	40.6%
50-249 employees (medium-sized businesses)	265	2.2%	12,280	14.7%	1,612	15.2%
250+ employees (large businesses)	520	4.3%	24,990	29.8%	4,702	44.3%
<b>Total</b>	<b>11,960</b>		<b>83,760</b>		<b>10,624</b>	
<b>Scotland</b>						
0-49 employees (small businesses)	172,965	96.4%	709,170	36.2%	72,809	25.6%
50-249 employees (medium-sized businesses)	4,055	2.3%	282,540	14.4%	40,608	14.3%
250+ employees (large businesses)	2,435	1.4%	965,790	49.3%	171,293	60.2%
<b>Total</b>	<b>179,460</b>		<b>1,957,490</b>		<b>284,710</b>	

Source: *Businesses in Scotland, 2020*

Note: Each enterprise is counted once in each area it operates in. Totals may not equal the sum of the constituent parts due to rounding.

Looking at the presence of high growth businesses, the SOS has a **marginally lower proportion** of high growth businesses than Scotland as a whole. Some **1%** of registered private sector businesses in SOS are high growth businesses, versus **2%** of registered private sector businesses in Scotland being categorised as high growth businesses<sup>117</sup>. This furthers the view that the region may be underperforming in terms of its ability to create new businesses, and to allow them to scale.

In D&G and SB, approximately **2%** of registered private sector businesses are foreign owned,<sup>118</sup>. Within this, 71% of foreign-owned registered private sector businesses in D&G

<sup>117</sup> Businesses in Scotland: 2020

<sup>118</sup> Businesses in Scotland: 2020

are based in the EU, compared to **56%** in SB<sup>119</sup>. This compares to Scotland in which **2%** of registered private sector businesses are foreign owned, of which **42%** are based in the EU<sup>120</sup>. These trends have potentially important connotations for the regional economy, helping to illustrate the strength of potential trade links with the EU, but also the degree of exposure that may arise from this linked to Brexit, particularly in terms of the flow of investment labour supply.

Looking at the presence of businesses with a social cause, the region has been able to support the growth and development of social enterprises. Data from 2019 showed that the highest rate of growth of social enterprise was in areas with the smallest existing base – the SOS experienced one of the **highest uplifts** in Scotland, with the number of businesses increasing by **25%** from 2015-19, compared to a rise of **16%** across all Scottish regions over the same period<sup>121</sup>. In total, the region had a base of around **500** social enterprises, each of which perform an important role in the social and economic fabric of the SOS, provide valuable employment opportunity and will central to an inclusive growth agenda.

## 4.4 Impacts of COVID-19

### Assessing Quantitative Impacts

The pandemic continues to affect the national economy and SOS is no different in that regard. There are, however, nuances, linked to the region's overall exposure, informed by factors such as its demography, industrial structure, small business base and the predominance of self-employment. Indeed, analysis by Oxford Economics suggest that the SOS is particularly exposed – **D&G being and SB being the 5<sup>th</sup> and 3<sup>rd</sup> most exposed** localities in Scotland. Beyond this, a variety of datasets help to position real-time impacts across the SOS and understand implications at a local level, but there is also a limit to how much can be understood in the context of future impacts.

The claimant count in the SOS is **5.1%**, higher than that of the HIE region (**4.9%**) but lower than that of Scotland (**5.9%**) and Northumberland (**5.8%**). The claimant count has increased by **77.1%** in the SOS from the previous year compared to an increase of **200.6%** in the HIE region, **87.2%** in Scotland as a whole and **70.5%** in Northumberland<sup>122</sup>. This dramatic spike has been largely caused by economic disruption and job losses, as a result of the pandemic. The same pattern is seen in terms of Universal Credit claimants – these jumped from around 11,600 in March 2020 and jumped to nearly 20,000 in December 2020.

Looking at measures put in place to minimise negative impacts and sustain employment, the total take-up rate for the Coronavirus Job Retention Scheme has **been lower in the SOS** than in the HIE region, Scotland as a whole and Northumberland. A positive finding but this may also hint at the inability for local people and businesses to access this, as a result of the proportion of self-employment in particular. The region has also experienced significant take-up for the furlough scheme, with more than **15,500** registered in February 2021, with young people and females more likely to engage with these programmes and be adversely affected

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<sup>119</sup> Businesses in Scotland: 2020

<sup>120</sup> Businesses in Scotland: 2020

<sup>121</sup> Social Enterprise Scotland, Census 2019, 20219

<sup>122</sup> Regional labour market: Claimant Count by unitary and local authority (experimental), 10 December 2020

by the pandemic<sup>123</sup>. There is a longer-term concern too, that long-term furlough could be a precursor to unemployment.

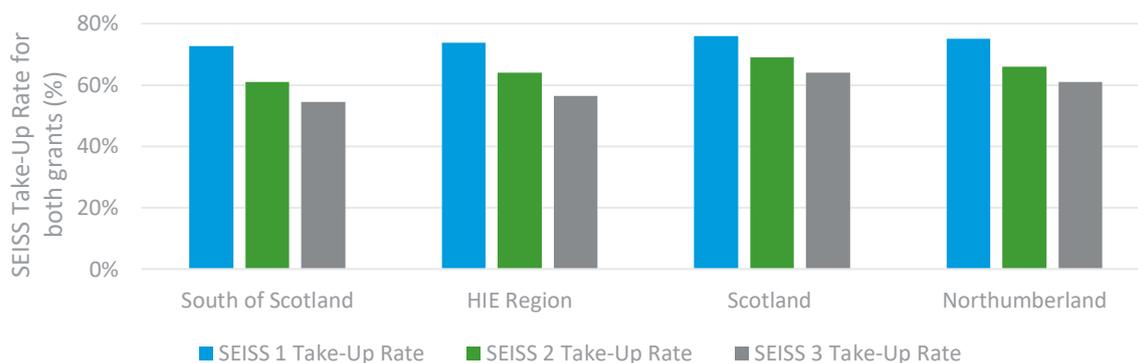
**Figure 4.19: Coronavirus Job Retention Scheme Total Take-Up Rate (2020)**



Source: HMRC, Coronavirus Job Retention Scheme (CJRS) Statistics: February 2021

The take-up rate of self-employment income support (SEISS) has been similar across comparators, however, the SOS has had a **lower take-up rate for each of the grants** than the HIE Region, Scotland as a whole and Northumberland, across the three tranches. The reasons for this could be variable and it is difficult to interpret this data in a meaningful way, but it is a further signal of COVID-19 impact at a regional level and effect this is having on people and businesses.

**Figure 4.20: Take-Up Rate of SEISS Grants to 31/01/2021**



Source: HMRC, Self-Employment Income Support Scheme (SEISS) Statistics: November 2020

Looking at grants offered to businesses, **86%** of applicants for the COVID Business Support Fund Grant Scheme in the region, received support – the same level as seen nationally and

<sup>123</sup> SDS, Regional Skills Assessment: SOS, March 2021

in HIE<sup>124</sup>. The SOS also had a similar average grant value (**£10,484**) as the HIE Region (**£10,588**), while the average grant value for Scotland as whole was marginally higher (**£11,171**)<sup>125</sup>. Again, these are signs that businesses across the region have been adversely affected and are urgently seeking support, but also shows that engagement levels have been strong, and businesses have actively sought to secure support.

Other data helps to build a picture of real-time and potential impacts too<sup>126</sup>:

- Partnership Action for Continuing Employment (PACE) support has been actively leveraged to support people facing redundancy – between April 2020 and February 2021, **1,180 people** accessed support, with sectors such as **Manufacturing, Electricity, Gas, Steam and Air Conditioning Supply, Wholesale and Retail Trade** and being prominent in terms of accessing support.
- The region saw **1,620 Modern Apprenticeship redundancies** between April 2020 and January 2021, which may increase as job retention and furlough programmes recede.
- Scotland's Business Turnover Index (BTI) recorded a level of **38.5** in January 2021, indicating a significant reduction in business activity compared to the previous year. Some sectors have seen much sharper falls and are well represented in the SOS – **Accommodation and Food Services (BTI 12.4), Other Retail (BTI 20.4) and Wholesale and Motor Trades (BTI 32.3)**, seeing the greatest reduction in activity.

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<sup>124</sup> COVID Business Support Fund Grant Scheme Statistics, 8 December 2020

<sup>125</sup> COVID Business Support Fund Grant Scheme Statistics, 8 December 2020

<sup>126</sup> SDS, Regional Skills Assessment, SOS, 2021

## 5. REGIONAL ASSETS

The regional economy has been able to develop as a result of the region's assets – an ecosystem that has helped sectors to grow, research and innovation to take hold, supported a new wave of start-ups and provided new opportunities for people to participate in economic activity. This base of assets is not static and is set to diversify further, focusing on the key strategic opportunities such as the need to decarbonise, accelerate technology adoption, boost the visitor economy, enhance community cohesion and upskill local people. Here we set out some of the key assets that are key to the region's past and future success, and which will play a key role in delivering inclusive growth<sup>127</sup>.

### Skills and Education Assets

- **Borders College** – based in Galashiels, Tweedbank, Hawick and Newtown St Boswells the college offers full and part time courses as well as business training solutions, with an annual enrolment of close to 5,000 students. The college provides a wide variety of courses and apprenticeships, with specialisms in land-based industries, construction, STEM and community-based learning and has shaped its curriculum in line with the needs of the local labour market.
- **D&G College** – located solely in the SOS, the main campus is situated in Dumfries, with another campus in the town of Stranraer, the college teaches around 9,000 students every year. The college has strong articulation links with the University of Glasgow, Crichton Campus and offers a broad array of courses aligned to locally important sectors, but catering for a wide range of interests, up to HND level.
- **University of Glasgow** – based around the School of Interdisciplinary Studies and Crichton Institute, the university offers under and postgraduate courses with a focus on environmental science, health and social care, primary education, culture and tourism and heritage. The campus offers accommodation, services and research assets to its student base and is actively engaged with businesses in a research capacity, including knowledge transfer and partnerships.
- **Heriot-Watt University** – within the SB campus at Galashiels, the university has established a modernised School of Textiles and Design which creates exceptional links between industry and education. The school offers a centre for excellence with courses ranging from fashion, to interior design and textile science and technology. Learning facilities are integrated with specialised workshops, a museum and library, alongside student accommodation.
- **Scotland's Rural College** – located at Barony near Dumfries, the college is one of the largest institutions of its kind in Europe, providing higher education, consulting and research services, with a particular focus on agriculture and life sciences. Within 260ha of grounds, the campus provides a range of course options, such as animal care, rural skills and veterinary nursing and is complemented by student accommodation and sports facilities.

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<sup>127</sup> Note: Asset summaries are sourced from a variety of material, including respective websites.

- **University of the West of Scotland** – also located within the Crichton Estate, the university operates a unique multi-institution facility that has state-of-the-art learning facilities and currently services more than 500 students annually. A range of flexible full and part-time study opportunities are available, including nursing, computer science, management and social work.
- **The Open University** – has a presence at the Crichton Campus in D&G and in Stranraer, as part of its strategic partnership with D&G College. The University is Scotland’s leading provider of part-time university education with over 400 in D&G alone and provides shared learning space and wide array of higher learning options, with a close interface with college courses and the creation of an Open Degree.

### Business Parks and Regeneration Sites

- **The Crichton** – steeped in history, managed by the Crichton Trust and co-located with two universities and a wider educational and research presence, the business park has over 88 organisations on site. The unique setting accommodates a vibrant, dynamic business community, with on-site property management and a business support offering. The site has future plans for expansion, as part of a Crichton Quarter development framework, which envisages new business space, improved infrastructure and an innovative care village.
- **Tweedbank Industrial Estate** – this key site is situated on the eastern side of Galashiels, with key occupiers representing a variety of sectors, including retail, public administration and distilling. Work is underway to rebrand and expand the site to become the Borders Innovation Park, which will consist of new high-quality business space targeted at stimulating business growth and improving inward investment opportunities. Up to 380 jobs could be created as a result of this expansion across a variety of new and existing sectors.
- **Stranraer Marina** – this project aims to reposition the port town as the ‘capital of the west’, through extensive regeneration of waterfront sites and the expansion of the marina. Once delivered, the project will build on Stranraer’s destination potential thanks to its natural features and leverage the area’s increased profile as a result of other investments, such as those made in the Stranraer Watersport Centre and Rhins coastal path.
- **Annan Town Revitalisation** – ambitious plans are afoot to transform the town, through public sector investment and strong local support. The visionary plans include the wholesale redevelopment of the Annan Harbour, the creation of several town ‘gateways’, high street regeneration and establishment of a new community development hub. The plans also integrate with the hugely significant development opportunities at nearby Chapelcross.

### Enterprise Space and Incubators

- **Midsteeple Quarter** – the Midsteeple Quarter is a Community Benefit Society set up and run by the people of Dumfries. It is comprised of eight underused High Street properties, which have been transitioned into contemporary living, socialising, learning and enterprising spaces. The Quarter includes The Stove – a network which offers career development opportunities and growth support to individuals and businesses working within the creative industries and the arts.

- **Agri-EPI Centre** – the Agri-Tech Centre is part of a wider organisation which aims to boost productivity, reduce emissions and increase productivity of agricultural and land-based industries, closely aligned to the region’s sectors and exceptional natural capital. The Dumfries-based facility is home to the Calf Research & Innovation Facility, which is focused on improving health and welfare for increased resilience, yields and longevity of dairy and beef herds.
- **Hawick Business Incubator Centre** – the facility is being created as a result of the redevelopment of a former department store into a business incubator centre. Once complete, the centre will provide space for up to 17 SMEs and start-ups, which could lead to the creation of more than 25 full time jobs. The project will complement upgrades elsewhere across the town.

### Networks and Partnerships

- **SOS Destination Alliance** – formed in 2020, the Alliance is the region’s strategic destination management and marketing organisation. The organisation is leading the delivery of a new tourism strategy supporting the best possible recovery plan for the sector and the wider economy of the SOS, with a focus on making the region a top tourism destination, through world-class visitor experiences and tourism-driven growth.
- **Creative Arts Business Network** – the network aims to develop the professional creative sector in the SB through a diverse programme of support, and to strengthen the sector by working towards longer term strategic goals. Its primary function is making connections, but the network also provides advice and support, training and development programmes, grants, whilst also backing the annual Visual Artist and Craft Maker Awards.
- **D&G Engineering and Manufacturing Forum** – this is a partnership of local businesses which aim to train and employ the SOS’s future engineers and manufacturers. It does this through upskilling local students, offering apprenticeships, providing work-based experience, driving up ambition and raising career awareness, whilst also promoting the local businesses that are already active in relevant sectors.
- **ReTweed** – this is an award-winning social enterprise based in the fishing town of Eyemouth. It offers women a new way to think about their futures by gaining the skills and experience for creative industry and enterprise whilst also producing furnishings, fashions and crafts. It runs training programmes as well as offering heritage, thrift and craft workshops to the wider community and visitors.
- **Centre of Excellence in Textiles** – based in Hawick, the SB Centre of Excellence in Textiles opened in Spring 2019, supported by the Scottish Government and SOS Economic Partnership. The aim of the programme is to deliver much needed skills back into the textile sector, improving access to skills and training in rural areas, thereby opening up new employment opportunities for people seeking a rewarding and creative career.
- **SOS Rural Skills and Entrepreneurship** – this project seeks to address gaps in the accessibility and availability of rural (land based) training across the SOS and responds to issues specific to the region. Delivered by Scotland’s Rural College, the

project is delivering two mobile learning centres equipped to deliver rural skills courses and a package of online learning materials to support the delivery of rural skills, tailored for the SOS.

- **SOS Skills and Learning Network** – the project has seen major capital investments made in the region’s further education institutions to create robust and responsive digital and physical networks. The initiative has enabled the creation of a digital learning platform and infrastructure to provide access to learning for individuals of all ages, irrespective of location, as result of the innovative partnership between Borders and D&G Colleges.
- **Hub South West Scotland** – the Hub comprises of a number of public sector organisations and private sector partners to develop innovative, sustainable and cost-effective solutions for community services and infrastructure projects across the education, health, housing and leisure sectors. The Hub achieves this through the deployment of a Skills Academy to promote social inclusion and a Supply Chain Institute, which offers an SME business improvement programme.

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