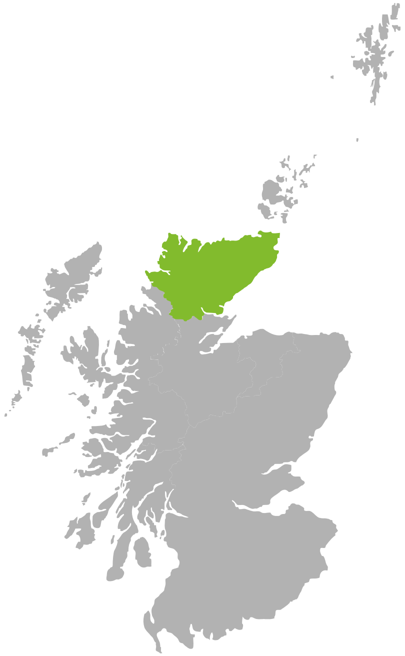
HIGHLANDS AND ISLANDS AREA PROFILES 2020 CAITHNESS AND SUTHERLAND

CAITHNESS AND SUTHERLAND: DEMOGRAPHICS AND LABOUR MARKET



PEOPLE
CAITHNESS AND SUTHERLAND

Population density of
5 PEOPLE PER SQ.KM
versus 12 regionally and 70 nationally

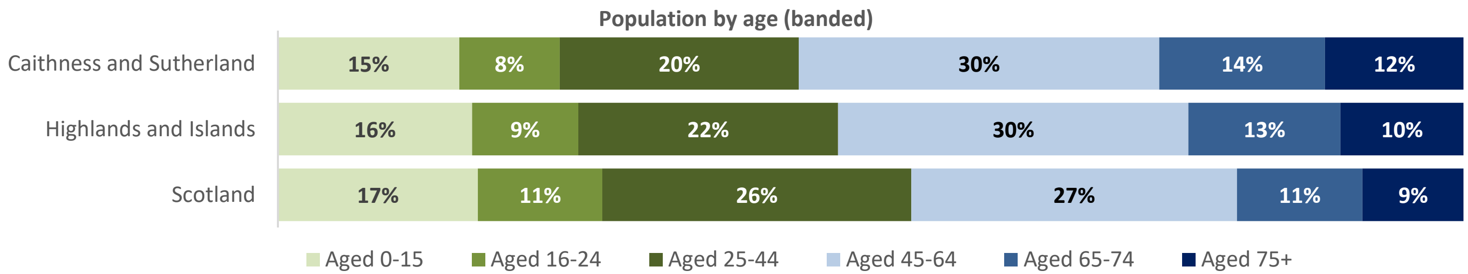
8.1%
of Highlands and Islands population

Population of
38,246
down 3.9% since 2011 compared to 0.5% increase regionally and 3.1% nationally

POPULATION PROJECTED TO DECLINE BY 2041
-21% in Caithness and -12% in Sutherland

OLDER AGE PROFILE THAN REGIONALLY AND NATIONALLY

DEPENDENCY RATIO: 69.4 VERSUS **65.5** REGIONALLY AND **56.2** NATIONALLY
(number of people aged 0-15 and 65+ per 100 people of working age):



LABOUR MARKET
CAITHNESS AND SUTHERLAND
September 2020

Employment rate:
73.0%
VERSUS **77.5%**
regionally and 73.8% nationally

Economic activity rate:
77.4%
VERSUS **79.4%**
regionally and 76.5% nationally

Self-employment rate:
8.6%*
lower than the rate regionally (11.6%) but higher than nationally (8.4%)

NOTES:
NRS Mid-year population estimates 2019
Population projections – Highland Council Corporate Plan 2019-22. Projections are based on the period 2016 to 2041
Employment, economic activity and self-employment – APS 12 months to September 2020, rates based on those aged 16-64.
*Note: estimated self-employment rate for Caithness and Sutherland is flagged as unreliable due to small sample size.
For the purposes of this report, 'regionally' refers to the Highlands and Islands

CAITHNESS AND SUTHERLAND: UNEMPLOYMENT

December 2019 to December 2020

1,190

PEOPLE UNEMPLOYED

CAITHNESS AND SUTHERLAND

rate of **5.3%** up from **3.5%**

The unemployment rate in Caithness and Sutherland increased by 1.8 percentage points between December 2019 and December 2020, lower than the growth across the region (2.4%) and nationally (2.7 percentage points). It peaked at 6.1% in July 2020.

YOUTH UNEMPLOYMENT ROSE

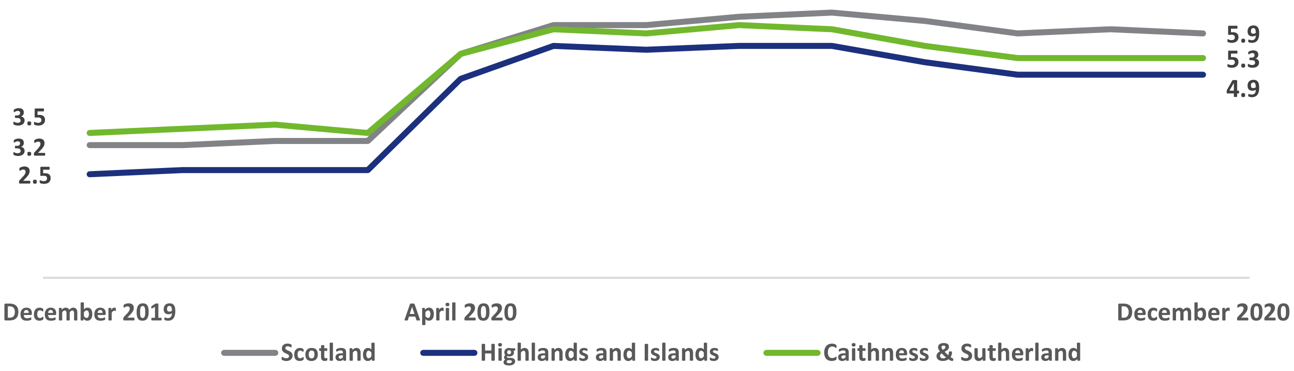
from **5.5%** to **9.0%**

Youth unemployment was 220 in December 2020, an unemployment rate of 9.0%. This was above the Highlands and Islands (7.8%) and national (8.3%) rates, suggesting significant barriers for young people wishing to enter the labour market.

Male unemployment: 6.5% up from 4.3%

Female unemployment: 4.1% up from 2.8%

Unemployment (Claimant Count) Caithness and Sutherland



UNEMPLOYMENT RATE INCREASED ACROSS ALL TRAVEL TO WORK AREAS

Wick	4.3% to 5.7%
Golspie and Brora	2.9% to 4.9%
Thurso	3.3% to 4.8%

14,300

EMPLOYMENTS FURLOUGHED IN HIGHLAND as at end December 2020

13% of eligible employments, higher than the regional and national rates (both 11%).

The number of employments furloughed is estimated to have increased from 10,400 (10% of eligible employments) at the end of November 2020.

5,700

workers in Highland have claimed the third **SELF-EMPLOYMENT INCOME SUPPORT SCHEME** grant.

Take-up of the third SEISS grant in Highland was 47%, slightly higher than across the Highlands and Islands (45%) but below the national level (54%).

NOTES:

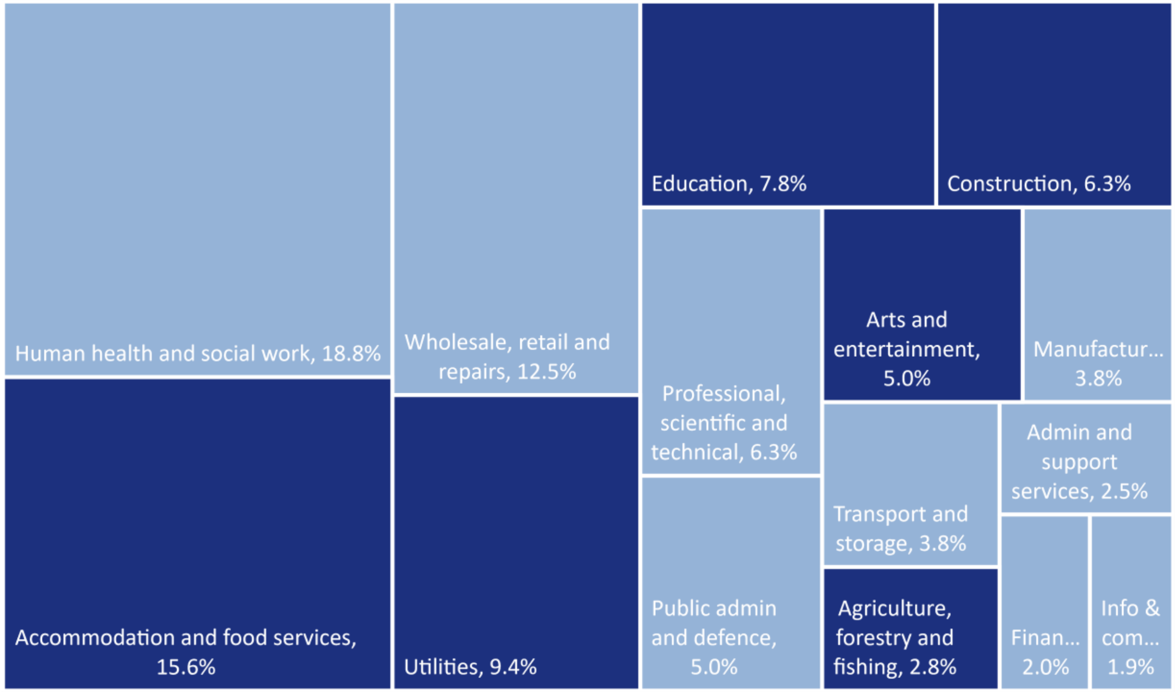
Unemployment based on claimant count. Note that enhancements to Universal Credit as part of the UK government's response to the coronavirus mean that an increasing number of people became eligible for unemployment-related benefit support, although still employed. Consequently, changes in the Claimant Count may not be due wholly to changes in the number of people who are unemployed.

Youth unemployment refers to people unemployed aged 18-24.

UK Government Coronavirus Job Retention Scheme are provisional figures for 31 December 2020. Self-employment Income Support Scheme statistics – claims for the third grant of SEISS to 31 December 2020

CAITHNESS AND SUTHERLAND: EMPLOYMENT

Employment by sector (%): Caithness and Sutherland



AFF – Agriculture, forestry and fishing; Fin... - financial and insurance;
The Treemap represents total employment in the area, with the size of box for each sector relative to its share of employment in the area.
Dark blue shading indicates sectors with a greater share of employment than nationally.

The top 3 employment sectors in Caithness and Sutherland: human health & social work (18.8%); accommodation & food services (15.6%) and wholesale and retail (12.5%). Together they account for around 7,500 jobs

In Caithness and Sutherland:

6,900 people are employed in the sectors most exposed to the economic effects of COVID-19[2]

43% of total employment – higher than the Scottish average (38%) and regional rates (41%)

The sectors in Scotland hardest hit to date by COVID-19 and still facing significant restrictions include accommodation and food services and arts, entertainment and recreation. These sectors have the lowest shares of businesses currently trading and higher than average rates of staff on furlough.

Caithness and Sutherland is more reliant on accommodation and food services (15.6%) than across the region overall (11.8%) and nationally (8.2%)

The area has a slightly higher share of employment in arts, entertainment and recreation at 5.0% versus 4.1% regionally and 4.4% in Scotland

In Caithness and Sutherland[4]:

88.4% of private sector registered businesses are micro (0-9 employees)
compared to 86.4% regionally and 87.1% nationally

SMEs account for a higher share of private sector employment (75.4%)
than regionally (67.6%) and nationally (50.6%)

There is evidence to suggest SMEs are at a greater financial risk from COVID-19 than larger private organisations or public bodies[5]. The dominance of micro businesses and higher share of employment in SMEs indicates a greater impact of COVID-19 on Caithness and Sutherland than across the region and Scotland overall.

At the same time, these businesses are the ones that are most flexible and potentially able to respond to the challenge.

NOTES:

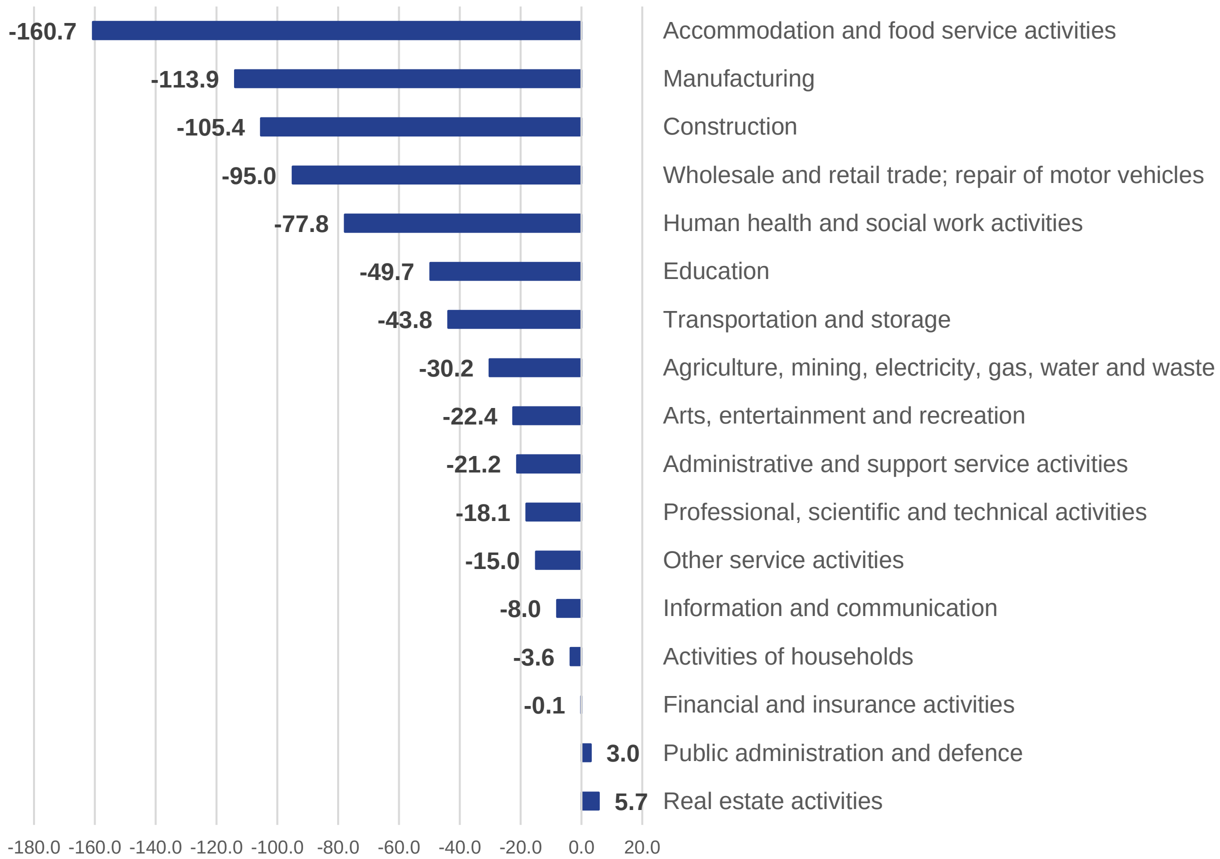
1. Employment data: BRES 2019. Based on employment. *Note analysis for Caithness and Sutherland excludes farm agriculture. Total employment in Caithness and Sutherland is 16,000
2. Scottish Government analysis of sectors most exposed to COVID-19 – June monthly economic brief and equivalent analysis based on BRES 2019
3. Scottish Government BICS weighted Scotland estimates
4. Number of businesses and employment by size of business: IDBR 2019 - analysis is based on private sector (VAT and/or PAYE) registered enterprises only
5. The Impact of Covid-19 on Scottish Small and Medium-Sized Enterprises, 25 June 2020, Fraser of Allander

CAITHNESS AND SUTHERLAND: GVA IMPACTS*

GVA in Highland is estimated to fall by 11.7% in 2020 to £5.7bn

compared to a decline of 10.7% nationally and 11.7% regionally under this method**

Est. change in output (GVA, £m) by sector, 2019 to 2020, Highland



HIGHLAND GVA ESTIMATED TO DECLINE BY £756m IN 2020

Across Highland, accommodation and food service activities (down £160.7m), Manufacturing (down £113.9m), and Construction (down £105.4m) are expected to see the largest declines in absolute terms

Some of the sectors expected to be hardest hit have a greater concentration of employment in Caithness and Sutherland

Accommodation and food services (1.4) and Construction (1.2) each have a location quotient above 1, signifying a higher concentration of employment across these sectors in Caithness and Sutherland than nationally

This suggests that GVA across these two sectors may be particularly negatively impacted in Caithness and Sutherland

There is a considerable degree of uncertainty, especially in relation to further waves of COVID-19 and associated restrictions and how these may impact disproportionately on certain sectors.

NOTES:
*GVA estimates are not available for Caithness and Sutherland therefore figures for Highland Council area have been presented

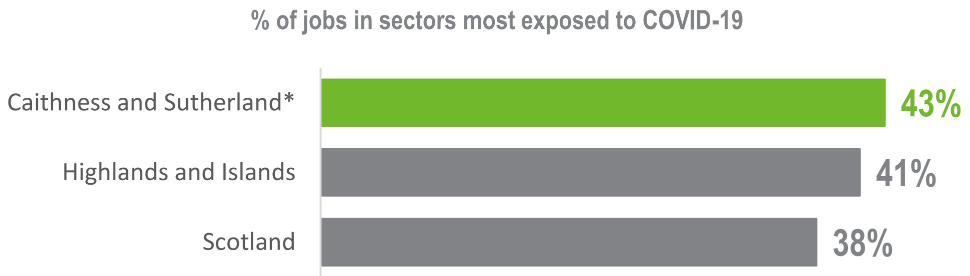
**Latest published data on GVA by local authority is for 2018. An adjustment has been made to this to estimate 2019 GVA. The decline between 2019 and 2020 is based on ekosgen modelling of the reduction in GVA at Scottish level by sector and projected onto the business base for each sub-region and sector. Trends for January – May 2020 are assumed to be replicated for the remaining 7 months of the year.

Sources: Scottish Government (2020) GDP Monthly Estimate, Scotland: May 2020; ONS (2019) Regional gross domestic product local authorities, 2018 data; ONS (2019) Regional gross domestic product all NUTS level regions

CAITHNESS AND SUTHERLAND: VULNERABILITY INDICES

EMPLOYMENT EXPOSURE:

Measures share of jobs in most exposed sectors (manufacturing, construction, retail and wholesale, accommodation and food services, arts, entertainment and recreation)



The share of jobs in sectors most exposed to COVID-19 in Caithness and Sutherland* is higher than the regional and national average

JOBS AT RISK:

Analysis based on estimated share of jobs furloughed by sector in April 2020

Local Authority	Jobs at Risk (%)	Scotland Rank
Argyll and Bute	32%	1
Highland	29%	3
Orkney	28%	4
Moray	27%	10
Shetland	27%	13
Na h-Eileanan an Iar	26%	18

Highland is ranked 3rd out of Scotland's 32 local authorities for jobs at risk

The rural nature of Caithness and Sutherland and its dependence on tourism mean it's jobs are likely at greater risk than those in other parts of Highland

BREXIT VULNERABILITY:

Identifies areas of Scotland that are expected to be most vulnerable to Brexit based on access to services, share of working age population, income deprivation, population change, workers in Brexit sensitive industries, EC Payments (CAP and ESF/ERDF) and EU worker migration

COVID-19 is compounding vulnerability already presented by Brexit, which affects rural areas disproportionately. Highland is ranked 5th out of Scotland's 32 local authorities in terms of Brexit vulnerability

In Caithness and Sutherland, 55% of communities at datazone level are within the 20% most vulnerable communities to Brexit in Scotland, higher than the proportion across Highland and regionally (both 43%)

COVID-19 COMMUNITY VULNERABILITY:

Measure is based on available demographic, social and clinical indicators to show the vulnerability of a geographical area to health and care systems and socio-economic impacts.

Highland is ranked 19th out of Scotland's 32 local authorities in terms of combined community vulnerability score, with Caithness and Sutherland more vulnerable still

20% of the population of Caithness and Sutherland live in datazones within in 20% most vulnerable in Scotland, higher than the proportion across Highland (15%) and regionally (14%)

NOTES:

Scottish Government analysis of sectors most exposed to COVID-19 – June monthly economic brief and equivalent analysis BRES 2019. *Note, analysis for Caithness and Sutherland excludes employment in farm agriculture from total employment base

Jobs at risk – Royal Society for the encouragement of Arts, Manufactures and Commerce (RSA) analysis of the Business Impact of Coronavirus Survey, 27th April 2020

Brexit Vulnerability Index – Scottish Government

ScotPHO COVID-19 Community Vulnerability Index Based on demographic, social and clinical indicators relevant either directly to COVID-19 or to socio-economic factors that are likely to modify the impacts of the pandemic and efforts to delay it. Rank is the overall Combined Vulnerability Score rank, and the percentage is the (weighted) population in datazones in the lowest 20% quintile combined vulnerability

CAITHNESS AND SUTHERLAND: SUMMARY

Caithness and Sutherland has experienced high levels of population and working age population decline. It has one of the oldest age structures in Scotland with a dependency ratio of 69.4

Claimant count unemployment rate was 5.3% in December 2020. While the increase in unemployment from December 2019 was slightly lower than regionally and nationally, the number of people that are unemployed or employed and on low income and/or low hours has still increased significantly. Across Scotland, unemployment is expected to rise further as the furlough scheme ends.

Caithness and Sutherland is likely to be harder hit than the Scotland and regional average given:

- Expected GVA decrease of -£756m across Highland in 2020, a decline of 11.7%, in line with the regional average (11.7%) but higher than the national level (10.7%).
- A higher share of employment in the five sectors[1] most exposed to COVID-19 overall compared to the Highlands and Islands and national average, specifically a higher share of employment in accommodation and food services (15.6% compared to 11.8% regionally and 8.2% nationally) and arts, entertainment and recreation (5.0% versus 4.1% regionally and 4.4% in Scotland)
- Its higher share of micro-businesses and employment in SMEs (75.4%) compared to 67.6% regionally and 50.6% nationally
- Its existing vulnerability to Brexit (55% of communities at datazone level in Caithness and Sutherland are within the 20% most vulnerable communities to Brexit in Scotland compared to 43% regionally)

NOTES:
1. Accommodation and food services, Construction, Manufacturing, Wholesale, retail and repairs, arts entertainment and recreation