

Caithness & Sutherland Economic Update / September 1997

Highlights

- Over the period 1991 to 1995 the population of the CASE area fell by 1.6% to stand at an estimated 39,240.
- The population of the CASE area continues to be slightly older than the HIE area average, with 3% more being aged 45 plus.
- Outward civilian migration between 1991 and 1995 exceeded inward migration - the only LEC area where this has occurred.
- Despite seasonal fluctuations, the unemployment rate in the Thurso and Wick TTWAs is falling, mirroring the HIE area trend. The trend in Sutherland has been one of increasing unemployment, but this is now beginning to stagnate.
- Since 1991, Female unemployment has steadily, but slowly, declined, whereas Male unemployment grew until 1994, but has followed a declining trend since.
- Long Term Unemployed as a proportion of Total Unemployed has decreased in the last year, although at a relatively slower rate than elsewhere in the HIE area.
- Female youth unemployment is concentrated in Wick, and youth long term unemployment is more of a problem in Wick and Thurso than in Sutherland.
- Employment in Sutherland is dominated by the service sector, particularly tourism related employment, while a more broad based economy is characteristic of Caithness.
- Between 1994 and 1995 there has been a slight growth in the number of VAT registered companies, particularly within Sutherland.

Introduction

The Economic Update for the Caithness and Sutherland Enterprise area aims to provide demographic and economic information on the local area. The defined area includes all of Sutherland and Caithness, covering a total of 7,800 sq km.

A variety of data sources have been used in preparing the update, including the General Registrar Office Mid Year Population Estimates, the 1995 Annual Employment Survey, and the Office for National Statistics.

The update considers recent population trends, the employment structure, the issue of unemployment, both duration and age, and finally, business trends, using VAT registrations as a proxy for new

business growth in the area. Where possible, a distinction is made between the two districts of Caithness and Sutherland, recognising the different economies of each.

Population

Population Change

The population of the CASE area fell between 1991 and 1995 by 1.6%, to stand at 39,240 (5 persons per sq km). Should this rate of decline continue till the end of the decade, a fall of 3.2% is projected. Such a loss will be greater than experienced between 1981 and 1991, when the population fell by 2.6%.

Population loss is not, however widespread throughout the CASE area. Table 1 below illustrates that the population in Sutherland has actually grown slightly over the period, but not enough to offset the marked decline in Caithness. The net effect contrasts with the HIE area as a whole where the population increased by 1% over the period 1991 to 1995.

TABLE 1: RESIDENT POPULATION

	1991	1995	Δ 1991 - 1995	% Δ 1991 - 1995
Caithness	26,710	26,060	-650	-2.4
Sutherland	13,170	13,180	+10	+0.08
CASE Area	39,880	39,240	-640	-1.6
HIE Area	369,232	372,788	+3,556	+1.0
Scotland	5,107,000	5,136,600	+29,600	+0.6

Source: General Registrar Office (GRO)

Components of Population Change

The population change estimates given by the GRO are broken down into three component parts: net civilian migration (the balance of in-migration over out-migration), natural change (the balance of births over deaths) and other change. The table below shows the components of population change.

TABLE 2: COMPONENTS OF POPULATION CHANGE 1991 - 1995

Area	Δ in Numbers	Net Civilian Migration	Natural Δ	Other Δ*
Caithness	-650	-262	12	-400
Sutherland	10	217	-207	0
CASE Area	-640	-45	-195	-400
HIE Area	3,556	6,739	-157	-3,111

Source: GRO * Includes movement of armed forces.

The outward migration in Caithness is the main cause of overall population loss from the CASE area. It is assumed that the downturn in activity at UKAEA, Dounreay is the main cause of depopulation in Caithness. In comparison with the other nine Local Enterprise Company areas, CASE is the only one to have greater outward migration than inward migration.

Age Structure

The table and chart below illustrate the age distribution of the population within the CASE area. As a proportion of the total population, the younger population has been in decline since 1981, while the older generation has increased. This trend mirrors that of the HIE area as a whole. There is, however, a greater proportion of people aged 45+ in the CASE area than in the HIE area (43.4% c.f. 40.4%).

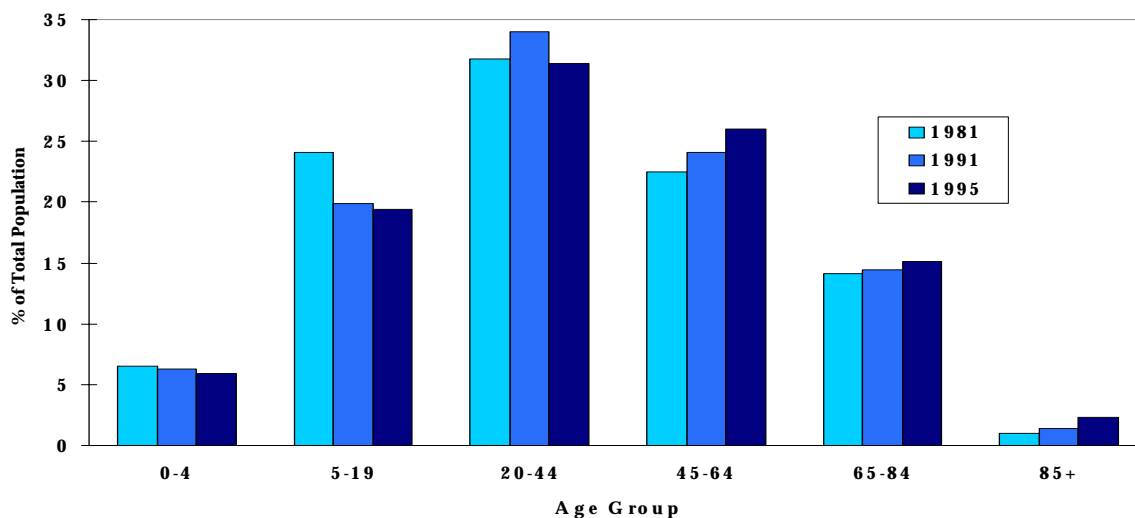
TABLE 3: RESIDENTS BY AGE (% of total)

Age Group	1981	1991	1995	1995 HIE
0-4	6.5	6.3	5.9	6.2
5-19	24.1	19.9	19.4	19.5
20-44	31.8	34.0	31.4	34.0
45-64	22.5	24.1	26.0	24.3
65-84	14.1	14.4	15.1	14.3
85+	1.0	1.4	2.3	1.8

Source: GRO

The chart below further illustrates an ageing population in the CASE area.

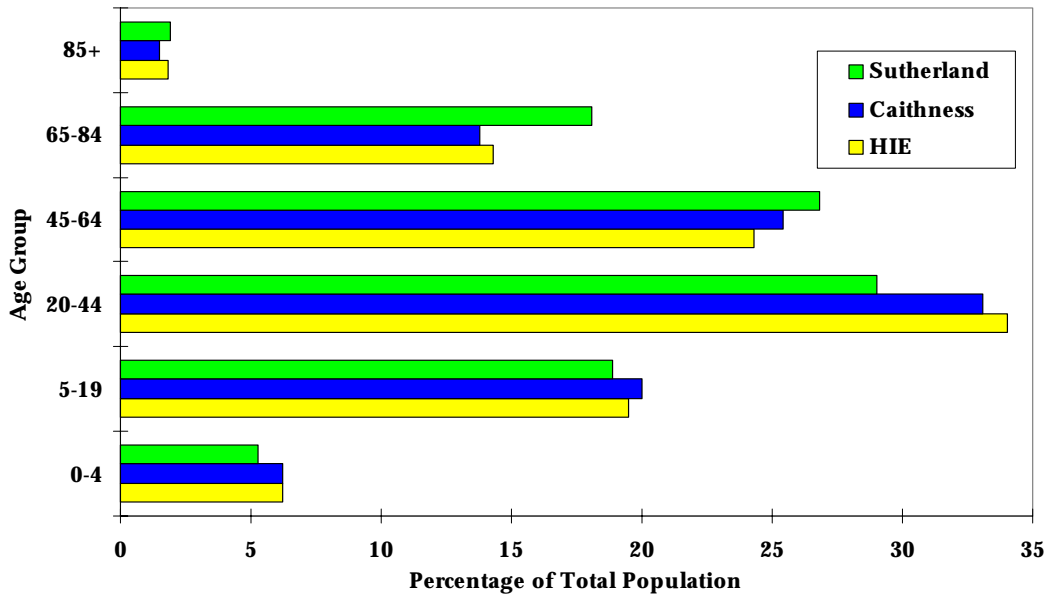
Figure 1: Age Distribution in the CASE Area



Source: 1981,1991 Census of Population, 1995 GRO Mid-Year Estimate

Although the population of the CASE area appears to be ageing, analysis by district illustrates a younger population in Caithness compared with Sutherland. Figure 2 below illustrates a greater proportion of the population below age 44 in Caithness than in Sutherland and *vice versa* for the population aged 44 plus.

FIGURE 2: AGE DISTRIBUTION IN CAITHNESS, SUTHERLAND AND THE HIE AREA, 1995



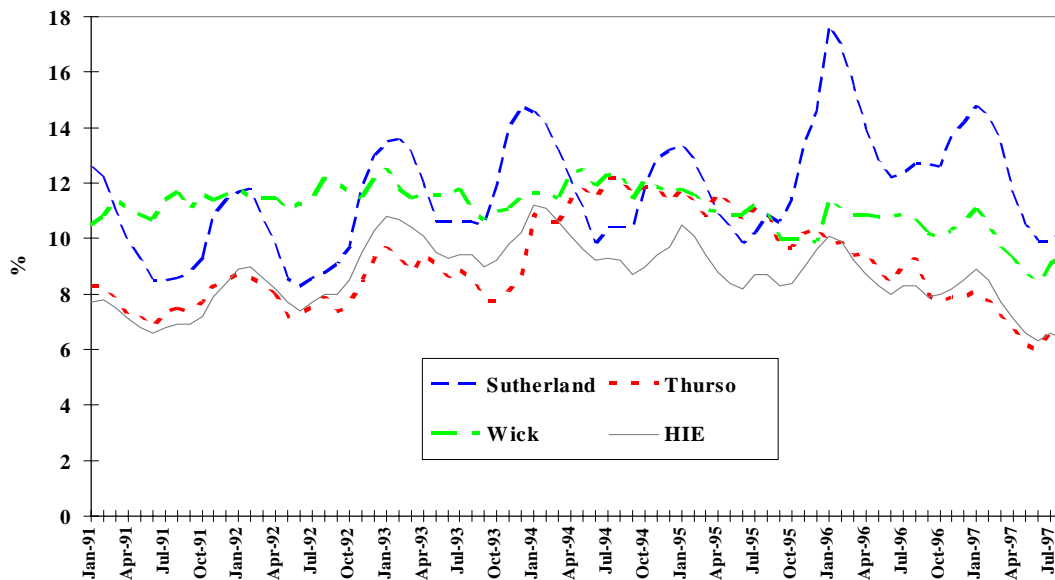
Source: 1995 GRO Mid-year Estimate

Labour Market

Unemployment

There are three official Travel To Work Areas (TTWAs) in the CASE area, namely Sutherland, Thurso and Wick. Figure 3 below illustrates the variation in unemployment rates between the different TTWAs, and how they compare with the HIE area average.

FIGURE 3: UNEMPLOYMENT RATES OF CASE TTWAs



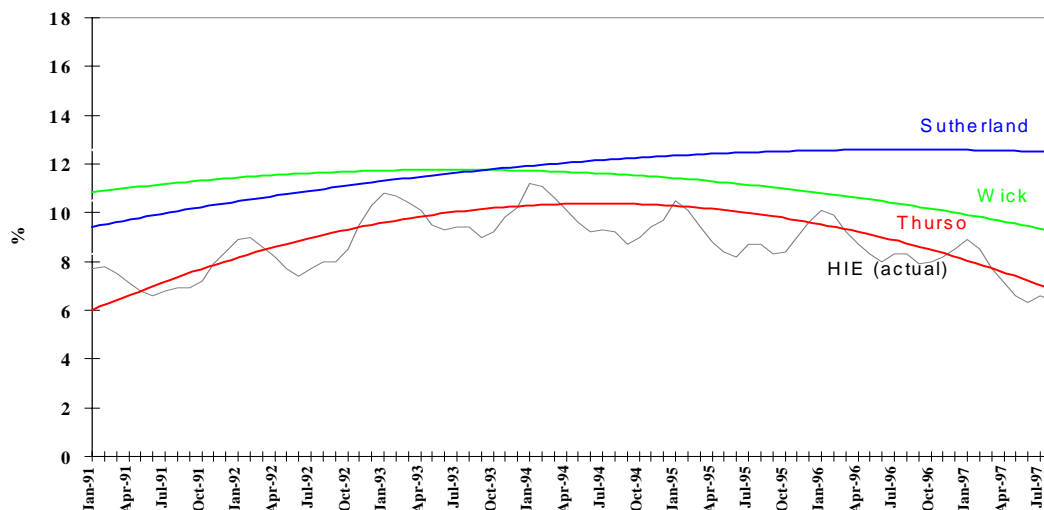
Source: ONS (NOMIS)

As the graph shows, over the period January 1991 to August 1997 the unemployment rate in the Wick and Sutherland TTWAs has consistently been above that of the HIE area. A seasonal unemployment

pattern is particularly evident in the Sutherland TTWA where as expected, the unemployment rate increases throughout the winter months, reaching a peak around January, and then falls steeply downwards during the summer tourism season.

The figure below illustrates the trend in unemployment rates for the three TTWAs. While an encouraging downward trend is now exhibited by Wick and Thurso, following the HIE trend, the unemployment rate in Sutherland is only now beginning to level out.

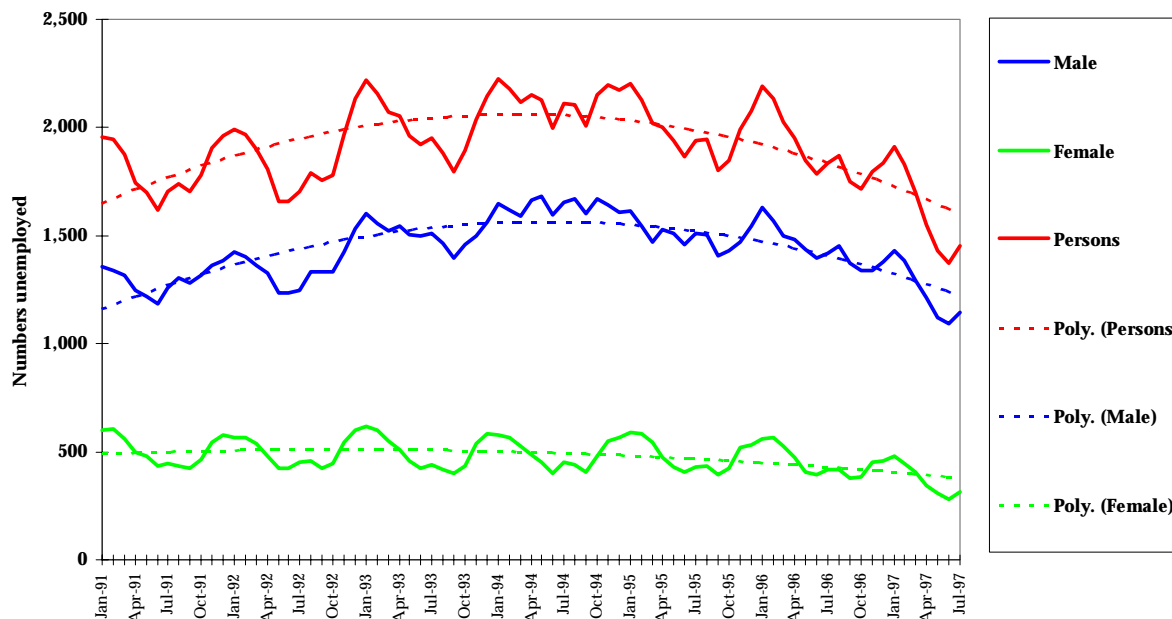
FIGURE 4: TREND IN UNEMPLOYMENT RATES



Source: ONS (NOMIS)

Female unemployment has shown a very slight decrease since 1991 (Figure 5). Male unemployment, however, grew until July 1994, but has fallen quite steadily since. Female unemployment tends to be more seasonal than male, reflecting seasonal tourism employment.

FIGURE 5 : NUMBERS OF UNEMPLOYED IN THE CASE AREA



Source: ONS (NOMIS)

Long Term Unemployment

Long term unemployment, taken as more than 26 weeks (or six months), is a significant problem in the CASE area, particularly those unemployed for more than one year. At 40.2% of total unemployment, this is the worst of all LEC areas. As a proportion of total unemployment, long term unemployment is generally decreasing in the HIE area, yet the decline in the CASE area is relatively slow.

Table 4 illustrates the number of people unemployed between 6 months and 1 year, and those unemployed for more than 1 year. The table is ranked by the extent of the change between 1996 and 1997 in the number of those unemployed for more than 1 year.

TABLE 4: DURATION OF UNEMPLOYMENT BY LEC AREA JULY 1997

	26 to 52 weeks			More than 52 weeks		
	No. Unemployed	% of total	% Δ 1996-97	No. Unemployed	% of total	%Δ 1996 - 97
Inverness & Nairn	431	17.3	-34.2	633	25.4	-34.1
Moray, Badenoch & Strathspey	342	13.7	-47.3	547	21.9	-33.2
Ross & Cromarty	300	14.6	-35.5	497	24.1	-26.4
Argyll & the Islands	298	15.7	-38.6	665	34.9	-24.8
Orkney	48	13.7	-36.8	102	29.1	-22.7
Lochaber	76	19.1	-42.4	100	25.1	-22.5
Caithness & Sutherland	240	16.5	-29.2	585	40.2	-18.3
Skye & Lochalsh	98	25.8	-6.7	113	29.7	-14.4
Western Isles	184	14.5	-15.6	399	31.4	-10.1
Shetland	66	16.5	-34.7	76	19.0	0.0

Source: Office for National Statistics (NOMIS)

Within the CASE area, long term unemployment is more of a problem in Sutherland at 63.2% of total unemployment (July 1997) compared with 52.9% in Caithness. Caithness is also experiencing a more rapid decline in the proportion of long term unemployed. While this may be due to an increase in employment opportunities, it is quite likely that the problem is being exported, along with the declining population. The problem is also more pronounced in males than in females, although still significant in the latter.

Youth Unemployment

In the CASE area, youth unemployment (less than 25 years of age), particularly female youth unemployment, is concentrated around Wick and Thurso TTWAs.

TABLE 5: YOUTH UNEMPLOYMENT AS A % OF TOTAL UNEMPLOYMENT JULY 1997

	Male	Female	All
Wick	22.0	35.6	22.0
Thurso	16.6	32.4	19.9
Sutherland	17.2	18.3	17.5

Source: Office for National Statistics (NOMIS)

Schemes such as "NOW" and the "Wick Unemployed Peoples" Project are designed and delivered by the LEC to tackle such problem areas.

While Long Term Unemployment features significantly in the CASE area, the extent of the Youth Long Term Unemployment is slightly less prominent. Young people tend to be more mobile and are likely, therefore, to leave the area in search of employment.

TABLE 6: YOUTH LONG TERM UNEMPLOYMENT JULY 1997

	26 to 52 weeks			More than 52 weeks		
	Total LTU	Youth	% of Total	Total LTU	Youth	% of Total
Inverness & Nairn	431	123	28.5	633	90	14.2
Shetland	6	11	16.7	76	9	11.8
Argyll & the Islands	298	66	22.1	665	74	11.1
Moray, Badenoch & Strathspey	342	94	27.5	547	58	10.6
Caithness & Sutherland	240	43	17.9	585	56	9.6
Ross & Cromarty	300	89	29.7	497	47	9.5
Lochaber	76	16	21.1	100	8	8.0
Western Isles	184	28	15.2	399	30	7.5
Skye & Lochalsh	98	21	21.4	113	6	5.3
Orkney	48	10	20.8	102	5	4.9

Source: Office for National Statistics (NOMIS)

Within the CASE area, however, Wick remains the main problem area with almost 15% of its long term unemployed being under 25 years of age. This compares with 11% and 10% for Sutherland and Thurso respectively.

Employment

Employment in the CASE area is quite different between the two districts. Caithness has a much broader economy and the population is more economically active than Sutherland. The total number of employees in employment in Caithness is 8,860 (rounded to the nearest 10) which is almost 60% of the population aged 20 - 64, while Sutherland has 3,100 employees in employment, representing 42% of the same age group.

The table below illustrates the proportion of these employees in each of the different industries.

TABLE 7: EMPLOYMENT BY INDUSTRY 1995

Industry	Caithness		Sutherland		CASE Area		HIE Area	
	No.	%	No.	%	No.	%	No.	%
Agric/fishing	20	0.2	120	3.9	140	1.2	6734	4.4
Energy; water	40	0.5	20	0.6	60	0.5	2160	1.4
Manufacturing	950	10.7	130	4.2	1080	9.0	17708	11.6
Construction	500	5.6	160	5.2	660	5.5	10381	6.8
Distribution, hotels, restaurants	193	21.8	101	32.6	2940	24.6	40539	26.5
Transport & communications	0		0					
Banking, finance and insurance	370	4.2	110	3.5	480	4.0	8458	5.5
Public admin, educn,health	192	21.7	320	10.3	2240	18.7	16319	10.7
Other Services	271	30.6	970	31.3	3680	30.8	43061	28.2
Total	430	4.9	250	8.1	680	5.7	7427	4.9
	886	100.	310	100.	1196	100.	15278	100.
	0	0	0	0	0	0	7	0

Source: 1995 Annual Employment Survey (NOMIS)

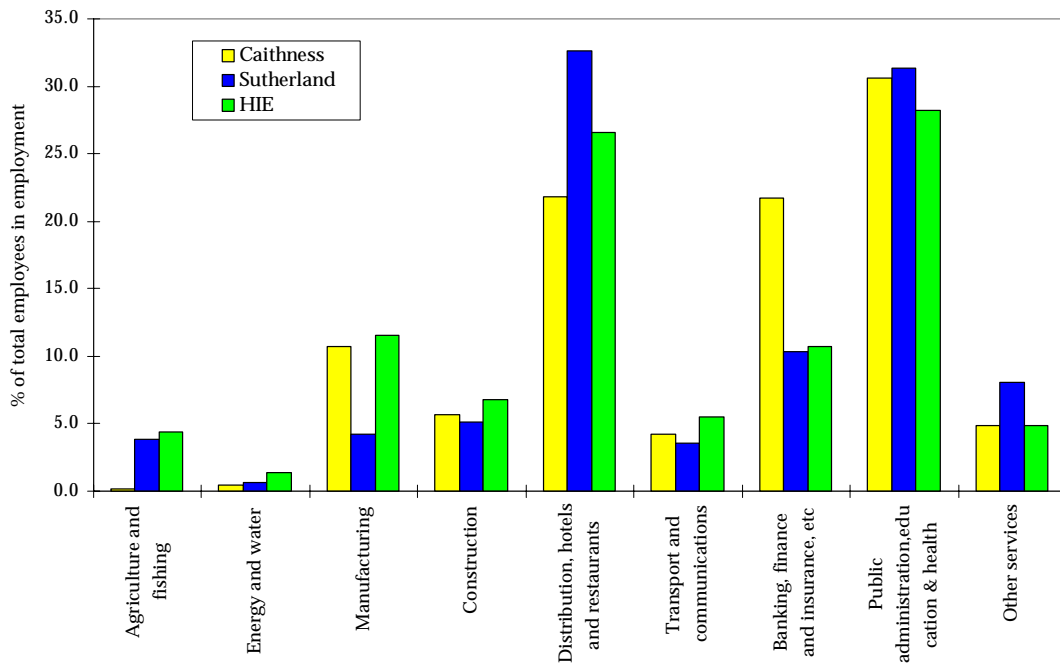
Notes: HIE includes all of MBSE i.e including SE part.

Figures for Caithness, Sutherland and CASE area are rounded to the nearest 10 for confidentiality reasons.

In comparison with the HIE area, primary sector employment represents a smaller proportion of total employment in Caithness, while in Sutherland the dependence upon such employment is greater. Sutherland is also more dependent upon tourism related employment, public sector, and other services. Development of the Carnegie Club at Skibo Castle has enhanced the tourism product in Sutherland, particularly the top end of the market, and the Assynt Field Centre at Inchnadamph has helped to increase the range of tourism-related activities. While the proportion of employment in manufacturing is low in Sutherland, there are a number of important companies such as Hunters of Brora and Lochinver Pottery providing employment in relatively remote areas.

Manufacturing in Caithness is significant in employment terms. A number of relatively large scale manufacturing companies are based in Caithness (e.g. Norfrost at Castletown, Caithness Glass at Wick) together employing almost 1,000 people. Figure 6 below also illustrates a greater proportion of employment in Banking, finance, insurance etc in Caithness compared with Sutherland and the HIE area as a whole. Included within this classification, are employers such as UKAEA (research and development, industrial cleaning, engineering activities etc), and BT/Manpower Call Centre (labour recruitment and provision of personnel).

FIGURE 6: EMPLOYEES IN EMPLOYMENT BY INDUSTRY 1995



Source: 1995 Annual Employment Survey (NOMIS)

Excluded from the above employment analysis is the self-employed. Over the period 1981 - 1991 the number of self-employed people in the CASE area rose by 24%. While more recent statistics are not available, self-employment still features significantly within the economic structure of the CASE area, particularly in the primary sector.

Business Trends

Table 8 depicts companies registered for VAT, and the net percentage change over the previous year. This takes account of company registrations and deregistrations within each industrial sector in the economy of Caithness and Sutherland. The current VAT threshold level is £45,000.

In CASE area as a whole, there has been a small growth in the stock of VAT registered companies between 1994 and 1995.

Caithness, however, appears to be suffering from a lack of business growth. More firms de-registered than those that registered. It should be noted, however, that this does not necessarily mean business failure. Businesses' turnover may fall below the VAT threshold, and thus enable them to de-register.

In Caithness, the transport and communications sector was the main area of decline, whereas in Sutherland, this sector experienced the greatest increase. The number of VAT registered businesses in Sutherland grew by 2.0% between 1994 and 1995. The growth in the primary sector is possibly due to more self-employed contractors, particularly in forestry and agriculture.

TABLE 8: CHANGES IN VAT REGISTERED COMPANIES 1995

Industry	Caithness		Sutherland	
	VAT Registered Businesses	Net % Change 1994 - 1995	VAT Registered Businesses	Net % Change 1994 - 1995
Agr, For, Fishing	620	-0.8	325	4.6
Mining, energy/water	5	0.0	0	0
Manufacturing	70	-7.1	35	0
Construction	95	0.0	90	-5.6
Wholesale & retail	220	0.0	130	0.0
Hotels & restaurants	65	0.0	70	0.0
Transport & communications	30	-16.7	20	25.0
Finance	0	0.0	0	0.0
Real Estate	50	0.0	40	-12.5
Public admin, other services	40	0.0	30	16.7
Education, health & social work	5	0.0	5	0.0
Total	1,200	-1.3	745	2.0

Source: Office for National Statistics (NOMIS)

Note: All figures have been rounded to the nearest 5.

If Network staff have any queries regarding this Economic Update, or any further economic queries, please contact HIE Network Strategy:-

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