

Highlands and Islands Enterprise Area Economic Update / November 1999

Key Points

- Population growth over the period 1991 to 1998 was 0.3% in the Highlands & Islands Enterprise area (HIE) and Scotland. It is projected that the HIE population will continue to grow, but that the Scottish population will decline.
- The population of the HIE area is marginally older than the Scottish average.
- Population growth in the HIE area is attributable to a high level of civilian in-migration, although the movement of armed forces from the area has reduced the rate of growth.
- In July 1999 the unemployment rate was 5%, which was 0.7 percentage points below the Scottish rate. As a consequence of seasonality, only 40% of the unemployed have been so for over 6 months.
- Two fifths of employees in the HIE area are employed within the primary, construction and tourism sectors compared to less than one third in Scotland.
- Almost half of employees in the HIE area work in companies employing less than 25 people, compared to one third of Scottish employees.
- During 1998 there were 5.5 new business start-ups per 1,000 population in the HIE area, the rate for the rest of Scotland was 4.4.
- In 1998, the average gross weekly wage in the HIE area was £319.40, compared to £350.30 and £384.50 in Scotland and GB, respectively.
- The 1996 gross domestic product (GDP) per capita in the HIE area was equal to 78% of the UK GDP per capita. GDP per capita for 1994 to 1996 was 76% of the EU average.

Introduction

This update provides a profile of the economic and demographic structure of the Highlands & Islands Enterprise area. The information has been collated primarily from the Office for National Statistics (ONS) and the General Register's Office for Scotland (GRO(S)), but also incorporates available data from the Committee of Scottish Clearing Bankers. The most recent available data has been used in most cases, however, upto date unemployment data is available monthly in the Unemployment Digest. Unless otherwise stated, Moray, Badenoch & Strathspey (MBSE) data comprise the whole LEC area, while the HIE figures include only the HIE part of MBSE.

Population

The Highlands and Islands Enterprise area has a total land area of 39,050 sq km covering almost half of Scotland. As table 1, below, highlights, the population of the HIE area in 1998 was just over 370,000, resulting in a population density of 9.5 persons per sq km thus making the area one of the most sparsely populated parts of the European Union (the EU average is 116 persons per sq km). Within the HIE area population density varies from 4.4 persons per sq km in Skye & Lochalsh to 24 persons per sq km in Inverness & Nairn. There are more than 90 inhabited Islands on which 28% of the HIE population reside.

TABLE 1 RESIDENT POPULATION

	1998	Change 1991-1998	% Change 1991-1998	Population Density, (persons per sq km) 1998
HIE Area	370,376	1,058	0.3	9.5
Scotland	5,120,000	13,000	0.3	65.5

Source: GRO(S)

In line with the Scottish trend, the population of the HIE area has grown by 0.3% over the period 1991 to 1998. According to the GRO estimates population growth in the HIE area has slowed down since 1995 (the HIE population grew by one percent between 1991 and 1995).

Area Distribution

The overall population trend in the HIE area has been a positive one however there is significant variation within the area.

TABLE 2 POPULATION CHANGE 1991-1998 BY LEC AREA AT 30 JUNE EACH YEAR

LEC Area	Population		Change 1991 to 1998	% change 1991 to 1998	Proportion of HIE Population
	1991	1998			
Argyll and the Islands	71,500	69,015	-2,485	-3.5	18.6
Caithness and Sutherland	39,880	38,810	-1,070	-2.7	10.5
Inverness and Nairn	73,090	75,940	2,850	3.9	20.5
Lochaber	19,310	19,620	310	1.6	5.3
Moray, Badenoch & Strathspey*	33,198	33,971	773	2.3	9.2
Orkney	19,560	19,550	-10	-0.1	5.3
Ross & Cromarty	49,100	50,640	1,540	3.1	13.7
Shetland	22,540	22,910	370	1.6	6.2
Skye & Lochalsh	11,740	11,980	240	2.0	3.2
Western Isles	29,400	27,940	-1,460	-5.0	7.5
HIE Area Total	369,318	370,376	1,058	0.3	100.0

Source: GRO (S)

Note: * Excludes the SE part of MBSE. In 1998 the population of entire MBSE area was 97,180.

Over the years 1991 to 1998 the LEC areas situated around the Inner Moray Firth have experienced dramatic growth in population numbers. The population of Inverness and Nairn grew by almost 4%, with Ross and Cromarty increasing by over 3%. However, population decline was experienced on the northern mainland and the fragile west coast & Islands. There has been significant population decline in the Western Isles (a fall of 5%) and Argyll & the Islands (reduced by 3.5%).

Population projections (produced by GRO (S)) indicate that the population of the HIE area will increase by one percent over the years 1996 to 2013. In contrast, the Scottish population is expected to decline by 1.6%. The main areas of growth in the HIE area are Highland region and the Orkney

Islands, which are projected to grow by 3.6% and 2.2%, respectively. Further population decline is projected for the Western Isles, almost 8% between 1996 and 2013, based on current trends.

Components of Population Change

Population growth and decline is the result of a variety of factors: net civilian migration (the balance of in-migration over out-migration), natural change (the balance of births over deaths) and other change, which includes the movement of armed forces. Table 3 shows the breakdown of population change across the HIE area.

TABLE 3 COMPONENTS OF POPULATION CHANGE 1991-1998

	Change in Numbers	Natural Change	Net Civilian Migration	Other Change*
Argyll & the Islands	-2,485	-1,119	622	-1,988
Caithness & Sutherland	-1,070	-448	-222	-400
Inverness & Nairn	2,850	939	2,011	-100
Lochaber	310	130	180	0
Moray Badenoch & Strathspey	773	221	621	-69
Orkney Islands	-10	-89	79	0
Ross & Cromarty	1,540	444	1,096	0
Shetland Islands	370	290	100	-20
Skye & Lochalsh	240	-93	333	0
Western Isles	-1,460	-959	-281	-220
HIE	1,058	-684	4,539	-2,797
Scotland	13,000	6,957	13,801	-7,758

Source: GRO (S)

* Includes changes in the number of armed forces stationed in Scotland

** Estimate for Argyll and the Islands LEC area, based on the changes experienced in Argyll & Bute

*** HIE part of MBSE only

Population growth in the HIE area is attributed to a high level of civilian in-migration. However, there has been considerable movement of armed forces away from the area, primarily in Argyll & the Islands where the run down of the Holy Loch base led to the relocation of many U.S. military personnel. Civilian in-migration was most notable in the LECs around the Inner Moray Firth as was positive natural change. In contrast, Caithness & Sutherland and the Western Isles, are both experiencing a high number of deaths over births and also significant out-migration.

Age Structure

Table 4 compares the age structure of the HIE population in 1991 with 1998, and also examines the age structure of the 1998 Scottish population. Between 1991 and 1998 the population of the HIE area has aged slightly. The proportion of population aged over 45 years has increased by 3.6 percentage points. However, the most notable movement was the reduction in the 20 to 44 year age band (down 2.4 percentage points) and the increase in the 45 to 64 year age band (plus three percentage points).

TABLE 4 DISTRIBUTION OF POPULATION BY AGE, HIE AND SCOTLAND
(as a percentage of total population)

Age Group	HIE 1991	HIE 1998	Scotland 1998
0-4	6.4	5.8	5.9
5-19	20.2	19.6	19.0
20-44	35.1	32.7	36.6
45-64	22.5	25.5	23.2
65-84	14.3	14.6	13.7
85+	1.6	1.9	1.6

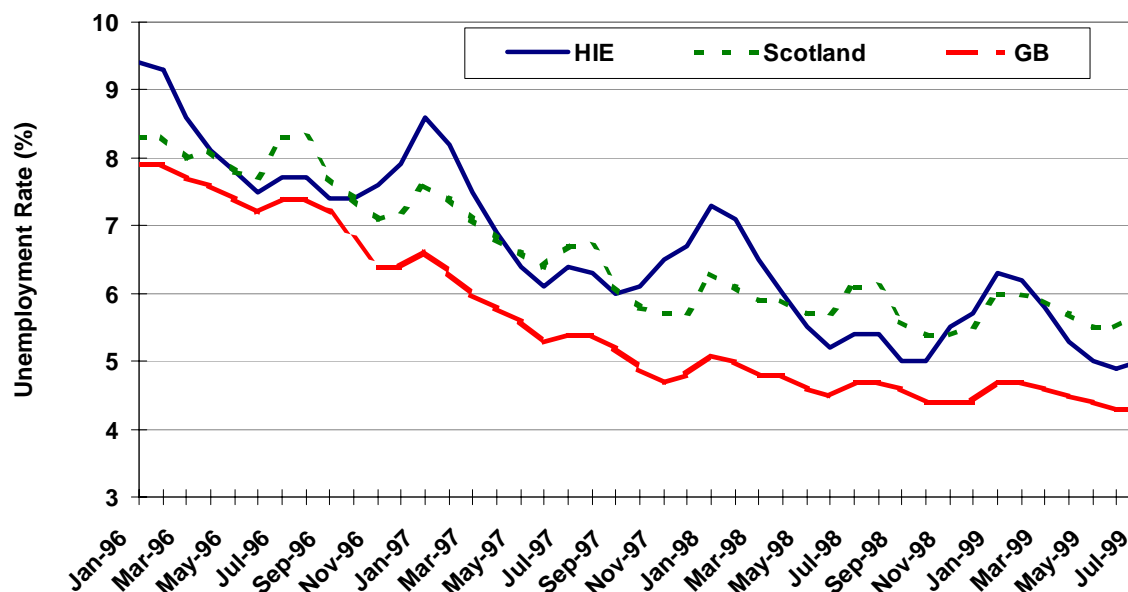
Source GRO (S)

In comparison to Scotland, the population of the HIE area is slightly older. In Scotland there are significantly more people in the 20 to 44 year age group, the young economically active. However, there is a greater share of school age and the older working age group (45 to 65 years) living in the HIE area. The HIE area has a higher proportion of retired people compared to Scotland.

Unemployment

The unemployment rate in the HIE area was 5% in July 1999, compared with 5.7% and 4.3% in Scotland and Great Britain (GB), respectively. The chart below illustrates how the unemployment rates have fluctuated since January 1996, based on the claimant count.

FIGURE 1 UNEMPLOYMENT RATE JANUARY 1996 TO JULY 1999



Source: ONS (NOMIS)

In the Highlands & Islands unemployment is highly seasonal, with peaks over the winter months and troughs during the summer months. Scottish unemployment patterns follow a similar trend, however the fluctuations are not as dramatic as those in the HIE area. In June 1999 the unemployment rate for the HIE area fell below 5%, for the first time this decade.

As a result of seasonality the unemployment rate in the Highlands & Islands falls by around 2 percentage points between January and July each year. However, in 1999 the reduction was only 1.4 percentage points indicating the advent of wider and less seasonal employment opportunities.

Male unemployment has fallen from 10.6% in July 1996 to 7% in July 1999, while the female unemployment has halved over the same period (4.2% to 2.1%).

Unemployment by Age and Duration

Table 5 looks at long-term unemployment (LTU) by age. Of those unemployed in the HIE area, two fifths have been so for longer than 6 months, however this proportion varies considerably with age.

TABLE 5 *UNEMPLOYMENT BY AGE AND DURATION, July 1999*

Age Band	HIE AREA Number Unemployed	% unemployed for less than 6 months	% unemployed for over 6 months	Scotland % unemployed for over 6 months
Under 29 years	2,900	77.7	22.3	24.4
30 to 39 years	1,947	60.2	39.8	44.8
40 to 49 years	1,963	53.4	46.6	47.9
Over 50 years	1,980	46.0	54.0	51.8
Total	8,790	61.3	38.7	37.8

Source: ONS (NOMIS)

Note: Long Term Unemployment (LTU) is all those unemployed for longer than 6 months.

Of those aged under 29 years, only 22% had been unemployed for over 6 months, compared to 54% of those aged over 50 years. Economic migration tends to be more common among the young, who are better placed to leave an area where they cannot find employment, rather than remain unemployed for any length of time.

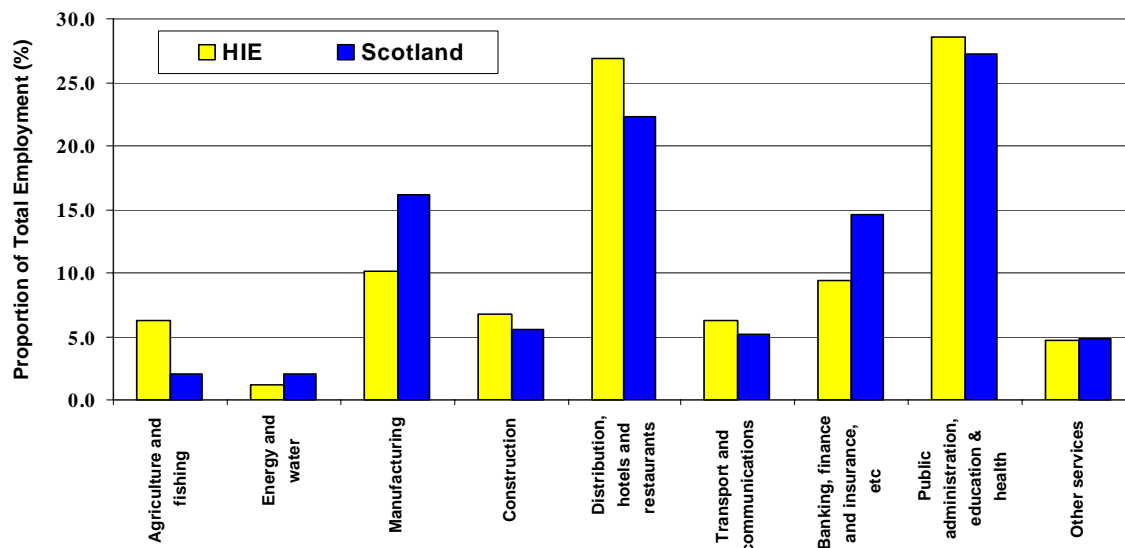
Nationally, long term unemployment (LTU) among under 29 year olds is two percentage points higher than in the HIE area. Whereas in the over 50 age band the proportion of LTU is two percentage points lower than in the HIE area than in Scotland. Overall, LTU is one percentage point lower in Scotland than in the HIE area.

Employment

The results of the 1997 Annual Employment Survey are analysed below. The AES is based on a sample number of firms in the Highlands & Islands and excludes the self-employed and those working in more than one occupation (eg. crofting). Comparable results from the Agricultural Census (1997) are included in the following analysis.

Figure 2 over, illustrates the distribution of employees by sector in the HIE area compared to Scotland.

FIGURE 2 EMPLOYMENT STRUCTURE, 1997



Source: Annual Employment Survey, 1997

The HIE area traditionally has a high dependence on seasonal industries such as the primary sector, construction and distribution, hotels & restaurants. Combined these industries employ 40% of employees in the HIE area compared to 30% in Scotland. Tourism is worth around £660 million to HIE economy, roughly one-fifth of which is generated by overseas visitors. During 1998, Rothiemurchus Estate, by Aviemore, was the most popular visitor attraction in the HIE area, attracting over one quarter of a million visitors.

Agricultural output from the HIE area, which averaged £308 million over 1995 to 1997, accounts for almost 15% of the Scottish total. Argyll & the Islands and Caithness & Sutherland contribute 40% of the HIE area output. Forest plantations and woodland occupy 12,000 km of Scottish land, with 6,010 situated in the HIE area. In Scotland there are over 10,660 people employed in forestry and processing, 4,500 of these jobs are in the Highlands & Islands. Salmon production in Scotland supports over 6,330 full time equivalents, 72% of which are located in the HIE area (126 in Orkney, 748 in Shetland, 556 in the Western Isles and the remainder on the HIE mainland). In 1997, the salmon industry output was nearly 100,000 tonnes. During 1998, the HIE area accounted for almost 50% (by value) of all fish landed in Scotland by UK vessels, representing a sales value of £157 million.

The manufacturing sector is more prominent in Scotland employing 16% of employees compared to 10% in the Highlands & Islands. During 1996, manufacturing sales from the HIE area totalled £627 million. The value of manufactured exports is around £250 million, almost 90% of which was destined for the European Union and North American markets.

New knowledge-based business activity is starting to emerge as a result of the areas modern telecommunications infrastructure. Call centres are one of the most recent and rapidly growing sectors in the Highlands & Islands, currently there are 13 call centres employing c.1,800 people. Employment in the banking, finance & insurance is lower in the HIE area compared to Scotland, in contrast the HIE area has a larger proportion of employees in public admin., education & health.

Employment Breakdown

Within the HIE area there are more females in employment than males. However, over half of females are employed on a part-time basis, compared to less than 10% of males.

TABLE 6 HIE AREA EMPLOYMENT BY SECTOR, 1997

	Male	Female	Total	Distribution (%)
Agriculture & Fishing	6,381	1,991	8,372	6.2
Energy & Water	1,389	150	1,539	1.1
Manufacturing	9,206	4,392	13,598	10.1
Construction	7,746	1,305	9,051	6.7
Distribution, Hotels & Restaurants	14,763	21,351	36,114	26.9
Transport & Communications	6,306	2,086	8,392	6.2
Banking, Finance & Insurance, etc.	5,982	6,724	12,706	9.5
Public Admin., Education & Health	8,824	29,496	38,320	28.5
Other Services	2,797	3,502	6,299	4.7
Total	63,394	70,997	134,391	100.0

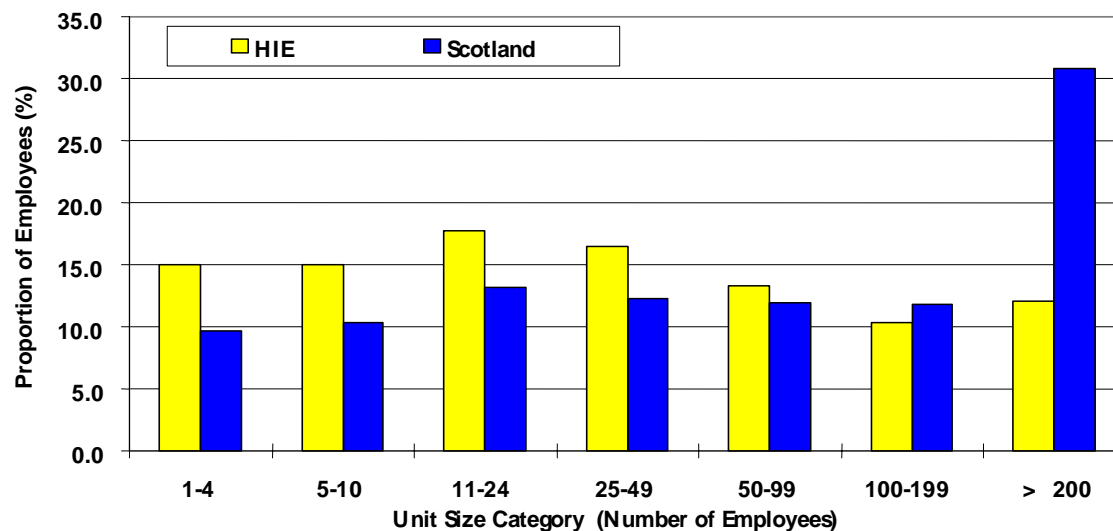
Source: 1997 Annual Employment Survey (NOMIS)

Distribution, hotels & restaurants and public admin., education & health comprise 60% and 75% females, respectively. However, 70% are employed on a part-time basis. Male dominated sectors are construction, agriculture & fishing and manufacturing, where 86%, 76% and 68%, respectively, of the workforce is male.

Employment by Company Size

A further feature of employment in the HIE area compared to Scotland is the dominance of smaller firms. In Scotland, 30% of employees work in firms which employ over 200 people, the corresponding figure for the HIE area is 12%.

FIGURE 3 EMPLOYMENT BY COMPANY SIZE, 1997



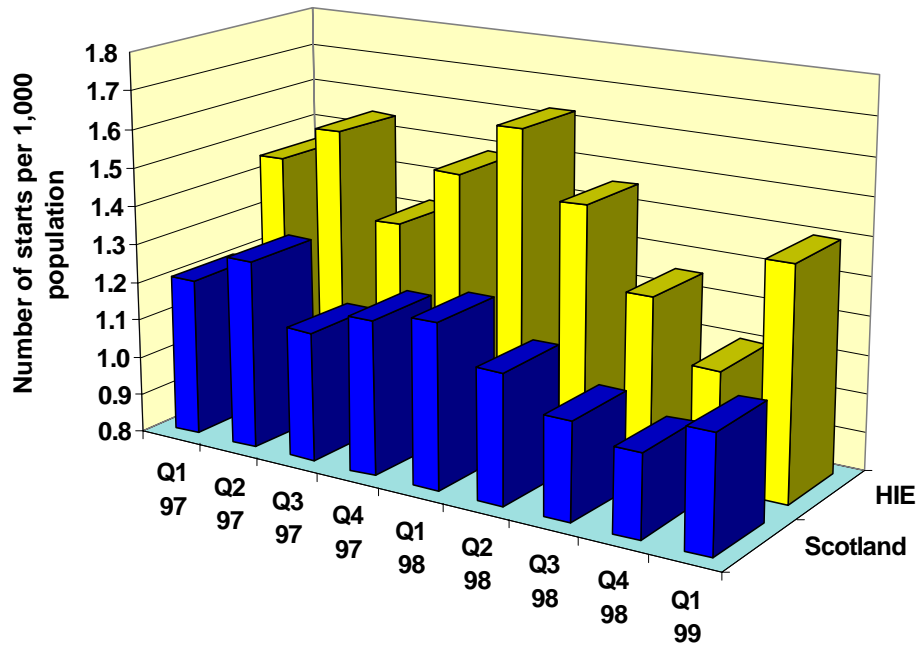
Source: Annual Employment Survey 1997 (NOMIS)

As illustrated in the chart above, almost half of employees in the HIE area work in companies employing less than 25 people, this proportion is reduced to a third for Scotland. In the Highlands & Islands 15% of employees are employed in the smallest sizeband of one to four employees and a further 15% work in the 5 to 10 sizeband.

Business Starts

The Committee of Scottish Clearing Bankers monitor the number of new business starts through new business bank accounts. Figure 4 below illustrates the rate (per 1,000 population) of business start-ups on a quarterly basis for the HIE area and Scotland.

FIGURE 4 RATE OF NEW BUSINESS START-UPS, SCOTLAND AND HIE



Source: Committee of Scottish Clearing Bankers

During quarter one 1999 (Q1 99), the rate of start ups (per 1,000 population) in the HIE area was 1.4, compared to 1.1 in Scotland. In the HIE area, the rate of business start ups ranged between 1.1 in the fourth quarter of 1998 to 1.6 in quarter one 1998, while the corresponding range for Scotland was 1.0 in the final quarter of 1998 to 1.3 in the second quarter of 1997. However, the two areas follow a similar trend in starts with both experiencing a steady decline during 1998 rising again at the beginning of 1999.

TABLE 7 NUMBER OF NEW BUSINESS START-UPS

LEC AREA	1997	1998	Start-ups per 1,000 population, 1998
Argyll and the Islands	428	428	6.2
Caithness and Sutherland	232	184	4.7
Inverness and Nairn	456	436	5.7
Lochaber	121	136	6.9
Moray, Badenoch & Strathspey*	181	180	5.3
Orkney	132	109	5.6
Ross & Cromarty	204	170	3.4
Shetland	132	128	5.6
Skye & Lochalsh	91	82	6.8
Western Isles	187	172	6.2
HIE	2,164	2,025	5.5
Rest of Scotland	22,606	20,673	4.4

Source: Scottish Committee of Clearing Bankers

Note: * Excludes SE part of MBSE

During 1998 there were 2,025 new businesses started in the HIE area, representing 9% of the total starts in Scotland (22,698). In 1998, Inverness & Nairn accounted for 21% of new business starts in the Highlands & Islands.

The rate of new business starts (per 1,000 population) in HIE, 5.5, was significantly greater than that of the rest of Scotland, 4.4. Throughout the HIE area the rate of business formation varied by LEC. In

1998, the highest start up rates were in Lochaber, 6.9, and Skye & Lochalsh at 6.8. The low rate of starts in Ross & Cromarty (3.4 per 1,000 population) maybe a consequence of increased employment opportunities within the area.

Average Weekly Earnings

The New Earnings Survey is an annual survey published by the Office for National Statistics. The information collected refers to gross pay before tax, national insurance or other deductions. In 1998, the average gross weekly wage in the HIE area was £319.40, compared to £350.30 and £384.50 in Scotland and GB, respectively.

TABLE 8 AVERAGE GROSS WEEKLY EARNINGS, 1998

	Highlands & Islands Average gross weekly earnings (£)	As a % of GB	Scotland As a % of GB
Male	363.70	85.2	92.4
Female	245.00	79.1	89.4
All	319.40	83.1	91.1

Source: New Earnings Survey, 1998

Table 8 above, displays average earnings in the Highlands & Islands and Scotland as a percentage of the GB average. Although Scottish wages remain lower than those of GB, the differential is significantly less compared to between the HIE area and GB. The most notable difference in wages occurs among female workers, where on average, female workers in the HIE area earn one fifth less than females nation wide.

Gross Domestic Product

In 1996 the Gross Domestic Product (GDP) per capita for the HIE area was £8,308 (78% of the UK GDP per capita), compared to £10,614 (99% of UK GDP per capita) in Scotland. The Shetland Islands was the only part of the HIE area where GDP per capita was above the UK average (119%), the Orkney Islands had the second highest GDP per capita at 84% of the UK. According to Eurostat, over the period 1994 to 1996 the HIE area had a GDP per capita equal to 76% of the EU average.