



# **WESTERN ISLES**

## **ECONOMIC UPDATE**

**OCTOBER 2003**

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### **HIGHLIGHTS**

- The population of the Western Isles in 2001 was 26,502, a substantial decrease of 10.5% from 1991, compared to population growth of 0.8% in the HIE area.
- The population of the Western Isles is one of the oldest of all the LEC areas in the HIE area, with a mean age of 41.8 years. There is a trend towards an ageing population.
- The unemployment rate for the Western Isles is one of the highest in the HIE area and has a more erratic seasonal trend. In August 2003 the unemployment rate was 3.8%.
- Male unemployment decreased at a greater rate than female unemployment over the time period 2001 to 2003. Unemployment was 5.7% for males and 1.6% for females in August 2003.
- In 2001 the average gross weekly earnings were £382 in the Western Isles, above the average for the HIE area, although still lower than the average wages in Scotland and GB.
- The Public Administration, Education & Health sector is the largest employer with 31.8% of the total workforce, followed closely by the Wholesale, Hotels & Restaurants sector. Females largely dominate these sectors.
- A large percentage of employees (81.4%) work in companies with 1-99 employees, with only 18.6% working in firms with 100 or more employees, highlighting the dominance of small firms in the Western Isles.
- The Western Isles had an average business start-up rate of 4.3 per 1,000 population in 2002, higher than the average for the overall HIE area.

## INTRODUCTION

This document provides information and analysis on the socio-economic profile of the Western Isles area. The data is mainly derived from the 2001 Census undertaken by the General Register's Office for Scotland (GROS) and from other national surveys undertaken by the Office for National Statistics (ONS). Where possible the most recent and accurate available data has been used.

## POPULATION

Table 1 shows the change in resident population in the Western Isles, compared to the HIE area and Scotland, from 1991 to 2001. In 2001 the population of the Western Isles area was 26,502, accounting for 6.1% of the total HIE area population.

**Table 1: Resident Population, 1991-2001**

	1991*	2001	Change	% Change (1991 base)
<b>Western Isles</b>	<b>29,600</b>	<b>26,502</b>	<b>-3,098</b>	<b>-10.5</b>
HIE	430,361	433,745	3,384	+0.8
Scotland	5,083,330	5,062,011	-21,319	-0.4

Source: GROS 2001 Census

\*Based on non-revised 1991 Census population for LEC and HIE, but revised 1991 Census population for Scotland.

There has been a population decline of 10.5% since 1991, compared to the growth experienced by the HIE area of 0.8%. This is the largest population decline experienced by any LEC within the HIE area.

## Components of Population Change

Table 2 shows the estimated population changes from 1991 to 2001 as a result of net civilian migration (balance of in-migration over out-migration), natural change (balance of births over deaths) and other change (including the movement of armed forces) in the Western Isles, compared to Scotland.

**Table 2: Components of Population Change, 1991-2001\***

Area	Estimated Change in Numbers	Estimated Net Civilian Migration and Other Change	Estimated Natural Change
<b>Western Isles</b>	<b>-2,880</b>	<b>-1,526 (-5.2%)</b>	<b>-1,354 (-4.6%)</b>
Scotland	-19,130	-12,785 (-0.3%)	-6,345 (-0.1%)

Source: GROS Mid-Year Population Estimates

\*Figures based on revised estimates of population 1991-2001.

From the table, it is evident that the population decline experienced by the Western Isles is attributed to almost equally net civilian migration & other change and negative natural change. Net civilian migration is partly influenced by young people leaving the area to live where increased educational and employment opportunities exist. Negative natural change is typical in an area with a traditionally older population, due to deaths exceeding births. A large contributing factor in the population change has also been the removal of 220 armed forces personnel and their families from the area.

## Age Structure

Table 3 shows the changing age structure of the Western Isles from 1991 to 2001 as a percentage of the total population, compared to the HIE area and Scotland.

**Table 3: Distribution of Population by Age, 1991-2001 (% of total population)**

Age Group	Western Isles 1991*	Western Isles 2001	HIE 2001	Scotland 2001
0-4	6.1	<b>4.9</b>	5.4	5.5
5-19	20.8	<b>18.1</b>	18.6	18.7
20-44	32.3	<b>30.2</b>	32.0	35.5
45-64	22.4	<b>27.1</b>	26.7	24.5
65-84	16.2	<b>17.1</b>	15.2	14.2
85+	2.2	<b>2.7</b>	2.0	1.8

Source: GROS 2001 Census

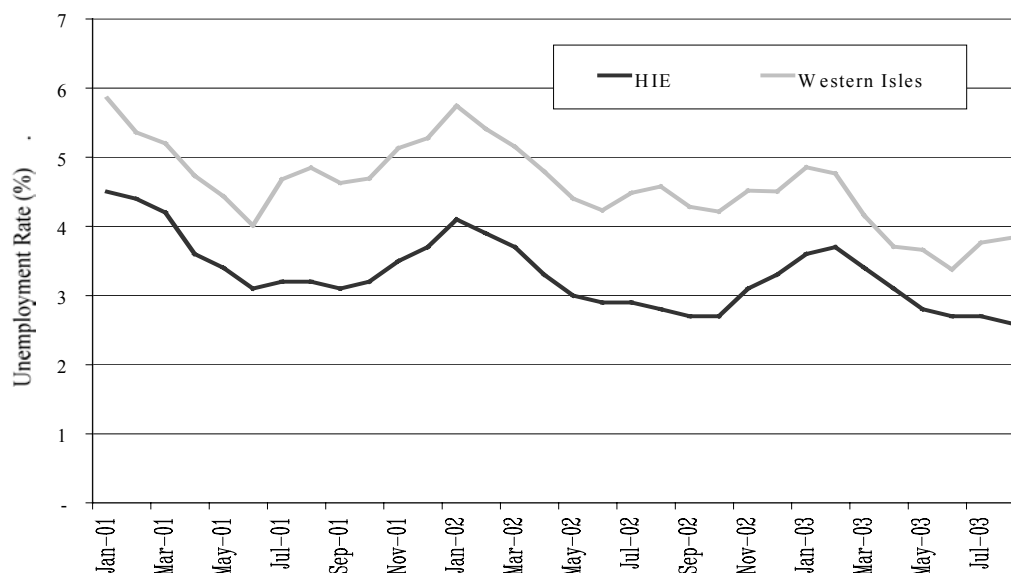
\*Based on non-revised 1991 Census population figures.

The percentage of the population aged 44 years or less has decreased in the Western Isles area from 59.2% in 1991 to 53.2% in 2001. This is considerably lower than that for HIE area as a whole (56% in 2001). The percentage of the population aged 65 years or older has increased, from 18.4% in 1991 to 19.8% in 2001. This is higher than that for the HIE area as a whole (17.2% in 2001). Thus, the Western Isles area has one of the oldest populations of all LEC's within the HIE area and there is a trend towards an ageing population.

## UNEMPLOYMENT

Figure 1 shows the unemployment rate for the Western Isles compared to HIE area from January 2001 to August 2003.

**Figure 1: Unemployment Rates, 2001-2003**



Source: NOMIS (ONS)

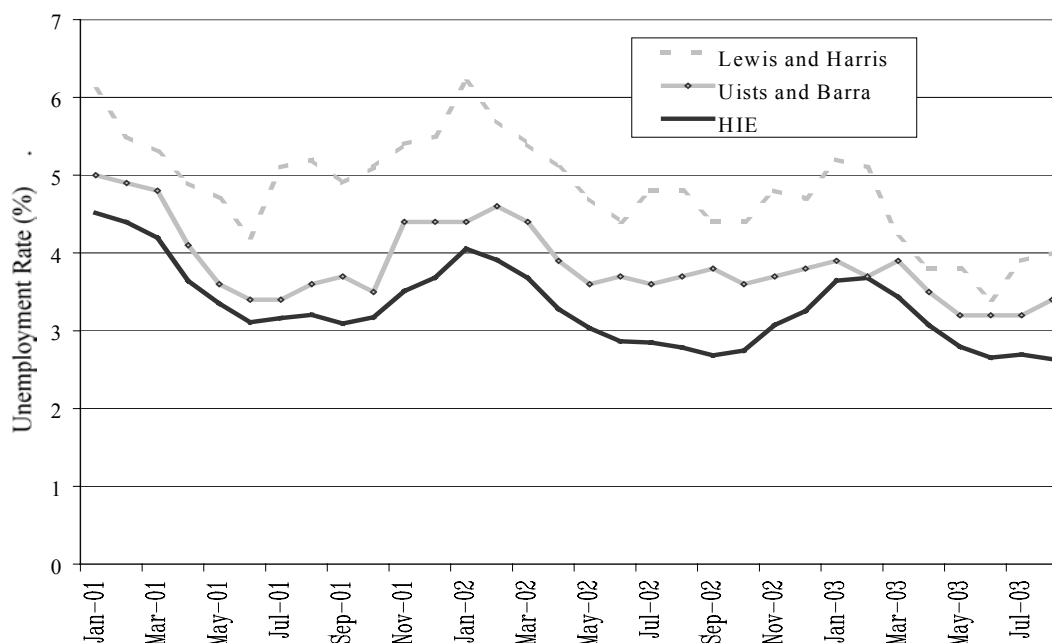
Note: LEC rates estimated using GROS Census 2001 population.

The unemployment rate for the Western Isles is up to 2% above that for the HIE area from January 2001 to August 2003, and is one of the highest of all the LEC areas. The unemployment rate fluctuates considerably, partly as a result of seasonal trends, whereby unemployment is higher in winter, and lower in summer. This illustrates the areas reliance on tourism and primary sectors, such as agriculture and fishing, for employment. The unemployment rate has decreased from 5.9% in January 2001 to 4.9% (749 claimants) in January 2003. This is influenced, among other things, by increased employment in IT related services such as contact centres.

## Unemployment by TTWA

Unemployment rates based on the claimant count are provided by NOMIS for Travel to Work Areas (TTWA's). There are two TTWA's in the Western Isles area; Uists & Barra and Lewis & Harris. Figure 2 highlights the unemployment rates for these TTWA's from January 2001 to August 2003 so that their characteristics can be compared to that for the HIE area.

**Figure 2: Unemployment Rates by TTWA, 2001-20003**



Source: NOMIS (ONS)

Note: Figures based on latest estimates, and pending revision.

Unemployment rates in both TTWA's are consistently above that for the HIE area, and show some of the highest unemployment rates in the HIE area.

The Lewis & Harris TTWA has a slightly higher unemployment rate than that in Uists & Barra. The high and volatile unemployment rate is influenced by the prevalence of employment in activities that have been subject to peaks and troughs due to external market forces, for example, oil-related work, construction, engineering and Harris Tweed.

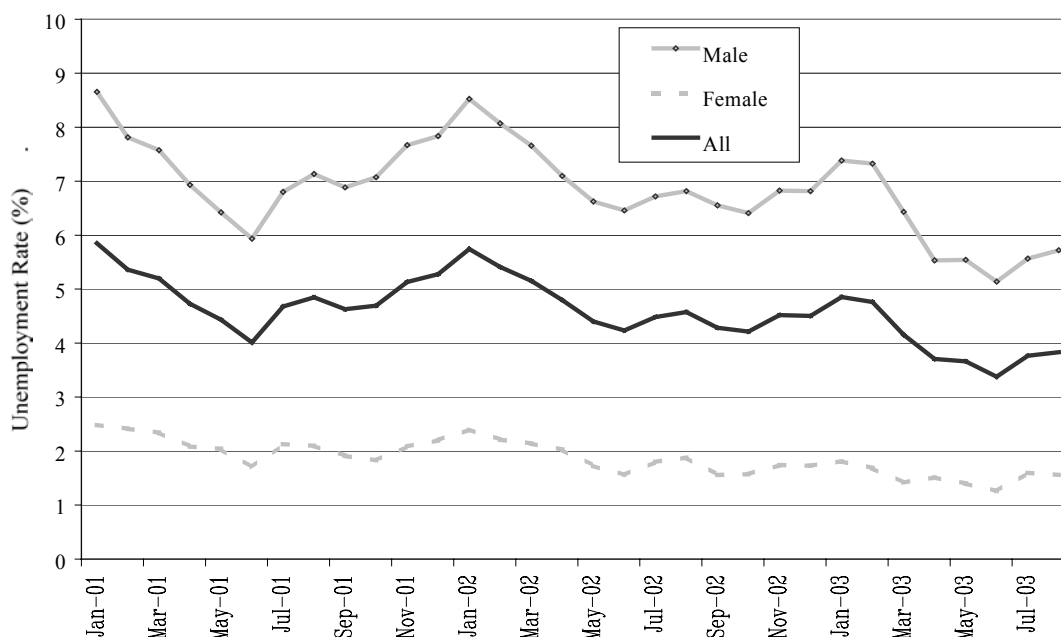
The Uists & Barra TTWA also shows an erratic unemployment trend. In particular there was a large drop in unemployment from 5% to 3.4% during the time period January 2001 to June 2001. This was partly driven by an upsurge in employment within construction in the area, to build the Eriskay causeway.

There are seasonal patterns in both TTWA's, indicating a reliance on employment within tourism and the primary sector, although it is clear from the erratic trend that there are other influential factors. Over the time period shown, there has been a decreasing trend to both TTWA unemployment rates. In Lewis & Harris the unemployment rate has fallen from 6.1% in January 2001 to 5.2% in January 2003. In Uists and Barra the unemployment rate has fallen from 5% to 3.9% over the same time period.

## Unemployment by Gender

Figure 3 shows the male and female unemployment trends for the Western Isles area from January 2001 to August 2003.

**Figure 3: Male and Female Unemployment Rates, 2001-2003**



Source: NOMIS (ONS)

Note: Rates estimated using GROS Census 2001 population.

Typifying most unemployment trends, the male unemployment rate is higher than the female unemployment rate. Male unemployment also varies more over the time period shown. This is influenced by their dependence on seasonal employment, such as that within the primary industries of fishing and agriculture. Additionally, particular areas of employment, such as oil-related work and construction, are dominated by men. The turbulent nature of this employment contributes to the variation shown in the male unemployment rate. The male unemployment rate has decreased from 8.7% in January 2001 to 7.4% in January 2003, which is more than the decrease of the female unemployment rate from 2.5% to 1.8% over the same time period.

## INCOME

Table 4 shows the average gross weekly earnings in the Western Isles from 2001.

<b>Table 4: Average Gross Weekly Earnings, 2001</b>				
<b>Area</b>	<b>2001 (£)</b>	<b>2001 Earnings as a % of:</b>		
		<b>HIE</b>	<b>Scotland</b>	<b>GB</b>
<b>Western Isles</b>	382	104.1	94.4	85.9

Source: New Earnings Survey

From the table it can be seen that the average gross weekly earnings were £382 in 2001, above the average for the HIE area, although still lower than the average wages in Scotland and GB.

## GROSS VALUE ADDED

Gross value added (GVA) is a measure of the income generated by businesses after the subtraction of input costs (excluding wage and capital investment costs). Table 5 shows the gross value added per full-time employee for the Western Isles in 2000, compared to Scotland. This is a useful measure of productivity.

<b>Table 5: Gross Value Added per Full-Time Employee, 2000</b>		
<b>Area</b>	<b>GVA per Full-Time Employee (£)</b>	
	<b>Manufacturing</b>	<b>Services</b>
<b>Western Isles</b>	<b>20,000</b>	<b>14,200</b>
Scotland	36,799	18,781

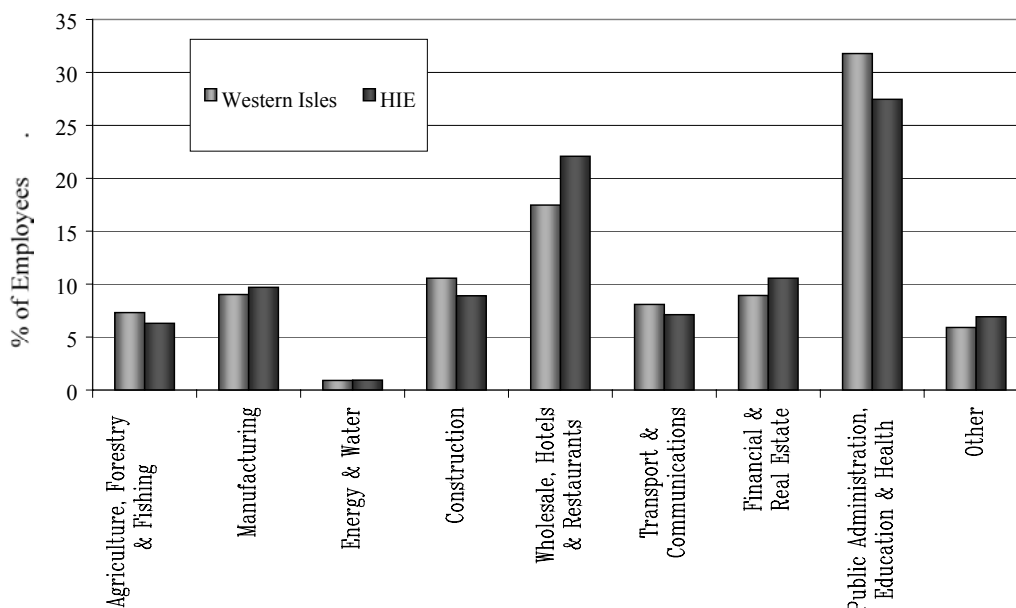
Source: Scottish Executive, Scottish Production Database & Scottish Services Database

The table highlights that the Western Isles has a lower GVA per full-time employee than Scotland for both Manufacturing and Services. This suggests that productivity is slightly lower in the Western Isles, compared to Scotland. The difference is greatest within Manufacturing, where GVA per full time employee is £20,000 in the Western Isles, compared to £36,799 in Scotland. This is influenced by the nature of the manufacturing activities in the Western Isles, relative to Scotland. In the Western Isles, the manufacturing companies tend to be smaller and are less likely to benefit from economies of scale.

## EMPLOYMENT

Figure 4 illustrates the distribution of employment by sector in the Western Isles and the HIE area in 2001.

**Figure 4: Sector of Employment, 2001**



Source: GROS 2001 Census

In the Western Isles the Public Administration, Education and Health sector, accounts for 31.8% of the total workforce, the highest percentage of all the LEC's in the HIE area. This reflects the reliance on employment opportunities provided by public bodies such as Comhairle nan Eilean Siar and Lews Castle College in Stornoway.

The Wholesale, Hotels and Restaurants sector accounts for 17.5% of those economically active, 4.6% lower than that for the HIE area. This suggests that while the economy is not as dependent on tourism as others in the HIE area, it is still an important source of employment.

Typifying remote islands in the HIE area, the Western Isles area has a higher percentage of employment in the Agriculture & Fishing, Construction and Transport & Communications sectors than that for the HIE area. Manufacturing is also an important employer. These sectors are all vital to the local economy and include industries such as textiles, call centres, fishing, fish processing and aquaculture.

The decline in oil fabrication at Arnish has led to a significant reduction in employment in this industry. However, redevelopment of Arnish as a wind tower manufacturing centre, should help broaden the economic base and provide opportunities for employment in this sector.

In the Western Isles area, self-employment accounts for 9.7% of those aged 16-74 (10.6% in the HIE area). Part-time employment accounts for 13.0% of those aged 16-74 (13% in the HIE area) and full-time employment accounts for 36.4% of those aged 16-74. (38.5% in the HIE area).

Table 6 provides a more detailed account of employment by sector, highlighting the employment division by gender in the Western Isles for 2001.

**Table 6: Employment in Sectors by Gender, 2001**

Sector	Male	Female	Total	Percentage
Agriculture and Fishing	756	86	841	7.3
Manufacturing	765	275	1,039	9.0
Energy & Water	96	8	104	0.9
Construction	1,155	61	1,216	10.6
Wholesale, Hotels & Restaurants	867	1,144	2,011	17.5
Transport & Communications	733	198	931	8.1
Banking, Finance & Real Estate, etc.	550	477	1,027	8.9
Public Admin., Education & Health	964	2,695	3,658	31.8
Other Sectors	405	276	680	5.9
<b>Total</b>	<b>6,291</b>	<b>5,220</b>	<b>11,511</b>	<b>100.0</b>

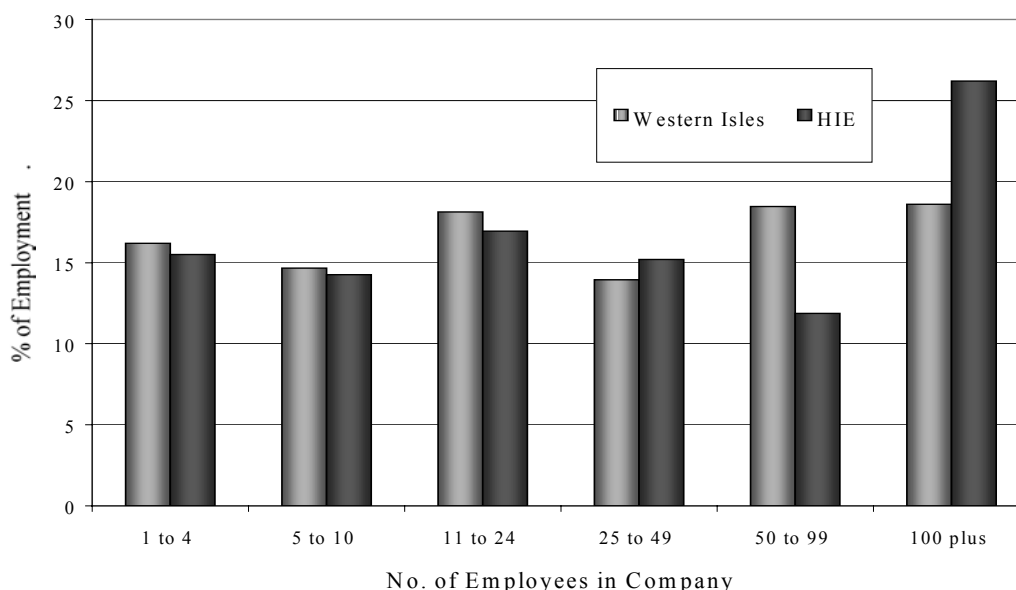
Source: GRO S 2001 Census

Note: Numbers may not total due to errors in rounding percentages.

In line with other areas, the service sectors, particularly Wholesale, Hotels & Restaurants, and Public Admin, Education & Health, are dominated by females (there are 2.1 females for every male employed). Conversely, the Agriculture & Fishing, Manufacturing, Energy & Water, Construction and Transport & Communications sectors show 5.6 males for every female employed.

### Employment by Company Size

Figure 5 shows the employment breakdown for businesses by sizeband in 2001, not including self-employed.

**Figure 5: Employment by Sizeband, 2001**

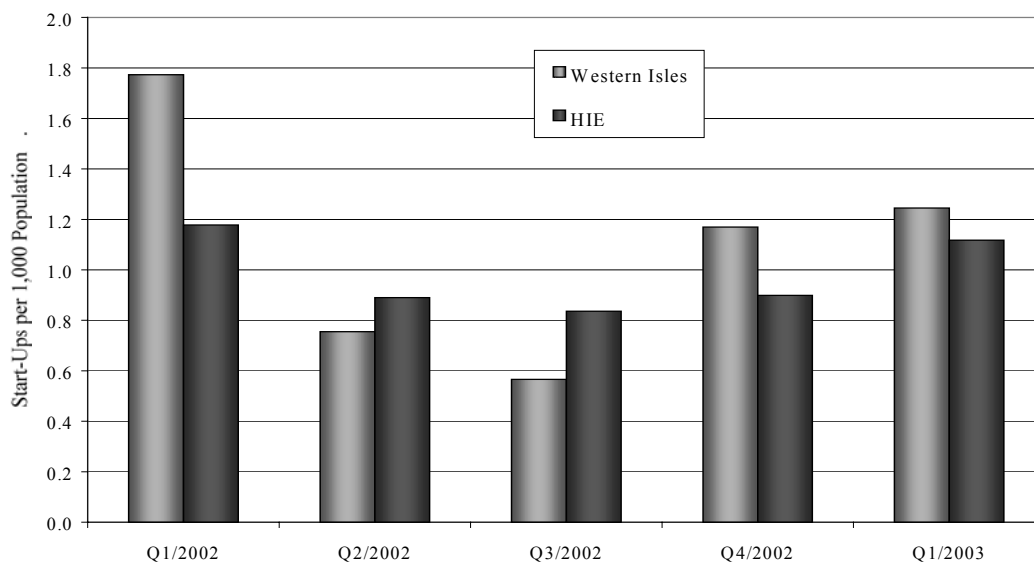
Source: 2001 ABI (NOMIS)

In 2001, 81.4% of those employed worked for companies with 1-99 employees in the Western Isles area while 18.6% were employed in companies with 100+ employees, compared to the HIE area as a whole (73.8% and 26.2% respectively). This illustrates the dominance of small firms in the Western Isles.

## Business Starts

Figure 6 shows the quarterly rate of new business start-ups per 1,000 population in the Western Isles and HIE areas from 2002 to 2003.

**Figure 6: Rate of New Business Start by Area, 2002-2003**



Source: Committee of Scottish Clearing Banks

Table 7 shows the number of new business start-ups per 1,000 population in the Western Isles, HIE and Scotland in 2002.

**Table 7: New Business Start-Ups by Area, 2002**

Area	Start-Ups	Start-Ups per 1,000 Population*
Western Isles	113	4.3
HIE	1,650	3.8
Scotland	18,518	3.7

Source: Committee of Scottish Clearing Banks

\*Figures based estimated using population from GROS Census 2001

The Western Isles area has an average start-up rate of 4.3 per 1,000 population in 2002, higher than the average for the HIE area and Scotland. This reflects the entrepreneurial spirit within the Western Isles area.

## E-BUSINESS

Table 8 provides information from the 2003 E-Business Survey. From the businesses surveyed, it looks at the percentage within the Western Isles and the HIE area who have access to the Internet, have their own website, and use broadband. In addition it looks at the percentage of businesses which have facilities for making payments to suppliers on-line and allowing customers to order or make payments on-line.

**Table 8: E-Business, 2003**

<b>Area</b>	<b>Access to Internet</b>	<b>Website Adoption</b>	<b>Broadband</b>	<b>Make Payments to Suppliers On-Line</b>	<b>Allow Customers to Order On-Line</b>	<b>Allow Customers to Pay On-Line</b>
<b>Western Isles</b>	<b>74%</b>	<b>33%</b>	<b>3%</b>	<b>19%</b>	<b>22%</b>	<b>12%</b>
HIE	72%	42%	5%	20%	15%	12%

Source: Highlands and Islands Enterprise E-Business Survey

In the Western Isles, 74% of businesses have access to the Internet, compared to 72% in the HIE area. Despite this, website and broadband adoption are lower in the Western Isles than the HIE area and there is a smaller percentage of businesses making payments to suppliers or allowing customers to pay on-line. On the other hand, 22% of businesses allow customers to pay on-line, compared with only 15% for the HIE area. Thus it seems that while there is generally less e-business adoption in the Western Isles compared to the HIE area, a larger percentage of businesses do have access to the Internet and allow customers to order on-line. These businesses tend to be within the Hotels & Restaurants and Manufacturing sectors.

## **SUMMARY**

The Western Isles area has experienced a large decline in population. The population in the Western Isles is older than the HIE area in general, and is showing further trends towards ageing. The unemployment rate in the Western Isles is higher than that for the HIE area, particularly in Lewis & Harris, and is highly seasonal. This illustrates a reliance on tourism and primary sector activities for employment, such as farming and fishing. The Public Administration, Education and Health sector, is the largest employer, followed by the Wholesale, Hotels & Restaurants sector. As is typical of the remote island areas, the Transport & Communication, Construction and Agriculture, Fisheries & Forestry sectors are also larger employers in the Western Isles area relative to that in the HIE area. Small firms dominate employment, in line with the HIE area, and the business start-up rate (4.3 per 1,000 population) is higher than the HIE area in general. While more businesses have access to the Internet and allow customers to order on-line in the Western Isles compared to the HIE area, there is generally less adoption of e-business.

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