

Economy and Fair Work Committee
Evidence Session on Skills: 26 March 2027
Skills Development Scotland Evidence Submission

We welcome the committee's interest in considering progress so far and further actions needed to meet industry demand for skills in Scotland including green skills. We recognise the committee's consideration of these issues in relation to the Tertiary Education and Training (Funding and Governance) (Scotland) Bill.

This evidence seeks to summarise Skills Development Scotland's (SDS) understanding of workforce demand and actions underway to address these challenges and opportunities, alongside plans for reform of the post-school education system.

Current and future workforce demand

Current analysis of workforce trends highlights that the supply of workers continues to be a predominant theme impacting economic performance and business growth. Commentators across almost all key sectors, including health and social care, energy and utilities, engineering and manufacturing and construction report a critical need for workers. Workforce and skills are widely reported amongst the top issues impacting business growth^{1 2}. Despite the recent fall in overall business confidence and a softening of recruitment, a fifth of Scottish businesses report difficulties recruiting and attracting the right talent.³

The current workforce pressures may become significantly more severe in the next decade. Projections suggest that Scotland needs 1.1m workers by 2034 to fill job openings and replacement demand⁴. This growth in workforce demand comes at a time when Scotland's most recent census indicates that the working age⁵ population has declined between 2011 and 2022 by 1%.

SDS analysis⁶ shows that over the next ten years a projected £230bn will be invested in a range of key sectors, including energy and utilities, offshore/onshore wind (ScotWind), the decommissioning of oil and gas, shipbuilding, advanced manufacturing and construction.

This investment risks significantly intensifying competition for workers in analogous job roles. Scotland's ability to provide skilled workers to support this major investment in infrastructure will determine the degree to which a lasting benefit lands in our economy, communities and indigenous businesses.

Action to address workforce demand

Since the publication of the Withers Review findings in June 2023, Scottish Government has set up a Skills Planning and Policy Unit to take responsibility for national skills planning and to strengthen approaches to regional skills planning.

Scottish Government now leads on a number of skills planning initiatives and provides strategic direction to the Scottish Funding Council (SFC)⁷ and SDS⁸ via annual Ministerial Letters of Guidance. Additionally, Scottish Government through its Executive Agency, Student Awards Agency Scotland (SAAS), has direct oversight of

¹ CIPD (2023). Skills Development in the UK Workplace.

² British Chambers of Commerce (2024). Skills Crucial to Economic Growth.

³ Office for National Statistics (ONS) Business Insight and Conditions Survey (BICS). [BICS weighted Scotland Estimates: data to wave 127](#). Published by the Scottish Government, 13th March 2025.

⁴ Oxford Economics (2024).

⁵ Working age defined as 16-64-year-olds

⁶ [Skills Development Scotland consultation response – Post-School Education and Skills Reform](#)

⁷ <https://www.sfc.ac.uk/wp-content/uploads/2025/01/SFC-letter-of-guidance-2025-26.pdf>

⁸ <https://www.skillsdevelopmentscotland.co.uk/media/3lebmwpc/letter-of-guidance-2025-26.pdf>

student support funding. This combined direction sets key priorities for the Scottish Government's c£3.4bn investment in skills including;

- c.£1.9bn investment by SFC in Further and Higher Education and c.£1.4bn investment by SAAS in student support for higher education (97%)
- c.£100m investment by SDS in apprenticeships (3%)

As set out in our annual Ministerial Letters of Guidance, SDS provides input to the Scottish Government's national and regional skills planning functions.

SDS also collates a comprehensive set of labour market statistics for national sectors, regional economies and local labour markets. SDS disseminates this data to a wide range of employer and industry groups, public bodies, further and higher education institutions and enterprise and economic development agencies who invest in national, regional and local economies. The full suite of reports can be accessed [via the SDS website](#).

Apprenticeship demand statements, which are quality assured by industry leadership groups and the Scottish Apprenticeship Advisory Board, directly inform SDS's annual investment of c. £20m to support c.25,500 new Modern Apprenticeship starts⁹ aligned to Ministers' direction through the SDS Letter of Guidance.

All Modern Apprentices have contracts of employment, with achievement rates of 76%¹⁰ (significantly higher than in England¹¹) and sustained employment of 89%¹² amongst apprenticeship achievers. In terms of co-investment, apprenticeships typically leverage £10 of employer investment for every £1 of public funding¹³.

SDS's annual investment of c. £9m to support 2,500 Foundation Apprenticeship places is also aligned to areas of critical skills need including engineering, construction, financial services and health and social care.

Demand for Modern Apprenticeship starts continues to outstrip the funding, within SDS available budget. Learning providers requested c. 34,000 starts in 2024/25. Employer demand in a range of key sectors, including engineering, is significantly outstripping supply.¹⁴

The level of awareness and interest amongst individuals looking to undertake an apprenticeship remains higher than available starts – UCAS estimate that 3 in 5 people in the UK do not pursue apprenticeships because of a lack of availability¹⁵. For its 2025 intake BAE Systems Naval Ships received 4,268 applications for 124 apprenticeship roles, a 22% increase in applications vs 2024. SSE highlight on average they receive 60 applications per apprenticeship place. Scottish Power Energy Networks quote similar demand.

Similarly the position in relation to demand for Foundation Apprenticeships within local authorities, schools and pupils indicates that demand outstrips supply, with evidence of potential for significant expansion.

In response to future forecasts, SDS has intensified engagement with industry to determine what collaborative actions can be taken across industry sectors and with relevant public bodies to address growing workforce demands. This includes work underway through the Convention of Highlands and Islands, in partnership with Highlands and Islands Enterprise and the University of Highlands and Islands via a 'Workforce North' mission.

⁹ The remainder of SDS Modern Apprenticeship funding is in support of liabilities for apprentices in training.

¹⁰ <https://www.skillsdevelopmentscotland.co.uk/media/1hiip1pm/modern-apprenticeship-statistics-quarter-4-2023-24.pdf>

¹¹ <https://explore-education-statistics.service.gov.uk/find-statistics/apprenticeships>

¹² <https://www.skillsdevelopmentscotland.co.uk/media/dc0pf1v2/ma-av-2024-kpis.pdf>

¹³ SDS accounts, BEIS Apprenticeship Pay Survey 2018/19 – Scotland. In:

<https://www.skillsdevelopmentscotland.co.uk/media/a1jd422a/scottish-apprenticeships-performance-report-2023.pdf>

¹⁴ <https://www.scottishengineering.org.uk/engineering-skills-gap-analysis-for-scotland/>

¹⁵ <https://www.suttontrust.com/wp-content/uploads/2023/07/Where-next-What-influences-the-choices-of-would-be-apprentices.pdf>

This mission recognises that urgent action is required to expand the workforce to unlock a generational £100bn of investment in the Highlands and Islands in the next decade¹⁶. Demographic trends are more acute in the Highlands and Islands, with the most recent census data indicating that approximately 7 out of 10 people in the region will be dependent by 2043¹⁷. This is compounded by a real terms population decline of c.5% in the region over the same period¹⁶.

Together with partners, SDS has directly engaged over 60 major employers and inward investors from a range of sectors to determine a concrete set of collaborative actions that can directly address the short and medium-term workforce challenges in the region.

This formative work seeks to facilitate a more radical approach to regional workforce development which is decisively framed by the future economic ambition and seeks to empower industry and employers to co-invest with the public sector to build the workforce needed to unlock the £100bn generational opportunity. Workforce North will consider new legacy initiatives focused on:

- Building the workforce for the future, including programmes with schools to highlight and respond to economic opportunities in the region
- Building capacity in the regional workforce development, including new construction and engineering provision.
- Strengthening vocational training, including scaling up of Modern and Foundation Apprenticeships
- Talent attraction and retention, including a talent attraction campaign.

On 4 April 2025, SDS and partners will host a Highlands and Islands Workforce North Summit, which will bring together key business and public sector representatives to take forward these propositions for co-investment.

SDS will report progress on this work to the Convention of Highland and Islands in Strathpeffer, Highland on 12 May and can keep the committee apprised of progress on this work as it moves forward.

Reform of the post-school education system

In relation to the committee's interest in the Tertiary Education and Training (Funding and Governance) (Scotland) Bill, the SDS Board shares the Scottish Government's strong commitment to reform of the post-school education system. The SDS Board believes the reforms need to address the dual challenges of a) expanding Scotland's workforce to unlock a £230bn generational, economic investment and b) create the conditions for Scotland's high value, university sector to thrive, compete internationally and continue to support Scotland's economic growth.

The SDS Board has shared a view with Ministers and officials that urgent action is required to address current and future workforce demands. Furthermore, the SDS Board believe the scale of this challenge/opportunity is under-represented in current plans for reform and the reviews which have shaped them.

The committee will be aware of the ongoing uncertainty around the financial stability of Scotland's high value university sector. Again, the SDS Board has shared a view with Ministers and officials that current plans for reform appear limited to narrow structural change. A focus on moving just 3% of the skills budget risks 'tying up' the funding system for years in a costly, complex administrative process, whilst not addressing the longer-term future of our high-value institutions.

¹⁶ Research led by Highland and Islands Enterprise and Highlands and Islands Regional Economic Partnership

¹⁷ National Records of Scotland (2020). Population Projections for Scottish Areas 2018-based

In its response to the Scottish Government's recent consultation on its plans for simplification of the post-school funding landscape, [the SDS Board proposed a constructive alternative approach to reform](#), which could be delivered at pace:

- the urgent need to implement a sustainable university funding model requires concerted focus of a dedicated higher education funding agency, empowered with the capacity to address the systemic issues facing the sector.

This would see a reformed SFC forge a new singular and more intensive collaboration with Scotland's university sector to tackle head-on the challenge of longer-term sustainability and create the conditions for this high value sector to thrive, to compete internationally and to grow Scotland's world-renowned research and innovation capability and 'spin out' businesses.

- the immediate and long-term workforce challenges require a decisive shift in policy priorities for Scotland's colleges, focused on expanding Scotland's workforce through industry-led, technical and vocational training, apprenticeships and upskilling/reskilling.

This would see a reformed SDS working more intensively with Scottish industry to co-ordinate all technical and vocational training, apprenticeships and upskilling/reskilling leading a powerful renewal in vocational and technical education to unlock Scotland's economic potential. A reformed SDS would also seek to drive a new co-investment with Scottish industry who invest c.£4.1bn¹⁸ annually in workforce development. This reflects the approach underway through the Workforce North mission.

Discussing this proposal in its policy memorandum, Scottish Government confirms its primary policy driver is reducing the number of public bodies with funding responsibilities and therefore migrating the c. £100m distributed by SDS into the SFC.

As the financial memorandum confirms, this change will necessarily require substantial structural reorganisation, including the transfer of a significant number of staff, data and systems.

The SDS Board believe the primary focus of reform should be driving economic growth and social outcomes by addressing the immediate and long-term workforce challenges facing our businesses and vital public services such as health and social care. That notwithstanding, the SDS Board and Executive continue to work constructively with Ministers and officials to progress the Scottish Government's plans for the transfer of apprenticeship funding and staff into the SFC.

¹⁸ Department for Education; Scottish Government (2023). [Employer Skills Survey 2022](#).

Annex 1: workforce demand: evidence sources

Current and future workforce demand

The challenge of having the right people with the right skills at the right time persists

Current analysis of labour market trends highlights that the supply of workers continues to be a predominant theme impacting economic performance and business growth. This is despite the recent fall in overall business confidence and a softening of overall recruitment, in part attributed to changes to employer National Insurance Contributions (NICs). The latest Business Insights and Conditions Survey (BICS) data published on the Scottish Government website shows that approximately one in five businesses in Scotland were experiencing recruitment difficulties in January 2025, with a lack of qualified applicants for the roles on offer and a low number of applicants the main causes¹⁹.

Whilst the latest insights point to labour and skills shortages in Scotland, the challenge is not new. Since 2011, the Employer Skills Survey has provided insights on skills shortages and gaps across the UK nations. The latest release in 2022 captured some of the impacts of the pandemic on the labour market, but focussing on the trends from 2011 to 2017, it is apparent that, over time, the incidence and density of vacancies that cannot be filled due to skills shortages have increased²⁰.

Those challenges are acute in some of Scotland's most vital sectors

Shortages do not fall evenly across sectors, and causes are not uniform. High-value sectors, including Construction, Engineering, Energy and Health and Social Care, report acute issues.

Within Construction:

- The CITB note significant gaps within the following occupations in Scotland: Roofers, Glaziers, Scaffolders, Laborers, Civil Engineers, Surveyors and Architects²¹.
- According to the Federation of Master Builders, some roles have become more challenging to fill in the past 12 months. This includes Carpenters, Plasterers, Painters and Decorators and Roofers²².
- Additionally, across the entire planning sector in Scotland, vital to supporting economic growth, the Royal Town Planning Institute estimates that over the next 10-15 years, around 700 planners will be needed to meet replacement demand and growth²³.

Within Engineering and Energy:

- Scottish Engineering reports an 'immediately stark situation', with sizeable gaps between demand and capacity to train in critical roles such as Skilled Welders, Instrumentation and Control Engineers and Electrical/Electronic Technicians²⁴.
- The Institute of Mechanical Engineers and Society of Operations Engineers cite research by Stonehaven, that found an impending shortfall of 1m Engineers by 2030 across the UK²⁵.

¹⁹ Office for National Statistics (ONS) Business Insight and Conditions Survey (BICS). [BICS weighted Scotland Estimates: data to wave 127](#). Published by the Scottish Government, 13th March 2025.

²⁰ Department for Education, Scottish Government (2023). Employer Skills Survey 2011-2022.

²¹ CITB (2023). Local Skills Scotland Report 2023.

²² Federation of Master Builders (2025). State of Trade Survey Q4 2024.

²³ Resourcing the Planning Service RTPI Scotland Research Briefing (2023)

²⁴ Scottish Engineering (2025). Engineering Skills Gap Analysis for Scotland.

²⁵ Stonehaven (2023). Evolving Britain's engineering industry to inspire the new modern workforce.

- In offshore wind, sector organisations report critical gaps, or future gaps, in a range of roles, including Project Management, Project Development, Maritime, Manufacturing, Engineering, Electrical Services, Data and Communications, and Operations and Maintenance²⁶.

Within Health and Social Care:

- The Scottish Social Services Council (SSSC) Staff Vacancies Report²⁷ evidences the challenges employers face in filling Caring roles. The most recent report²⁸ found that care at home services (77%), housing support services (75%), care homes for older people (73%) and care homes for adults (71%) were the service types most likely to report difficulties filling vacancies, far exceeding the rate across all service types (63%).
- Royal College of Nursing Scotland report acute staff shortages in the nursing profession²⁹. They state that ‘Thousands.of.registered.nurses.are.missing.from.health.and.care.teams.across.Scotland?impacting.on.the.safety.and.quality.of.patient.care’³⁰.

Additionally, across the entire planning sector in Scotland, vital to supporting economic growth, the Royal Town Planning Institute estimates that over the next 10-15 years, around 700 planners will be needed to meet replacement demand and growth³¹.

The.outlook.brings.new.considerations.and.could.amplify.shortages?presenting.a.risk.to.realising.economic.opportunities

These current issues will become significantly more acute in the next decade. Forecasts suggest³² that Scotland needs 1.1m workers by 2034 to fill job openings and meet replacement demand, with high demand across key sectors:

- 173,600 people will be required in Health and Social Care;
- 70,200 people will be required in the Construction sector;
- 25,900 people will be required in the Energy sector; and
- 7,000 people will be required in the Engineering sector (not including manufacturing roles in key sectors such as Life Sciences and Food and Drink).

The role of skills in realising economic opportunities is well understood and is articulated in current Scottish Government strategies. As an example, the Green Industrial Strategy states that ‘The.availability.of.high.quality?appropriately.skilled.and.ambitious.people.is.critical.to.the.willingness.of.a.business.to.start?scale.and.invest’³³.

The.labour.and.skills.requirement.could.be.greater.than.current.forecasts.suggest?owing.to.the.once_in_a_generation.investment.opportunity.happening.now

Demand could be greater as investments in areas of economic opportunity, such as the transition to net zero, are realised. SDS analysis shows that over the same period, a projected £230bn investment in a range of key sectors,

²⁶ Skills Development Scotland; SOWEC (2025). Career Opportunities in Scotland across Offshore Wind.

²⁷ Scottish Social Services Council (2025). 2023 Staff vacancies in care services report.

²⁸ Providing data on vacancies reported by care services as at 31st December 2023

²⁹ Royal College of Nursing Scotland (2024). The Nursing Workforce in Scotland 2024.

³⁰ Royal College of Nursing Scotland (2024). The Nursing Workforce in Scotland 2024, p.34.

³¹ Resourcing the Planning Service RTPI Scotland Research Briefing (2023)

³² Oxford Economics (2024)

³³ Scottish Government (2024). Green Industrial Strategy, p.44.

including energy and utilities, offshore/onshore wind (ScotWind), the decommissioning of oil and gas, shipbuilding, advanced manufacturing, and construction, could drive demand upwards.

Annex 2: About Skills Development Scotland

Skills Development Scotland (SDS) is Scotland's national skills agency.

The organisation was established with a primary function to act as a catalyst for real and positive change in Scotland's skills performance.

Today, SDS aims to help build a Scotland in which an agile, dynamic, and employer-led skills and careers ecosystem that enables all people to develop the skills, adaptive resilience, and personal agency to thrive in a vibrant and inclusive labour market.

With a budget of c.£200m, SDS employs over 1,200 highly-skilled staff with the competence and capabilities to achieve this aim, and deliver integrated, multi-faceted services that seek to understand and meet the current and future skills needs of learners, employers and Scottish industry.

These include the UK's only national career service, Modern and Foundation Apprenticeships, a rich intelligence base for use by SDS and its partners, skills intelligence products and shared expertise, and services to support employer investment in Scotland and its workforce.

Over the past fifteen years the Chair and Board of SDS have overseen transformational service developments across highly integrated services, which is evidenced in SDS recognition as an EFQM 7-star organisation, awarded for excellence and continuous improvement.