Skills Priorities Statement for the South East of England 2011-2012

Evidence Base Report

September 2010

ies
institute for employment studies

SEEDA
SOUTH EAST ENGLAND DEVELOPMENT AGENCY
Working for England's World Class Region

South East Skills Priorities Statement 2011/12

Evidence Base Report

September 2010

This report, analysing the demand for skill in the South East was produced by SEEDA in collaboration with the Institute of Employment Studies, during the summer of 2010.

SEEDA
Cross Lanes
Guildford
Surrey
GU1 1YA

If you require further information about this report, please contact:

martintowers@seeda.co.uk

Contents

Introduction

In an increasingly competitive world, skills are a key driver of competitiveness and growth. This is particularly the case in the South East of England, where future economic growth and jobs depend on competitive advantage underpinned by knowledge, innovation and skills.

The South East Skills Priorities Statement explains the vital role skills play in attracting inward investment, developing high growth sectors, increasing innovation and driving up enterprise. Equally, for individuals, skills are critical to securing employment, professional and career development, and to improving the overall quality of life. This evidence base provides the information and intelligence that support the Statement.

SEEDA has worked with the Institute for Employment Studies to compile this evidence base, using a range of quantitative sources such as government and employer surveys. These have been supplemented by qualitative evidence gained from regional and local partners. It underpins the South East Skills Priorities Statement which provides an overview of the skills required and shifts in investment needed to support jobs and economic growth. The Statement sets out the skills priorities that require attention within and across the South East for 2011/12. Both activities have been overseen and supported by the Skills Working Group which comprises a range of partners with an interest and understanding of the skills agenda, drawn from across the South East.

This work, given its background, necessarily covers the whole of the South East. It uses a wide range of evidence to pinpoint trends, gaps, opportunities and priorities. However local skills requirements have also been considered, with an Appendix providing more detailed analysis which we hope will be useful for reflection and application in smaller geographical areas.

The Statement and this underlying evidence base have been prepared for use by a wide range of stakeholders involved in skills within the South East. Contributors to the Statement include training and educational organisations, local authorities, brokers, advisers, employers, emerging Local Enterprise Partnerships and other stakeholders. It provides a tool to support prioritisation of funding and resources, giving training organisations information and analysis to be of practical help in their business and curriculum planning. It also provides a valuable resource for any organisation looking for information to support skills and employment initiatives.

Finally, I would like to thank very warmly those organisations and individuals who have provided information and responded to requests for consultation, including BIS, the Young People's Learning Agency, the Skills Funding Agency, Sector Skills Councils, training organisations, local economic development partners, members of the Skills Working Group and the Institute for Employment Studies.

Professor Van Gore, September 2010
Southampton Solent University – Vice Chancellor
South East Skills Working Group – Chair

Executive Summary

This evidence base report has been produced to support the development of the South East Skills Priorities Statement 2011/12. It draws on a range of the most current quantitative and qualitative evidence relating to labour market and skills issues in the South East under the key headings of economic context, skills and jobs, target groups, skills mismatches and training activity and key sectors. An appendix highlighting sub-regional issues and priorities is also included.

Key skills drivers impacting the South East's regional economy

- Economically, the South East performs better than most English regions with consistently high activity levels and a strong skills base, particularly at level 4.
- Nevertheless, the recession has seen unemployment rise and increased competition for jobs. These conditions are likely to persist as the region recovers from the downturn. A need to create more, good quality jobs will be important to underpin future economic growth and avoid a jobless recovery.
- The effects of public sector spending cuts on residents and businesses in the South East will need to be understood to determine actions required to support many of those affected gain alternative employment in the private sector. The impact on the region is likely to go beyond direct regional employment, encompassing central government departments based in London and affecting South East residents and private sector supply chains reliant on public spending.
- Changing demography, such as short-medium term declines in the numbers of 15-24 year olds and rising numbers of older workers, including those of post-retirement age, will change the future regional workforce structure.
- Probable reductions in in-migration numbers caused, in particular, by changes in legislation may impact key skill areas, for example, health, care and catering.

Jobs and skills important to areas of future employment growth in the South East

- Short term employment growth from 2011 is forecast to be focused on the hospitality, business and construction sectors with longer term growth in retail and care. For all sectors, demand for workers to replace those leaving the labour force, for example, through retirement, will far exceed demand for workers to fill newly created jobs.
- The sectors which currently employ most workers in the South East, and for which there will be large volumes of replacement demand, are business services (including sectors such as ICT, real estate and labour recruitment) and retail; together these account for 39% of employment.
- High skilled managers/senior officials, and professional/associate professional roles will increase by the largest volumes, requiring 300,000 new and replacement jobs across all sectors by 2017. The gap will widen between the proportion employed in these and lower skilled occupations, such as process/machine operative and administrative roles, where volumes will decline. Progression routes to level 3 and beyond are therefore important, to ensure that the supply of workers with sufficiently high level skills meets demand.
- The South East has the potential for further significant growth in knowledge based employment reflecting its high skills base in sectors such as research and development,

ICT and biopharmaceuticals. Relevant science, technology, engineering and maths (STEM) skills will be particularly important.

- The occupations forecast to have the greatest number of workers include: sales related jobs in retailing; corporate managers in the business service sector; caring personal service professionals in health and social work and elementary, administrative and service occupations in hotel and catering.
- Management skills are particularly important for the South East due to factors such as the number of organisations having corporate headquarters in the region and the importance of the high growth business sector. Management skills are also broadening in complexity in areas such as effective project and process management. Entrepreneurial skills are important to anticipate and exploit new business opportunities.

Significant features of qualification levels in the South East

- Compared to England, the South East's workforce has a smaller proportion with no and low qualifications and a higher proportion qualified to level 2 or above (though there are large sub-regional variations). Nevertheless, there are still around 500,000 individuals in the South East without qualifications for whom progression opportunities to higher skilled roles will be limited.
- Whilst qualification levels have been rising, the rate of progress in raising these levels has been slower in the South East than nationally for levels 2 and 3, and to some extent level 4. The projected expansion of jobs at these levels suggests that raising the proportion of the workforce with relevant qualifications at level 3 and above should be a priority coupled with a need to drive up employer demand.
- There is some evidence of a current overprovision of level 4 skills as measured for example through graduate un/underemployment, though shortages still exist in some relevant subjects, e.g. STEM.
- In contrast, level 3 skills are projected to be the area with the greatest relative demand for additional skills, necessitating improved progression routes from level 2.

Individual groups in the South East requiring particular focus

- Overall, relatively high employment rates in the region conceal patterns of sub-regional variation, with some areas, particularly associated with deprivation, recording unemployment and skill levels which are poor in national terms. Matching unmet employer demand with individuals' skills will be particularly important in these areas. Increasing numbers of long term unemployed, including the young, is also a concern.
- Whilst unemployment is generally concentrated amongst those whose previous roles were in lower skilled occupations such as elementary, sales and customer service occupations, the proportion of the unemployed with higher skills has risen significantly since the start of the recession.
- Large numbers of the economically inactive wish to work, with legislation being changed to encourage this. Matching and developing their skills to the needs of employers will be important to ease future impacts on unemployment levels.
- Levels of attainment and participation in 16-18 learning and skills by young people are close to the national average, but are of particular concern, given the region's need for relatively high skill levels. Higher post-recession levels of young people not in employment, education or training (NEET) are having an impact on unemployment levels.

- The numbers of older workers will increase because of demographic and socio-economic changes and are likely to represent an important component of labour supply in the future, particularly given static under 40 working age populations and declines in 15-24 year olds.

The South East's skills shortages and needs

- Vacancies predominate in smaller businesses, indicating that efforts to promote employment opportunities in these organisations, including for graduates, are important to the region.
- Vacancies, including hard-to-fill vacancies, have recently been highest in the caring sectors, and lowest in construction. Skills shortage vacancies in absolute terms constitute a very small number of South East jobs; where they do exist, they are most apparent in technical/practical/job-specific and customer service roles.
- The recession has increased the number of skills gaps in businesses. These are most prevalent in larger organisations, in customer service occupations, in the retail, tourism and care sectors and also in SEEDA's priority sectors, particularly around management and STEM skills. These sectors are likely to be important for future economic growth in the region, so the presence of existing skill gaps in these sectors needs addressing.
- The types of skills shortages and skill gaps evident confirm the growing importance of technical skills, together with 'softer' skills, for business performance. These include customer handling, problem solving, team working and communication skills.
- A significant minority of employers do not regard young people as well prepared for work. Where dissatisfaction was expressed with recruits up to the age of 18, this was due to lack of work or life experience, and personal qualities such as poor attitude and motivation. Continued focus will be needed to develop these qualities amongst young people through meaningful voluntary activity and work experience.
- Addressing deficiencies in the development of key lower and intermediate skills will be critical to meet future skills needs in occupations such as personal services, caring, leisure and customer services. These include customer handling, problem solving, team working and communications skills.
- Responding to the skills needs associated with 2020

Skills needs of priority sectors for economic growth in the South East

- The software, digital media and ICT industries are heavily concentrated in the South East and have nationally significant potential for economic growth. However, evidence shows that this may be constrained by skills shortages in some areas such as multi-platform capability and systems technology. Further work may be needed to develop attractive entry level courses to recruit workers to the ICT sector and to improve the gender balance to meet future demand in the sector.
- Sectors which rely on technological innovation including pharmaceuticals, life sciences, aerospace/defence and environmental technologies, need people highly skilled in STEM specialisms at level 3 and above. There is a need for greater multi-disciplinary training and employer involvement in the design of course modules to meet industry needs.
- The South East has significant potential to exploit retailing opportunities, particularly if the relative affluence of the region is sustained. The South East is also endowed with a wealth of natural and cultural visitor attractions and events with revenue opportunities including those associated with the London 2012 Olympic Games. Servicing the needs of these visitors through outstanding customer service skills will be important to winning

repeat business. There is currently strong evidence of skills gaps in customer handling among sales and customer service staff.

- Nearly half of care sector employers report skills needs in team working and communication amongst the care workforce, with evidence of further skills needs in basic literacy and numeracy. Changing legislation on the use of migrant labour raises challenges for recruitment, particularly because of the relative lack of popularity of the sector among job seekers. The sector needs to consider how it can provide more attractive careers to ensure future skills needs are met.
- An increasing demand is forecast for workers in the hospitality sector including both low skilled catering and cleaning roles as well as skilled occupations such as chefs. The sector may benefit from support to address difficulties in recruitment which may be exacerbated by perceptions about working conditions, pay and career development opportunities.

1 Economic Context

This chapter describes the South East economy, highlighting its unique attributes and comparing the skills landscape to the wider English picture. This includes assessing current and future trends in population and productivity profiles, and the impact of the recent period of recession and the emerging period of recovery.

1.1 The South East context

The South East of England has one of the strongest and most broadly based economies of all English regions. It prospers from an industrial structure that spans a number of high value added sectors including information and communication technologies (ICT) and high-technology industries such as electronics and pharmaceuticals. The construction sector across the South East remains relatively strong, due to major ongoing infrastructure developments and regeneration projects, and also the high levels of demand for, and value of real estate. 'Other business services' including the financial sector are vital to the South East economy and are key drivers of growth and prosperity. Manufacturing and the public sector make a smaller contribution to the South East economy compared to some of the northern regions[1]. However, despite the overall economic strength of the region, the recession has weakened economic performance with falling vacancy levels, rising unemployment and reduced training activity.

As well as a relatively strong performance in high value added sectors, the South East has also enjoyed high employment levels. Whilst numbers have fallen in the recession, the 2009 employment rate of 78% exceeds the overall UK rate of 73%, and was the highest of all regions. The South East also has the lowest unemployment rate of all regions (6%), below the UK average (8%)[2]. The region's workforce is relatively highly skilled and outperforms national qualification averages[2], making it well placed to compete internationally. In 2007, the proportion of students in post compulsory education within the South East was amongst the highest in Europe[3].

However, the relatively strong performance of the South East in international terms cannot be assured; its skills base is relatively poor compared with leading US and European regions[4] with the economies of China, India, and Brazil also placing increased pressure on the competitiveness of the region. 2009 data indicates the UK lies 18th out of 30 OECD countries.

At a sub-regional level, the South East continues to suffer from severe disparities in a number of key employment and skills performance indicators, which are examined in this report. Furthermore, whilst the region is relatively prosperous in aggregate, the gap between the most and least prosperous areas is higher than the equivalent gap in other regions[5].

1.2 Spatial variation

The South East covers 19,400 square kilometres (7,500 square miles); it is home to 8.3 million people, making it the largest of the English regions. Over 80% is classified as rural yet 75% of residents live in urban areas[6].

1 Experian (2010), Regional Forecast Report: South East Recovery Underway
2 ONS (2010), Annual Population Survey
3 Eurostat (2009), Regional Yearbook
4 EEDA, LDA, SEEDA (undated), UK's engine for growth and prosperity: A case for targeted development in Greater South East.
5 SEEDA (2006), Regional Economic Strategy 2006-2016 – The Evidence Base
6 SEEDA (2006), Corporate Plan Refresh 2008-11: A Summary

SEEDA's Regional Economic Strategy (RES) classified the region into three broad areas with differing overall economic and skills characteristics, as follows:

- **Inner South East** – characterised by: high productivity; high economic activity; high concentration of world class companies; high skills profile; low dependency on public sector engagement; relatively young population; significant pockets of deprivation.
- **Rural South East** – characterised by: high economic activity; highly skilled commuter workforce; high business density; deprivation associated with access to services and housing.
- **Coastal South East** – characterised by: low productivity; lower economic activity rates; lower skilled workforce profile; more traditional business activities; higher dependency on public sector engagement.

SEEDA's RES has defined priority places as areas of high growth potential and underperforming areas where major regeneration will help boost economic success. These include:

- Diamonds for Investment and Growth
- The Ashford Growth Area in Kent
- Three ongoing regeneration programmes in Hastings and Bexhill, Dover and Margate[7].

There are eight Diamonds for Investment and Growth; these have been identified as the main catalyst areas to drive the region's sustainable economic growth, with the employability and skills of residents a key component of this[8]. The Diamonds accounted for 44% of the GVA of the region in 2008, and are aiming to provide 50% of housing and GVA growth to 2016[9]. The Diamonds are not a homogeneous group and are at different stages of development; some have established structures and identified priorities, but others are yet to identify a workable economic geography that engages partners around an agreed set of priorities. As a group, they need further support and investment if they are to fully reach their potential as catalysts for the region's growth[10].

The Diamonds are as follows, with their locations shown in Figure 1.1 below.

1. Basingstoke (embracing the wider North Hampshire economy adjacent to London and the Thames Valley)
2. Brighton and Hove
3. Gatwick
4. Milton Keynes and Aylesbury Vale
5. Central Oxfordshire
6. Reading
7. Thames Gateway (Kent)
8. Urban South Hampshire.

In addition, there are two designated growth areas each covering three regions which include the South East: Thames Gateway and Milton Keynes South Midlands.

[7] SEEDA (2006), Corporate Plan Refresh 2008-11: A Summary
[8] SEEDA (2006), Regional Economic Strategy 2006-2016 – The Evidence Base
[9] South East Diamonds for Investment and Growth (2010) – January 2010 Monitoring Report
[10] South East Diamonds for Investment and Growth (2010), Employability and Skills Strategy

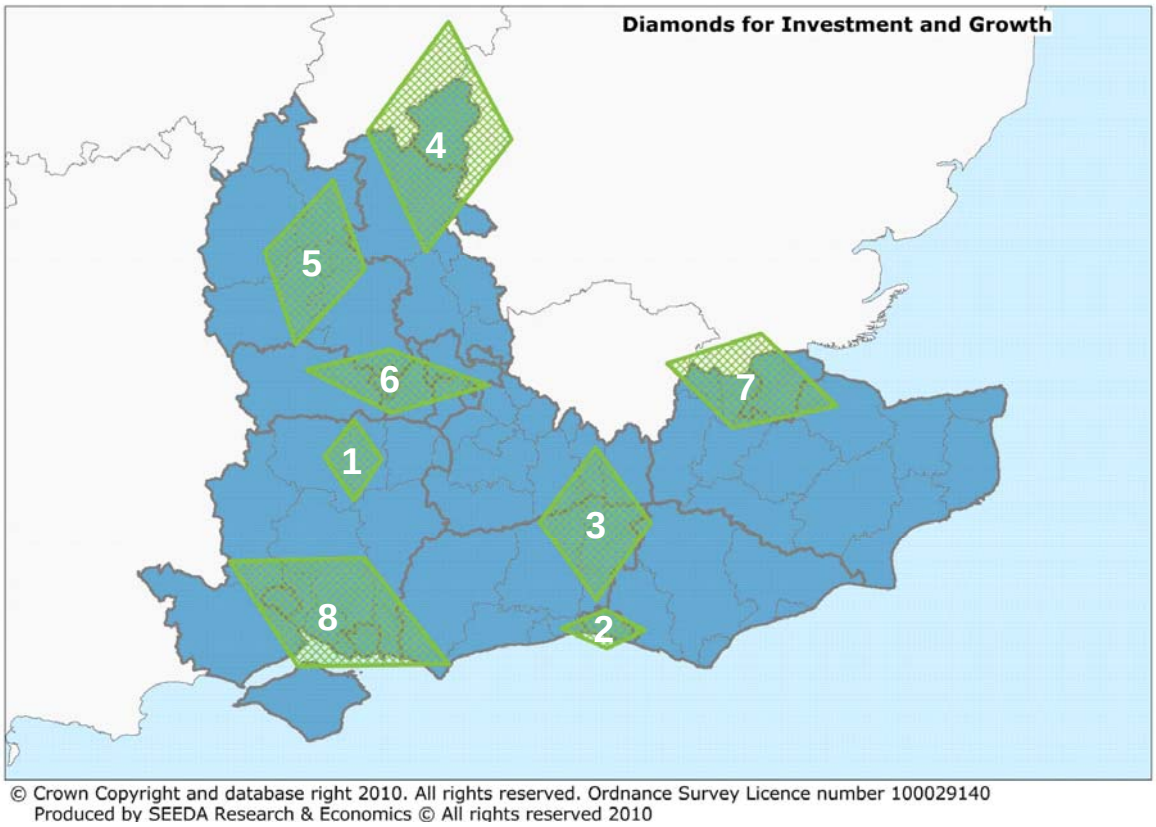

Figure 1.1: South East Diamonds for Investment and Growth
Source: SEEDA

1.3 Deprivation

There are pockets of severe deprivation in the South East, particularly associated with the coastal fringe and inner urban areas.

The Index of Multiple Deprivation (IMD) brings together 37 different indicators which are weighted and combined to create the overall index of multiple deprivation (IMD 2007)[11], with 1 being the most deprived and 149 the least deprived. The overall index covers specific aspects or dimensions of deprivation: income; employment; health and disability; education; skills and training; barriers to housing and services; living environment and crime. The overall multiple deprivation index for the South East shows that the inner counties of the South East are amongst the least deprived nationally e.g. Surrey (147), Buckinghamshire (143), Oxfordshire (137). However the urban unitary areas of Brighton and Hove (59), Southampton (66), Portsmouth (67) and Slough (73) are more deprived than the average for England.

Analysis of the 2007 Index of Multiple Deprivation (IMD)[11] at lower geographic levels reveals that the South East contains 318 Super Output Areas (SOAs) in the most deprived 20% nationally, more than either the East of England or the South West. 485,000 individuals live in these 318 SOAs[12].

[11] Department for Communities and Local Government (2007), Indices of Multiple Deprivation
[12] SEEDA (2010), Profile of the South East of England

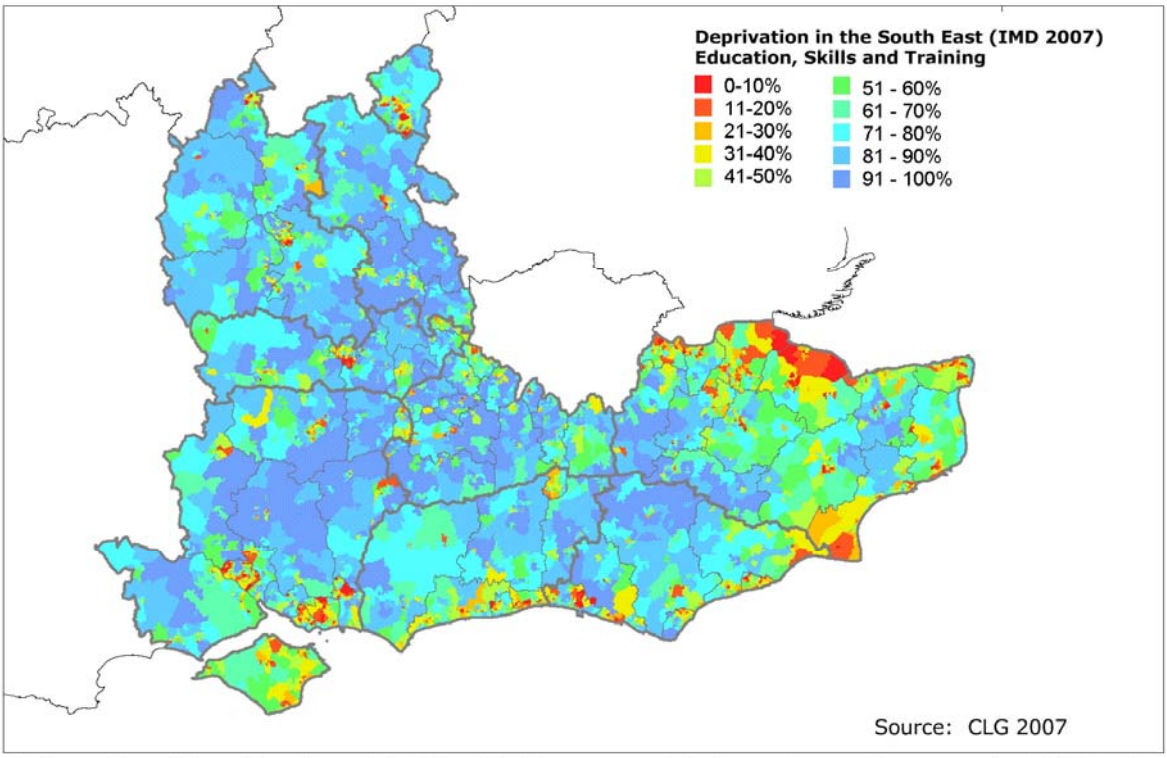

Figure 1.2: Areas of deprivation in the South East (education, skills and training)
Source: CLG 2007

The South East has a total of 5,300 lower layer super output areas (LSOAs). Of these, 6% are to be found in the bottom 20% nationally and 2% in the 10% most deprived (red areas in Figure 1.2 above). In percentage terms, this is lower than any other region. In contrast, over a fifth (1,300) of the South East LSOAs are in the 10% least deprived group[13]. Overall, the South East is the least deprived area of England on this measure.

However, the education, skills and training component of the index[14] makes up 14% of the overall IMD and shows that the South East has 9% of England's most deprived 20% LSOAs (Figure 1.2 above). This is higher than the South West, East, London and North East regions. The South East's performance on the education and skills index is therefore of some concern as it appears to be one of the weaker areas of South East economic performance. It should be noted that the index does not capture dispersed deprivation, i.e. small geographic areas of deprivation (e.g. at street level).

1.4 Recession/post recession

1.4.1 Recent changes in the economic landscape of the South East

The UK, including the South East, saw a sharp fall in output in late 2008 and throughout the majority of 2009 following the onset of global recession. Manufacturing and construction industries were hit first, with every sector in the economy eventually being affected by a decline in demand and productivity, leading to business failures and job losses[15]. By June

[13] DCLG (2007) The English Indices of Deprivation 2007
[14] This index is derived from data exploring average Key Stage 2 (KS2) points, average KS3 points, average KS4 points, pupil absence rate, adults (25-54) with no or low qualifications, not staying on post 16 rate and those not entering higher education rate
[15] SEEDA (April 2010), South East Economy Review

2009, unemployment had increased by 120% compared with one year earlier and vacancies had fallen by 40%[16]. At December 2008, new order levels reached a record low in the region[17] and by autumn of 2009 42% of South East businesses had seen a reduction in turnover[18].

As unemployment rose across the UK, a number of areas within the South East were hit hard, especially coastal regions and areas associated with urban deprivation. Youth unemployment and longer term unemployment both increased, but the overall rise in unemployment in the region (86,000 increase since 2005) has so far been less severe or prolonged than in other UK regions[19].

Evidence from the South East confirms that the recession has seen more people chasing fewer vacancies, giving employers a bigger recruitment pool from which to select new staff; this has particularly affected the most vulnerable groups such as those with low skills. Data from the National Employer Skills Survey (2009)[20], conducted at a time of deepening recession, showed fewer vacancies than at any time since 2003 (down 44% compared with 2007) and the number of vacancies classified as 'hard to fill' more than halved in comparison with earlier surveys. In 2009 the South East accounted for 16% of the vacancies recorded in England (compared with 20% in 2007).

Cost cutting has put pressure on training expenditure, including affecting the training of young people where the net costs of initial vocational education are relatively high over the early part of the training period. In addition, there is evidence that employers are choosing instead to recruit staff with more experience and hence lower training needs. Older people's training has also been affected where the employer considers they will be not be employed for a sufficiently long period to recoup training costs[21].

Research carried out in 2009[21] identified the following groups within the South East as being those most adversely affected by the recession:

- **Young people** - youth unemployment increased sharply throughout the South East with the numbers of 16-18 year olds not in education or training (NET) or not in education, employment or training (NEET) rising, and finding it increasingly hard to access either training or employment during the recession. Youth unemployment is significant because many people acquire their qualifications and skills while young and if they miss this opportunity they are less likely to acquire them later in life. In particular, there is increasing concern about the numbers of 18-24 year olds who are NEET.
- **Young men** – this group is disproportionately affected as they are more likely to leave school with lower levels of qualifications. The recession has also especially affected industries with male-dominated low-skilled occupations such as manufacturing and construction.
- **People with multiple disadvantages who live in areas of socio-economic deprivation with high levels of unemployment** – these individuals are likely to be at a disadvantage in securing employment and/or training, in part because of shortages of work in their local area.
- **Older workers** – many older workers may have lost their jobs in those sectors where there is a long trend of employment decline, such as manufacturing.

16 Nomis (2010), JSA Claimant Count
17 SEEDA (June 2010), South East Economy Review
18 SEEDA (March 2010), South East Economy Review
19 ONS (2010), Labour Force Survey 2005-2009 (annualised)
20 Worcester Research (2010), National Employer Skills Survey 2009 – South East Key Findings
21 IES (2009), Impact of recession on the Labour Market in the South East

- **The long-term unemployed**[22] – unemployment levels have continued to rise despite the economy returning to growth. Although decreasing, the unemployment to vacancy ratio remains high, meaning more people are chasing fewer jobs. This affects the longer term unemployed as they are facing high competition for jobs.
- **Public sector workers** – using estimates from the Office for Budget Responsibility, forecasts suggest that 74,000 public sector jobs could be lost in the South East by 2015-16. The impact on private sector jobs losses could then push this above 100,000.

A defining aspect of the recession was the flexibility shown by organisations towards staffing. There were far fewer conventional large-scale redundancies as witnessed in previous recessions and instead businesses often looked to cheaper solutions such as recruitment freezes, shorter working days or weeks, and sabbaticals. This helped reduce the growth in unemployment compared to previous recessions, but risks the possibility of a 'jobless recovery' as organisations make better use of existing staff before recruiting additional staff.

Evidence shows that skills needs identified by employers and stakeholders during the recession were extremely diverse and reflected sectoral, occupational and firm-specific preferences. Some organisations had no change in skills needs due to insulation from the effects of recession, or adoption of long-term strategies for skills development. Among organisations which did experience shifts in skills needs, the recession heightened and created demand for management, marketing and sales skills. For individuals, employability skills were increasingly important to secure work and retain jobs[23].

The recession also led to an increased need for changes in training provision, with employers in the South East seeking hybrid and modular training content, and increased demand for short courses delivered at convenient times and locations. Pre-recession changes to increase the flexibility of timing, delivery and training content have continued in response to this[23].

1.4.2 The emerging shape of the recovery

Early indications suggest the South East economy has been relatively resilient and performed comparatively strongly in relation to other regions. ONS data[24] for April 2010 suggests that previous sharp rises in unemployment have begun to level off, with the numbers of long-term unemployed seeing little movement in recent months, suggesting stabilisation. In April 2010 there were 286,000 unemployed people in the region, an unemployment rate of 6.4%, which had increased by only 0.2 percentage points since the previous quarter. This compares to a quarterly increase of 0.7 percentage points between December 2008 and March 2009.

Despite the overall return to positive growth in the UK in late 2009, regional economies, including the South East, remain fragile and vulnerable to external economic shocks and the impact of policy developments. Experian data[25] shows that consumer confidence appears to be slowing because of rising unemployment and the mounting fiscal debt of the UK Government. The inevitability of tax rises and spending cuts is likely to constrain the public sector's ability to contribute to the economic recovery.

For the South East, such cuts could translate into large scale redundancies, weaker wage growth, reduced demand for goods and services and the scaling back of large public sector projects (with knock-on effects to other sectors such as construction). This also puts

[22] Short term unemployment is defined as less than six months; long term is greater than 12 months
[23] IES (2009), Impact of recession on the Labour Market in the South East
[24] ONS (2010), Annual Population Survey
[25] Experian Regional Planning Service (2010), Quarterly Regional Leading Indicators Monitor

increasing pressure on the private sector to absorb cuts as well as leading the economic recovery.

These factors make it increasingly likely that the employment rate within the South East will not return to the high levels witnessed at the turn of the century; in 2000 the employment rate peaked in the South East at 81%, but subsequently fell to 78% by 2009[26]. In addition, population growth including the net impact of migration may mean that employment growth will not keep pace with population change[27].

Nevertheless, renewed growth in business services, the strength of the private sector and the stabilisation of financial markets reported in the latest regional forecasts[28], combine to suggest that the South East will play a key role in leading economic recovery during 2010, along with London and the East of England.

There are some positive recent signs around business growth. The National Businesses Survey (NBS)[29] suggests that business confidence in the South East grew considerably between June 2009 and November 2009, with 10% more businesses indicating optimism about the future business climate.

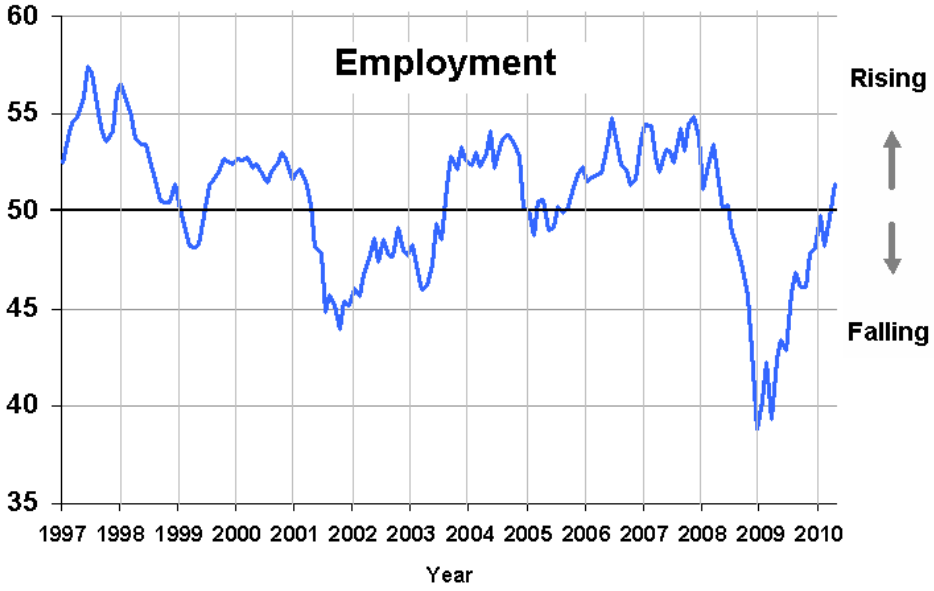

Figure 1.3: South East Employment Index
Source: Markit Economics (2010), South East PMI

The April 2010 Purchasing Managers Index[30] (PMI) for the South East indicated growth in private sector employment, ending a twenty-one month period of workforce reduction in the region; at a level of 51.4, the seasonally adjusted Employment Index was slightly above the neutral level of 50.0 (Figure 1.3). Recruitment was generally linked to rising workloads, and was centred on the manufacturing sector. However, despite output rising more sharply than the PMI's UK trend, the rate of workforce growth in the South East was slower than the national average. This suggests there is still great caution amongst businesses regarding the shape of the recovery; this is a potential area of concern considering the emphasis placed on the private sector to lead the economic recovery.

[26] ONS (2010), Labour Force Survey
[27] Experian (2010), Regional Forecast Report: South East Recovery Underway
[28] Experian Regional Planning Service (2010), Quarterly Regional Leading Indicators Monitor
[29] Ipsos MORI (2009), The National Business Survey
[30] Markit Economics (2010), South East PMI

1.5 Economic health

The South East is one of the most successful regional economies in Europe. Gross Value Added (GVA) per head is the most widely use measure of regional economic performance in the UK and using this measure the South East is the second most successful region after London[31]. GVA estimates for 2008 show that the South East contributed £182 billion to the UK economy on a work-based measure; this was more than 14% of the UK total and the highest of all regions outside London. However, the growth in GVA from 2007 to 2008 was just over £5 billion, or less than 3%, which was the lowest of all regions and below the national growth rate of 3.5%[32].

Over the coming decade between 2010 and 2020 the South East economy is forecast to grow by an average of 2.7% per annum, which is ahead of all other regions[33].

Prospects for productivity are currently improving, with the South East expected to lead the UK in economic recovery in 2010. Expected GVA growth is 2.1%, compared to 1.7% in London and the East of England, and significantly above the UK forecast of 1.2%. In 2011 South East growth is forecast to be 2.6%, which is slightly behind London (2.8%) and well above the rest of the UK which is expected to grow by 2.0%[32].

Cross-regional commuting to work patterns have a considerable effect on regional GVA. Using residence based statistics for England only, the South East accounts for 18% of GVA (Figure 1.4). On this basis, London contributes the largest share at 23%, and together the two regions produced 41% of England's GVA in 2008. London produces a disproportionate amount of England GVA compared to its employment rate, meaning that regional shares of GVA are generally lower than regional shares of employment; the South East is the only region to have a higher proportionate share, as shown in Figure 1.5 below. This indicates that the average productivity of employees is higher within the South East in comparison to other English regions outside of London. The high proportion of workers in higher skilled occupations is likely to drive up productivity and output levels for the South East[34].

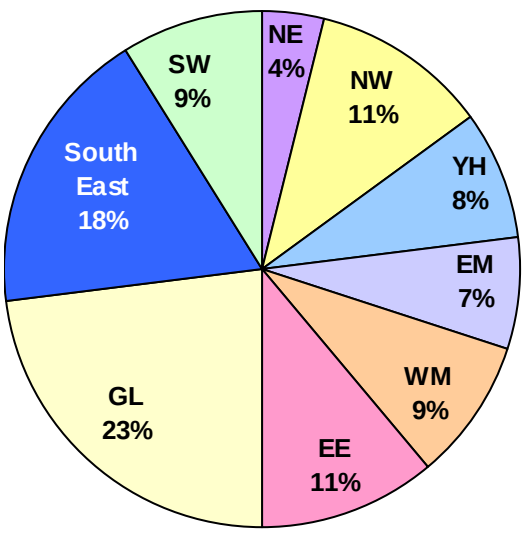

Figure 1.4: Regional share of GDP (residence based)

Source: ONS, Regional GVA First Release, Dec 2008

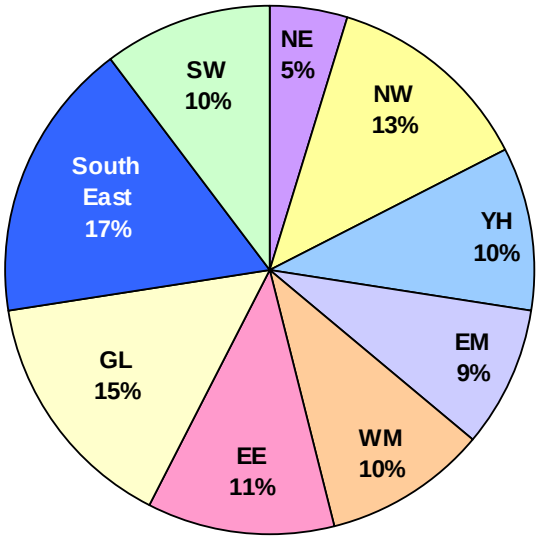

Figure 1.5: Regional share of employment

Source: ONS, Annual Population Survey (2008)

[31] South East England Partnership Board (undated) South East England Strategy Think Piece 1- Economic Growth and Technological Innovation

[32] ONS (2009), Gross Value Added for the South East – Regional briefing

[33] Experian (2010), Regional Forecast Report: South East Recovery Underway

[34] ONS (2008) Regional GVA First Release

GVA per head of population in the South East was £21,700 in 2008, 6% above the UK average of £20,500, but the annual increase of 2% was less than the UK average of 3%. However, it is important to note that the South East also saw an estimated increase in population of over 71,000 during this same period, which would be expected to lower the per head figure[35].

Between 2006 and 2007[36] the highest sub-regional GVA growth rate was in Surrey at 6.5%, followed by Hampshire and Berkshire with 6.2% and 5.9% respectively. Buckinghamshire saw the lowest growth rate for this period at 3.7%, followed by Oxfordshire at 4.0% and Medway at 4.1%.

The real estate and business services sectors together contributed £51 billion to the South East GVA in 2007, around 29% of the total. This sector has also shown the greatest increase in share, rising by nearly 7 percentage points since 1995. The second largest contribution came from the public sector at £29 billion. However, forthcoming government cuts to public spending make it is likely that future contributions from the public sector to the overall GVA of the South East will decline. The financial services and construction sectors are also key in the South East, accounting for 5.9% and 6.6% respectively of the total GVA in 2007. These sectors have also been increasing their shares of the South East economy over the last few years but have recently been hard hit by the recession[35].

Overall, economic growth is driven by employment growth and productivity growth. Although employment growth has historically been strong in the South East, the contribution that it can make to economic growth is limited, though not to the extent it was before the recession. However, there is significant scope to improve labour productivity in order to sustain long-term growth and prosperity. Future economic growth in the region is therefore likely to be driven by high growth firms as well as foreign investment, which creates employment opportunities and contributes to productivity growth through the inflow of new technologies and knowledge. It is therefore important for the South East to improve its skills base in order to compete in a global economy and to ensure that the supply of skills matches the demands of firms across the economy and in high-growth sectors[37].

1.5.1 Role of skills in productivity

Skills are one of the five drivers of productivity along with innovation, enterprise, investment and competition[38]. The ability of firms to succeed in the face of growing international competition depends increasingly on the skills of the labour force and productivity is increasingly driven by skills[39]. Skilled workers are better able to adapt to new technologies and market opportunities, and higher skills also link to innovation, investment, leadership and management.

Treasury evidence shows that the low average skill levels in the UK accounted for at least a fifth of the productivity gap; in Germany and France, workers are respectively 13% and 20% more productive than their UK counterparts[36].

The provision of an increasingly highly skilled workforce relevant to employers will be important to help the South East region maintain its productivity advantages in a global economy.

35 ONS (2010), Gross Value Added for the South East – Regional briefing
36 Latest available sub-regional GVA data
37 South East England Partnership Board (undated) South East England Strategy Think Piece 1- Economic Growth and Technological Innovation
38 BERR (2008), The 2008 Productivity and Competitiveness Indicators
39 Leitch (2006), Leitch Review of Skills: Prosperity for all in the global economy: world class skills

One means of determining the productivity benefits of particular skills is to review wage premia for qualifications gained, accepting that qualifications are not always a good proxy for skills. UKCES[40] maintains that academic qualifications generally carry higher wage premia than vocational ones, especially at lower levels, though at level 4 and above vocational qualifications can outperform academic ones. Average wage premia can be quantified for GCSE, 'A' levels and degrees with variations recognised by subject area. For example, at degree level far higher wage premia were identified for STEM related subjects, with some evidence of no wage premia for arts or humanities disciplines.

Further evidence cited by UKCES shows that different types of vocational qualification and sector commanded different levels of premia. For example, BTECs provided a 10% wage gain compared to 4% for NVQs. Also, work-based NVQ level 2 qualifications had returns as high as 10% compared to some people with NVQ level 2 qualifications earning less than people with no qualifications. Apprenticeships also carry healthy marginal wage returns; achievers of a level 3 Apprenticeship can earn a wage premium of around 20%[41] compared to others with level 2 qualifications[40].

Further evidence indicates that top performing companies have a workforce with, on average, an extra qualification level and/or longer time in education than the workforces of bottom performing companies.

The South East has recently seen significant increases in qualification levels, but relative stability of productivity rates. This pattern is likely to be the result of a complex set of factors including the changing mix of occupations and industries, and the recent employment reductions and adjustments linked with the recession. Successful economic recovery will depend in part on more effective utilisation of both skills and qualifications to increase productivity.

1.6 Population forecasts

1.6.1 Forecast population trends

Figure 1.6 shows the forecast population change from 2009-2014[42] comparing England's trends with those of the South East. The total South East population is forecast to grow by 4% in this period, with the numbers of children (0-15) growing by 2% from a base of 1.6 million, and the number of working age adults (16-59/64) growing by 2% from 5.1 million; in contrast, older people (59/64+) will grow by 11% from a base of 1.7 million. By comparison, England growth forecasts are 2.5% for children, 2% for working age adults and 10% for older people, an overall increase of 4%. Thus the South East rate of growth for older people is greater, and the rate of growth for children very slightly lower than when compared with national levels.

[40] UKCES (2010), Skills for Jobs: Today and Tomorrow – The National Strategic Skills Audit for England 2010

[41] It may be that limited numbers of Apprenticeship places mean those gaining and completing them have higher basic ability levels, so higher wages reflect innate ability rather than the value of the qualification itself.

[42] ONS (2010), 2008-based Subnational Population Projections

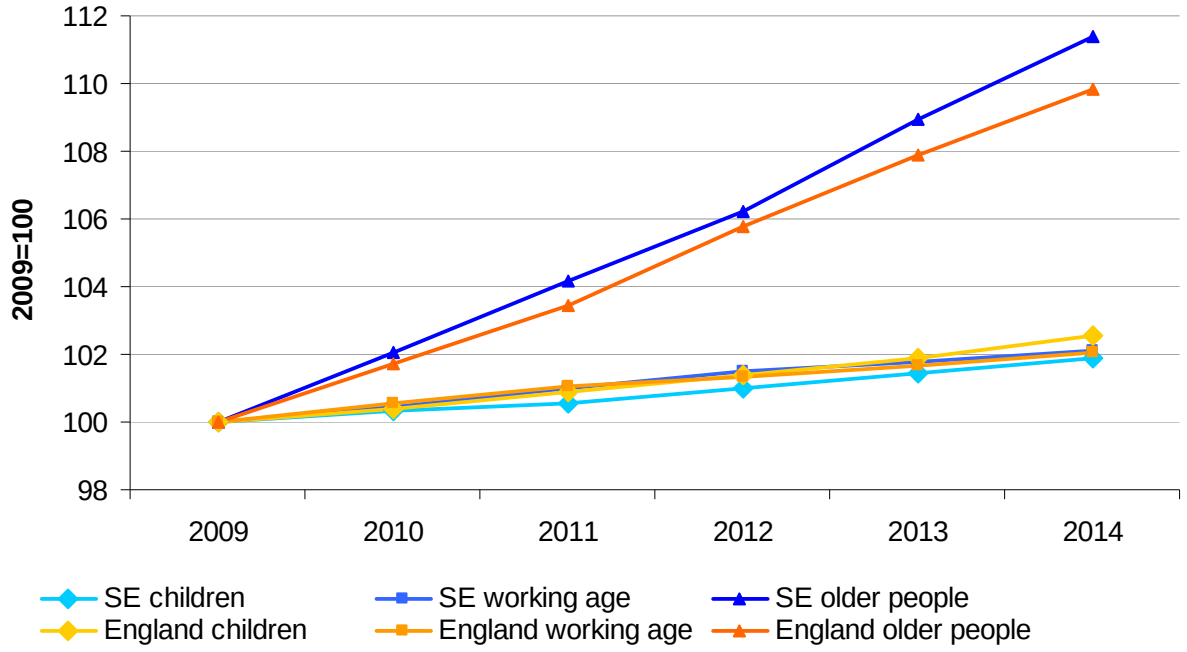

Figure 1.6: Forecast population change in the South East (2009-2014)
Source: ONS Subnational Population Projections (2010)

Increasing numbers of older people will also affect demand for products and services such as such as care, leisure and tourism, whilst fewer 15-19 year olds will affect demand for education and training.

Dependency ratios[43] of people not working to those working in the South East will rise from 60:100 in 2008 to 69:100 by 2020. The potential for fewer people creating wealth and paying taxes, and more people using public services, will create additional pressures on the regional economy.

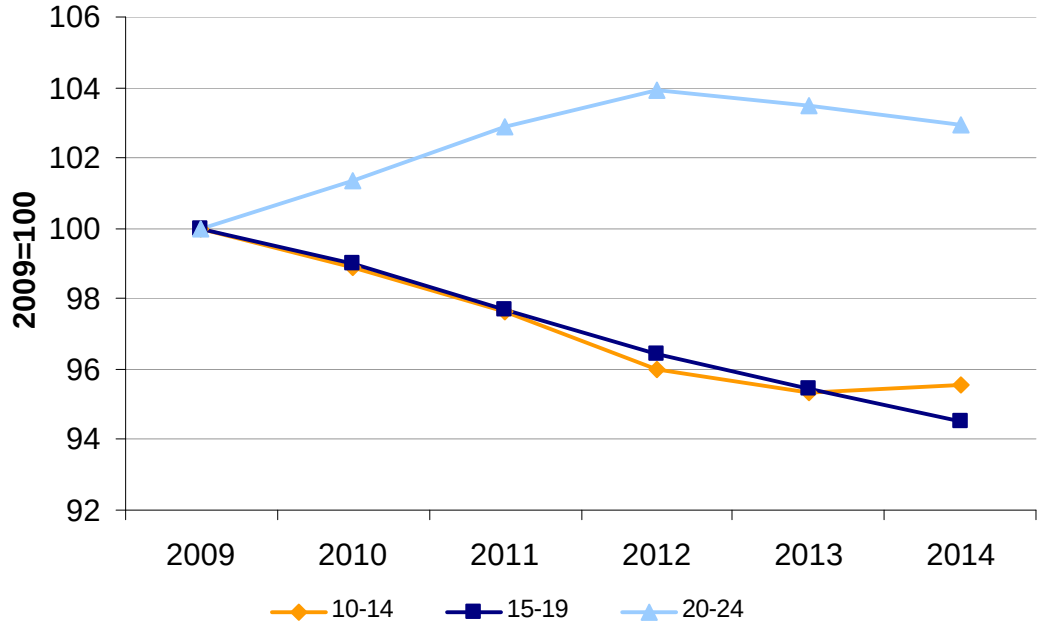

Figure 1.7: Forecast population change for South East young people (2009-2014)
Source: ONS Subnational Population Projections (2010)

[43] Ratio of people not in the labour force to those typically in the labour force.

Figure 1.7 shows how the number of young people will decline over the next five years. The number of 10-14 year olds will fall by 4.5% from a cohort of 505,000; 15-19 year olds will fall by 5.5% and 20-24 year olds will increase by 3% from a baseline of 525,000, peaking in 2012.

1.6.2 Sub-regional population forecasts

Table 1.1 below shows that in the five years to 2014, there are few areas where the numbers of children (0-15) will decrease, and that urban areas will have the biggest increases, especially in Slough (+9%) and Milton Keynes (+7%).

All areas have small forecast increases in the working age population, but only Southampton and Portsmouth exceed 5% growth.

For older people, Milton Keynes has the highest forecast population increase of 22%, followed by three unitary authorities in Berkshire, all above 15%[44].

LOWEST GROWTH (%)							
All Ages		**Children (0 – 15)**		**Working Age (16 – 59 / 64)**		**Older People (60 / 65+)**	
Medway	2.2	Bracknell	-0.9	Medway	0.4	Brighton & Hove	0.2
Brighton & Hove	2.8	East Sussex	-0.7	Bucks	0.7	Reading	4.8
Bucks	2.8	Medway	-0.2	East Sussex	1.0	Southampton	5.0
Oxon	3.1	West Sussex	+0.3	Oxon	1.0	Portsmouth	5.3
Hants	3.3	Hants	+0.5	West Berks	1.5	Slough	6.2

HIGHEST GROWTH (%)							
All Ages		**Children (0 – 15)**		**Working Age (16 – 59 / 64)**		**Older People (60 / 65+)**	
Southampton	5.5	Southampton	6.0	Slough	4.3	Hampshire	13.8
Slough	5.5	Reading	6.1	Wokingham	4.5	Wokingham	15.3
Portsmouth	6.1	Portsmouth	6.5	Reading	4.9	Bracknell	15.4
Wokingham	6.6	Milton Keynes	7.1	Southampton	5.5	West Berkshire	16.4
Milton Keynes	7.1	Slough	8.8	Portsmouth	6.2	Milton Keynes	22.5

Table 1.1: Highest and lowest population changes by age group by sub-region 2009-14
Source: ONS Subnational Population Projections (2010)

Table 1.2 shows the population change specifically for young people in the South East. The proportions of young people aged 10-14 and 15-19 will decline during the period 2009-2014; the latter group having labour market implications as declining numbers of young people leave school, further education and enter employment. Those aged 20-24 are forecast to increase up until 2012 and then reduce in numbers slightly and those aged just over 65 will grow the most.

[44] ONS (2010), 2008-based Subnational Population Projections

Young People	
Age Band	Change
0-4	+ 1.9%
5-9	+ 11.0%
10-14	- 4.5%
15-19	- 5.5%

Working Age Adults	
Age Band	Change
20-24	+ 2.9%
25-29	+ 10.9%
30-34	+ 8.6%
35-39	- 9.2%
40-44	- 7.1%
45-49	+ 5.1%
50-54	+ 14.6%
55-59	+ 6.4%

Older People	
Age Band	Change
60-64	- 9.4%
65-69	+ 27.8%
70-74	+ 9.7%
75-79	+ 8.0%
80-84	+ 9.3%
85-89	+ 4.5%

Table 1.2: Population change by age cohort (2009-14)
Source: ONS (2010), 2008-based Subnational Population Projections

1.7 Economic activity and employment

Over the year to September 2009, 82% of working age residents in the South East were considered to be economically active (Figure 1.8). The rate of economic activity within the region is 3.3 percentage points above the English average of 79% and is the highest of all regions, followed by the East of England and the South West both with 82%.

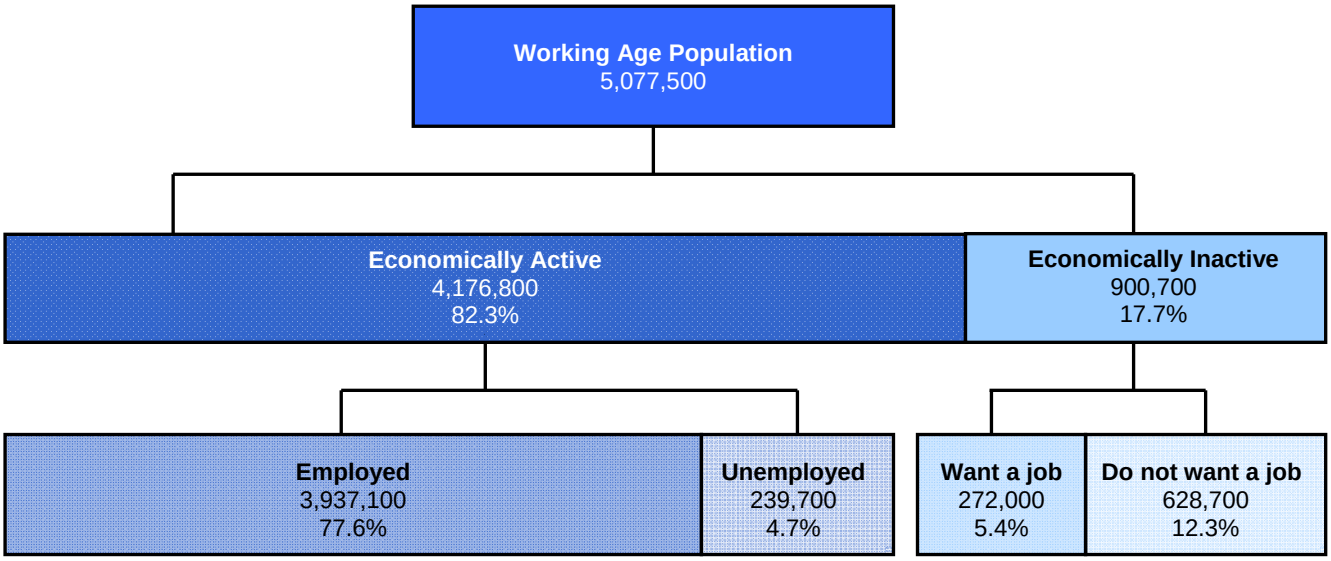

Figure 1.8: Employment status of the working age population of the South East
Source: ONS, APS, September 2009

Figure 1.9 below shows that the South East has considerable variations of economic activity between genders, with rates of 87% for men and 78% for women for the year ended September 2009. These rates were higher than the English average of 84% and 74% respectively.

A similar gender divide exists between male and female inactivity, with rates for men reaching 13% in September 2009, compared to 22% for women. Female inactivity has actually decreased slightly since September 2005, probably because more women are moving back into economic activity and taking on part-time positions to ease the financial strain of the recession.

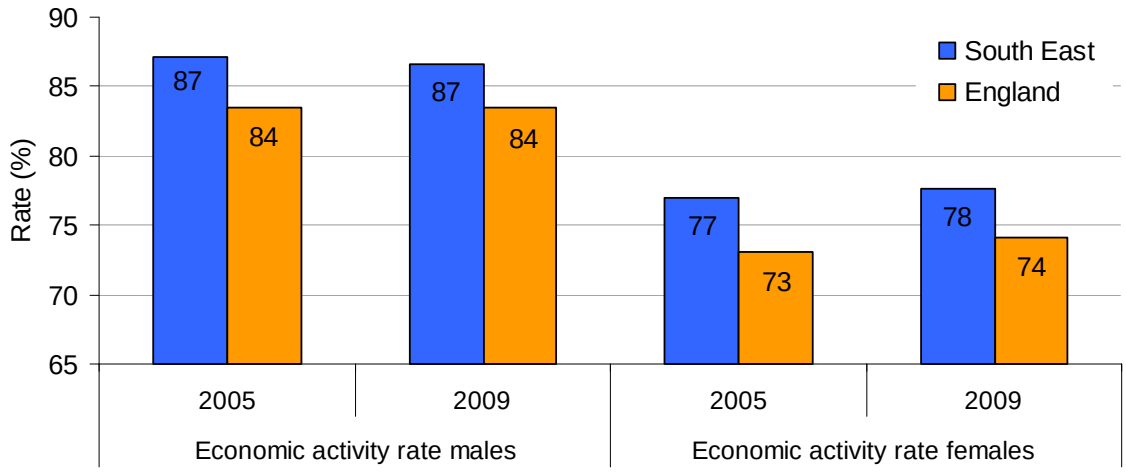

Figure 1.9: Economic activity rates by gender in 2005 and 2009 (England and SE)
Source: Nomis, APS

The number of economically inactive people in the region currently stands at 18%, or around 900,000 residents (Figure 1.8 above). In absolute terms, this is almost three times the North East. The percentage of working age population considered economically inactive within the South East is 3.6 percentage points below the English average of 21% and the lowest of all regions within the UK.

Nearly 630,000 of economically inactive South East residents do not want to work, which accounts for 12% of the total working age population of the region. A further 272,000 economically inactive people did want a job as well as the 240,000 unemployed individuals.

The South East has seen a rise of 35,000 'involuntarily inactive[45] residents since 2005, with the figure standing at 272,000 in September 2009. This group represents 5% of the South East working age population (and is comparable to the England average). There is a risk that these residents move further from the services available to help them re-enter the labour market, and the longer they remain inactive the slimmer their chances of finding work.

1.8 Business volumes and sizes

Figure 1.10 below shows the relationship between business numbers, employment and turnover in the South East compared to England[46]. Whilst businesses with 250 or more employees represent just 0.1% of South East business units, they employ 39% of the workforce (lower than the England figure of 43%), and account for 54% of the turnover (higher than the England figure of 50%).

The 0.5% of the region's businesses with 50-249 employees represents 11% of employment and 13% of turnover, in line with average levels for the whole of England. SMEs of 1-49 staff account for 24% of employers (2 percentage points below the national figure) but similar levels of employment, whilst their turnover is almost 3 percentage points below the England figure. Businesses with no employees[47] account for 75% of all businesses in the region (two percentage points below England) but 18% of employment, which is three percentage points above the national figure, and have similar turnover levels.

[45] These are individuals classed as economically inactive but who are seeking employment, and can include migrants, retired people, students or others ineligible to claim Jobseeker's Allowance.
[46] BIS Small Business Service Analytical Unit.
[47] Note: Businesses with "no employees" comprise sole proprietorships and partnerships with only the self- employed owner-manager(s), and companies comprising only an employee director.

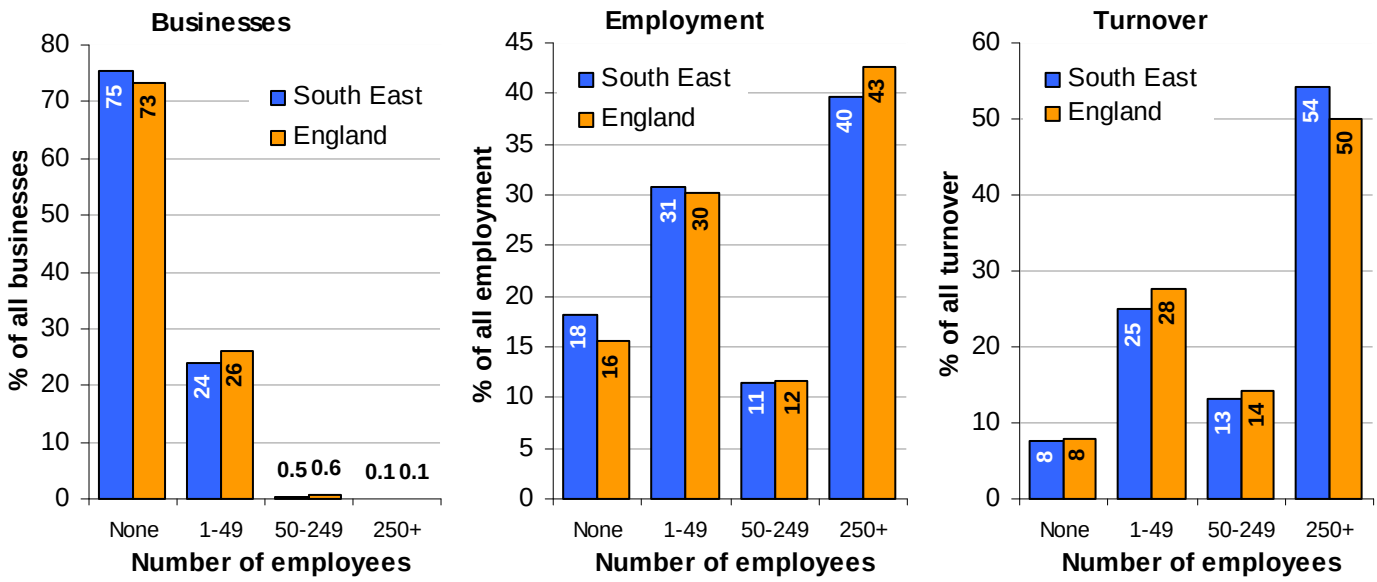

Figure 1.10: Number of private sector businesses, employment and turnover (2005)
Source: BIS Small Business Service Analytical Unit

1.9 Business formation rates

In 2008 there were more than 372,800 active enterprises within the South East, an increase of 3,750 since 2007[48]. During that year the new business registration rate in the region was 60 per 10,000 resident working age population. This was second only to London (96 per 10,000) and higher than the average rate of 57 for England. The rates for both the South East and England fell by seven per 10,000 population since 2007.

Sub-regionally in 2008 the formation rate varied from 90 per 10,000 population in Windsor and Maidenhead to 37 in Southampton.

A more recent survey[49] shows that 14% more businesses started in the region during the first six months of 2010 compared to the same period last year. This was comparable to the average increase for England.

1.10 Earnings

The South East average earnings for 2009 were £28,700 for residents working full-time hours[50]. However on a workplace basis for this period, annual earnings were £27,500. This suggests that on average the region suffers from out-commuting, i.e. higher paid residents travelling outside for employment. Within the region this is most prevalent in Windsor and Maidenhead (figure 1.11), where residents on average earned £4,300 more than those working in the area. Conversely, in more urban areas residents earned considerably less on average than those in employment. For example in Slough the difference is £5,200 less and in Bracknell Forest it is £5,900[51].

48 ONS (2009), Business Demography Series 2008
49 BankSearch Information Consultancy (2010), Small Business Start-ups South East
50 ONS (2009) Annual Survey for Hours and Earnings
51 Note there are large statistical confidence levels for district or unitary based data

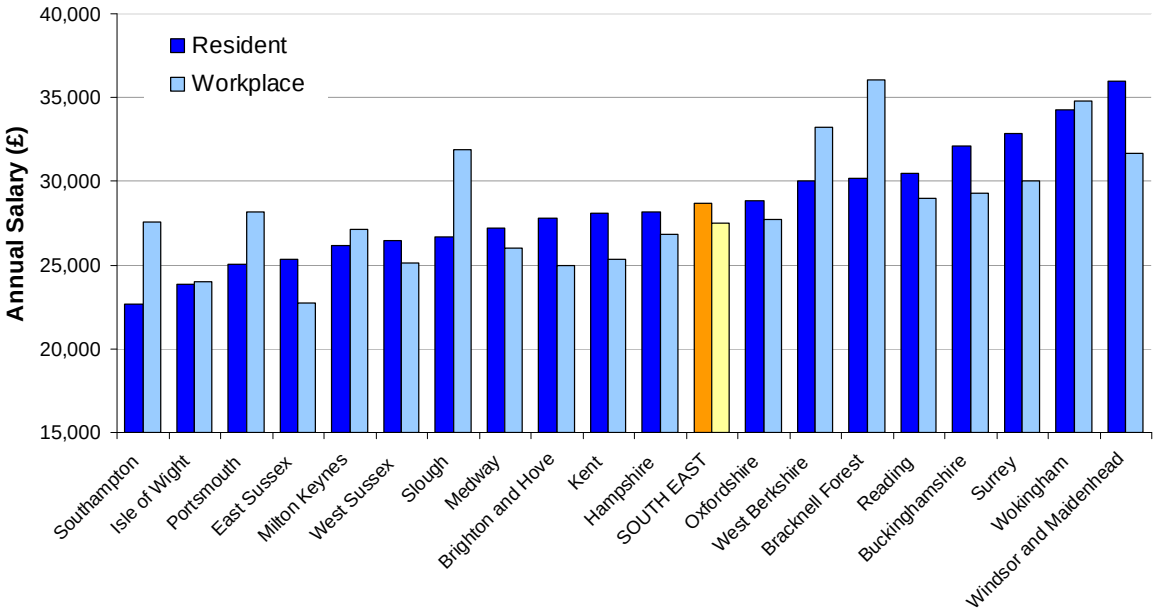

Figure 1.11: South East gross annual pay for full time workers (2009)
Source: ONS, Annual Survey for Hours and Earnings (2010)

The 'London Factor' plays a considerable role when assessing the annual earnings of residents within the region. For those areas within the South East that border or have good transportation links into London, out-commuting is often high.

Annual average earnings for full-time workers within the South East, in comparison to England, were £2,500 higher in 2009. The margin of increase has been growing in recent years; in 2005 South East residents were earning on average £1,900 more than the English average. The UK average earnings for 2009 totalled £25,800, around £2,900 below the South East average. Although earnings data partly helps to reflect the high productivity and GVA contributions of the South East, it fails to reflect the higher cost of living within the region which is considerably higher then other parts of the UK – this is an important factor when assessing how affluent residents within the region are.

1.11 Links to other economic issues

1.11.1 Workforce mobility and commuting

The skilled labour market crosses administrative boundaries and contributes to the overall competitiveness of the South East and London.

There are over 410,000 workers who commute from the South East into London each day and over 160,000 who commute from London into the South East[52]. There are also significant flows of commuters between different parts of the South East. Commuters tend to be more concentrated in certain industries such as financial services, where 30% of jobs in London are filled by commuters. In the Greater South East (i.e. South East, East of England and London), one third of graduates of all ages work in central London, with the Thames Valley being the other significant draw[53].

Flows of workers, goods and services across the Greater South East indicate that, economically, it is polycentric in nature and benefits from a variety of strong centres in

[52] ONS (2010), Annual Population Survey
[53] ONS (2010) Labour Force Survey and GLA Economics (July 2009)
Working paper 36: Commuting patterns in London by qualification level and employment location

addition to the London core[54], with implications about how the skills needs of businesses are met.

Affordability of housing is one factor influencing where people live and work. The average price for a home in the South East in 1986 was £49,000, with first time buyers paying an average of £36,000. In 2008 the equivalent figures were £285,000 for all buyers and £194,000 for first-time buyers, showing that it has become increasingly difficult for people to get on the first step of the housing ladder. In 1997 overall house prices in the South East were 4.3 times incomes, but by 2007 the figure stood at 8.9, falling very slightly in 2008 to 8.8 as house prices began to dip.

This lack of housing affordability can act as a constraint to workers being able to move to areas where businesses may need their skills or for retaining graduates in the local economy. As such, and given existing patterns of commuting, there may be opportunities to look at the local labour force to see how it can be skilled to meet local business needs, or to capture the skills of current commuters by encouraging them to take employment opportunities nearer to home.

Transport is also important, with the British Chamber of Commerce reporting in 2008 that congestion was of prime concern to businesses. Particular issues identified included added cost, journey time uncertainty and decreased global competitiveness. Thus congestion on the M25 or access to Heathrow airport, as examples, can hinder or dissuade organisations from operating in the South East. It is also a factor for individuals both in terms of journey time and cost (e.g. season ticket pricing) which can accentuate skill shortages particularly in sectors that are not well paid.

1.11.2 London 2012

One of the primary themes of the Olympic Delivery Authority (ODA) is to give people in London and the UK, including those unemployed, an unrivalled opportunity for new jobs, skills and careers. Though the majority of the opportunities will benefit London residents, many will be open to people living or working in the South East, falling into three broad areas of employment:

- Olympic venues in and around London, including at Eton Dorney
- South East based businesses which provide goods or services to the Olympics
- the visitor economy across the South East

Though many of the opportunities will be short term, many of the skills and much of the experience gained will be transferable and some, such as hospitality and retail will align well with longer term skills needs in the region.

The major impact of the Olympics on skills in the South East will relate to the huge increase in the volume of visitors expected in the region in the summer of 2012. This will especially affect businesses and employees in hospitality, leisure, travel, tourism, retail, culture and transport. Improvements to skills levels in areas such as customer services and communications are fundamental to all these areas of work, and good skills in transport, catering, security and cultural areas will also be needed. In addition to the range of lower and intermediate level jobs, there will be some higher level skills gaps for supervisors and managers.

There will also be a huge number of opportunities for volunteers, across a wide range of skills areas. These could provide important stepping stones for those disadvantaged in the

[54] Institute of Community Studies / The Young Foundation & Polynet Partners (2005), South East England in North West Europe.

labour market who need progression routes back to employment as well as providing a chance for some to try out new areas of work.

Particularly good opportunities will exist for those living near the Eton Dorney 2012 site, i.e. those in Maidenhead, South Buckinghamshire and Slough, and those in north Kent who may be well placed to access employment at the main site in Stratford.

1.12 Implications for skills

- The **recession has disadvantaged the economy of the South East** on a number of indicators including rising unemployment, increasing skills gaps and decreasing vacancies. However, in relative terms the region has suffered less than many other regions.
- There is **significant sub-regional variation** within the South East and it is important to tackle specific skills and employability challenges in those areas. The relative affluence of the South East accentuates the gap between the rich and the poor. Improving skill levels has a key role in decreasing this gap by reducing potential mismatches between employer demand for skills and individuals who do not have the skills businesses want.
- Details of **deprivation at the community/street level are difficult to identify** from hard data; local partners and stakeholders, including voluntary and community-based organisations are therefore an important source of intelligence for defining local level needs and advising on appropriate solutions.
- Meeting the **skills needs in the eight designated South East Diamonds** is important to the future prosperity of the region given they account for 44% of the region's GVA and aim to produce over 50% of GVA growth to 2016.
- The **recession has disproportionately affected some groups**, such as young people, older workers and those living in areas of deprivation, increasing their vulnerability to the consequences of unemployment. On-going monitoring and targeted interventions will remain important to reduce their susceptibility to the consequences of the downturn.
- In the longer term and as the economy recovers, there is **potential for those economically inactive** who are able to work, to help meet skills needs and to avoid the adverse consequences of long-term unemployment.
- **Employment rates are unlikely to return to the levels of recent years** and it is anticipated that employers will make better use of existing staff before recruiting more. This implies an essentially jobless recovery, where the job market will remain tougher for those with no skills, low skills or with a range of skills for which there is declining demand, unless they can acquire skills which will meet employers' needs.
- **Rates of return and career prospects associated with different qualifications** and training need to be made more explicit to assist individuals to make informed decisions on what to invest in.
- In the longer term, the proportion of young people in the South East workforce is set to fall. A low overall growth of the working age population may mean that **future demand for labour exceeds the supply of skills**, leading to reduced productivity levels in the region. The decline in the number of young people (15-24) could also impact the supply of young apprentices with particular concerns for level 3 provision.
- There is an opportunity to **raise the economic activity levels of older workers** as retirement ages rise, and more people work post-retirement, to counter shortfalls in labour supply. Access to retraining to ensure skills match current employer demand will be key.

2 Skills and Jobs in the South East

This chapter considers the current profile of employment in the South East as well as reflecting on recent trends and changes forecast. Skill levels are examined across different sections of the working age population, and specific issues for special interest groups are explored. Sub-regional spatial disparities in employment rates and skill levels across the region are also identified.

2.1 Employment and occupational structure and forecasts

2.1.1 Employment levels

The number of South East residents in employment has fallen by 38,000 since mid 2009[55] in contrast to substantial growth during the previous three years (up 42,200 since March 2006). In the year to September 2009 the number of South East residents in employment fell by 23,100 (1.6%), whilst total employment in England fell by 393,600 (1.5%) in the same period (Figure 2.1).

The employment rate within the South East in September 2009 was 78%, a drop from 79% the previous year. The South East rate is 4.5 percentage points above the English average of 73% and the highest of all regions.

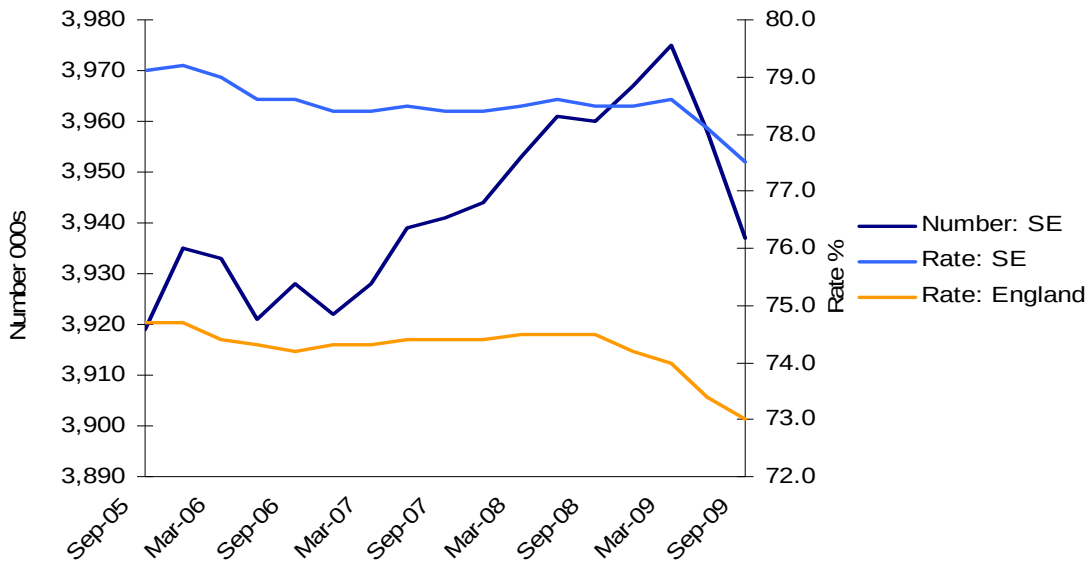

Figure 2.1: South East employment September 2005 – September 2009
Source: ONS, APS

Sub-regionally, there are some significant disparities in employment rates (figure 2.2 below). Areas such as Bracknell Forest, Medway and West Berkshire saw the greatest annual falls in employment rates over the year to September 2009 (down 3.7, 3.8 and 3.0 percentage points respectively); these falls were considerably greater then the overall South East drop of 1 percentage point and the English drop of 1.5 percentage points.

The Isle of Wight (down 7.7 percentage points) saw by far the greatest fall in employment rate between 2005 and 2009 of all sub-regions within the South East, followed by

[55] ONS (2010), Annual Population Survey 2004-2008, Annual Local Area Labour Force Survey 2001 to 2003

Wokingham (down 3.3 percentage points). The South East drop for this period was 1.6 percentage points.

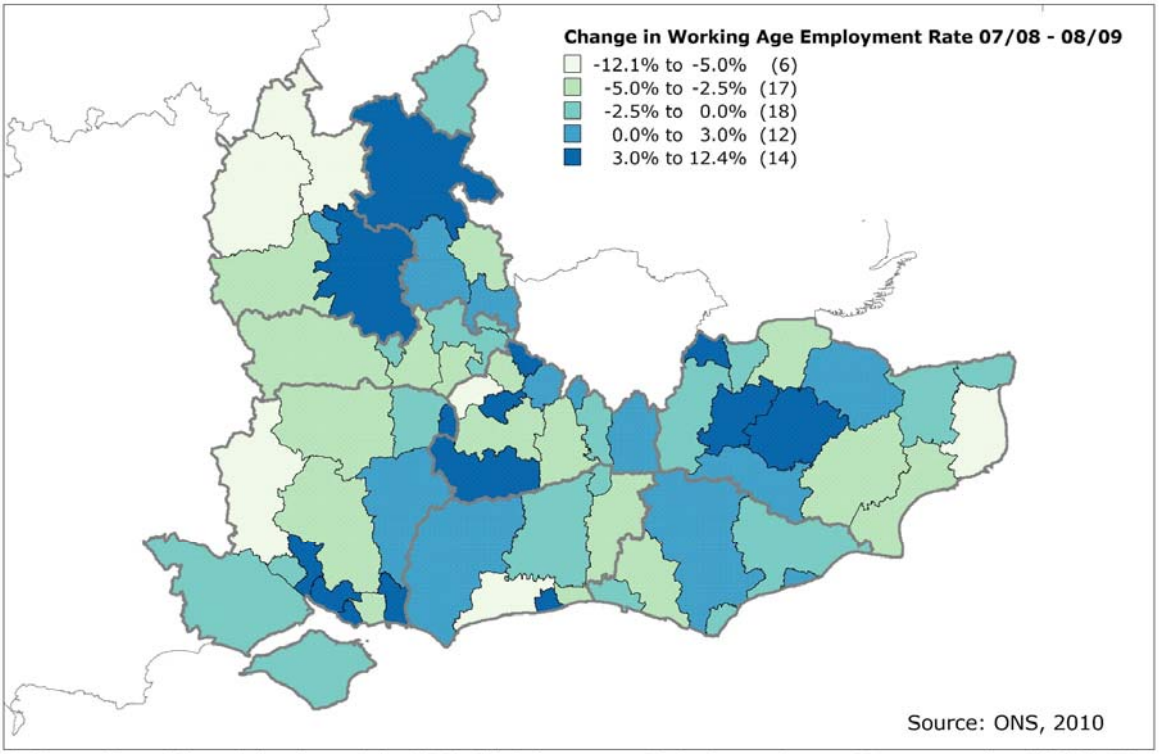

Figure 2.2: Change in working age employment in the South East (year to Sept 2009)[56]
Source: ONS, APS

The latest ONS data shows a levelling off in both the decline in employment levels and consequent rise in unemployment, suggesting the labour market has begun to stabilise. However, forthcoming cuts to the public sector workforce may mean that this is only a temporary stabilisation. In addition, short-term economic uncertainty makes it difficult to predict the future direction of employment levels in the medium to long term.

2.1.2 Employment by sector

2.1.2.1 Employment by sector

Employer based measures show that there are around 375,000 workplaces in the South East with 3,725,000 employees, and an average of around 10 people per workplace[57]. A summary by sector is shown in Table 2.2 below.

Over 35% of South East workplaces are in the business services sector, more than the national average of 32%, and they employ over 20% of the region's workforce (Figure 2.3). The second sector by size is retail, with 18% of South East employees working in shops, distribution or repair businesses, slightly more than the English average. However the region has comparatively fewer workplaces in this sector, indicating that South East wholesale and retail premises tend to be larger than in the rest of the country.

[56] Note there are large statistical confidence levels for district or unitary based data
[57] ONS (2008), Workplace-based Annual Business Inquiry (ABI)

Sector	Workplaces		Employment	
	England	South East	England	South East
Real estate, renting and business activities	32.0%	35.4%	18.8%	20.9%
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	19.9%	18.0%	16.9%	18.0%
Construction	10.2%	10.8%	4.6%	4.5%
Other community, social and personal service activities	8.3%	8.5%	5.3%	5.7%
Hotels and restaurants	6.8%	6.4%	6.7%	6.8%
Manufacturing	6.4%	5.7%	10.2%	8.2%
Health and social work	5.4%	5.1%	11.9%	11.6%
Transport, storage and communication	4.2%	3.8%	6.0%	5.9%
Education	2.4%	2.3%	9.4%	9.9%
Financial intermediation	2.4%	2.1%	4.1%	3.3%
Agriculture, hunting and forestry	0.8%	0.9%	0.3%	0.4%
Public administration & defence; compulsory social security	0.9%	0.7%	5.2%	4.3%
Fishing	0.1%	0.1%	0.0%	0.0%
Mining and quarrying	0.1%	0.1%	0.1%	0.1%
Electricity, gas and water supply	0.1%	0.1%	0.4%	0.4%

Table 2.2: Distribution of workplaces and employment by sector in the South East
Source: Annual Business Inquiry 2008, from ONS via Nomis website

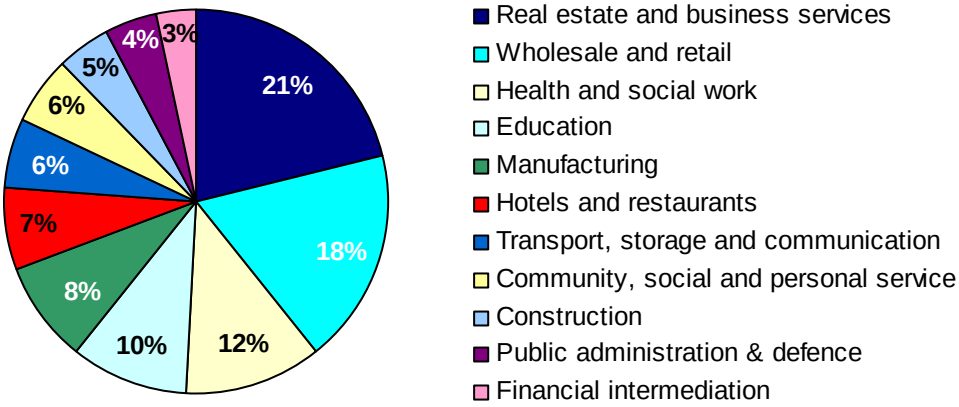

Figure 2.3: Employment by sector (excluding self-employment), (2008)
Source: ONS, Annual Business Inquiry 2008

Recent work by SEEDA[58] has shown that, using a wide definition of the public sector, one in four people are employed in the public administration, education and health sectors. This is slightly lower than nationally but some districts such as Oxford, Hastings and Canterbury have amongst the highest proportions in the country. Using a narrower definition, based on ONS data, an estimated 630,000 people are employed in the public sector. Using Office for Budget Responsibility estimates, forecasts suggest that 74,000 jobs could be lost by 2015/16. The impact on private sector jobs losses could then push this above 100,000

[58] SEEDA (2010), Public sector redundancies, potential impact on the South East

Consistent data for comparison purposes is not available for previous years[59], but there are some indications that employment growth in business services was slower in the South East than the English average, whilst employment in education services grew faster.

2.1.3 South East employment forecasts 2010-2012

Experian employment forecasts[60] suggest that South East employment levels will decline overall in 2010 before rising again slightly by 0.3% in 2011[61]. Table 2.1 below shows that the construction sector is forecast to experience the greatest employment growth during 2010 of 3% (around 8,900 new jobs). Almost all other sectors within the region are forecast to decline, with the manufacturing sector seeing the greatest fall in employment levels (around 6.3%, or 7,900 fewer jobs).

During 2011, forecasts suggests that a combination of the distribution and construction sectors will help drive up employment levels in the South East; together, these sectors are projected to increase by over 20,000. However, the financial and business sectors, which contribute a considerable amount to the South East economy, are projected to continue seeing declines in employment throughout 2011 of around 1.1% or 9,600 jobs.

Employment Growth	Base Level	Level (000s)	% Growth	Level (000s)	% Growth	Level (000s)	% Growth
	2009	2010		2011		2012	
Total Employment	**3,572**	**3,549**	**-0.6**	**3,558**	**0.3**	**3,598**	**1.1**
Agriculture, Forestry & Fishing	63	64	1.9	65	1.8	65	0.1
Mining & Utilities	20	20	-1.1	19	-3.1	19	-3.4
Metals, Minerals & Chemicals	65	64	-1.0	64	0.3	65	0.7
Engineering	125	122	-2.1	122	0.2	124	1.4
Manufacturing	125	117	-6.3	118	0.6	120	1.7
Construction	301	310	3.0	317	2.3	324	2.4
Distribution, Hotels & Catering	737	733	-0.5	747	1.9	765	2.3
Transport & Communications	228	220	-3.5	221	0.6	226	2.1
Financial & Business Services	864	855	-1.0	845	-1.1	857	1.3
Other (mainly public) Services	1,044	1,043	-0.1	1,038	-0.5	1,034	-0.4

Table 2.1: South East employment forecasts 2010-2012
Source: Experian UK Regional Planning Biannual Forecasts, August 2010

[59] There is a data discontinuity in the ABI as estimates up to 2005 are on a different basis to later ones, mainly due to a change in the survey reference date. Users should avoid directly comparing employment estimates over the discontinuity.

[60] Experian UK (August 2010) Regional Planning Biannual Forecasts

[61] Note that these forecasts were done before the May 2010 election and therefore do not take account of the planned public sector cuts outlined by the Coalition Government which are likely to be more substantial than the forecast allows. Furthermore, these cuts are likely to also have knock-on affects to other industries such as business services and construction which may in turn lead to further job losses within these sectors.

By 2012 it is projected that around 36,000 jobs will be created through a combination of the distribution, financial and business services and construction sectors. Most notably other services, which consists mainly of public sector bodies, is projected to continue falling throughout 2012, with total projected falls in employment amounting to just over 10,000. The forecasts as shown here, coupled with projected post-election spending cuts indicate a chance of a potential jobless recovery.

2.1.4 Longer term South East employment forecasts

Longer term forecasts predict an increase of about 7% from 2007 to 2017, through 325,000 new jobs and 1.6 million jobs resulting from replacement demand[62]. The forecast employment change by sector between 2007 and 2017 can be seen in Figure 2.4 below[63].

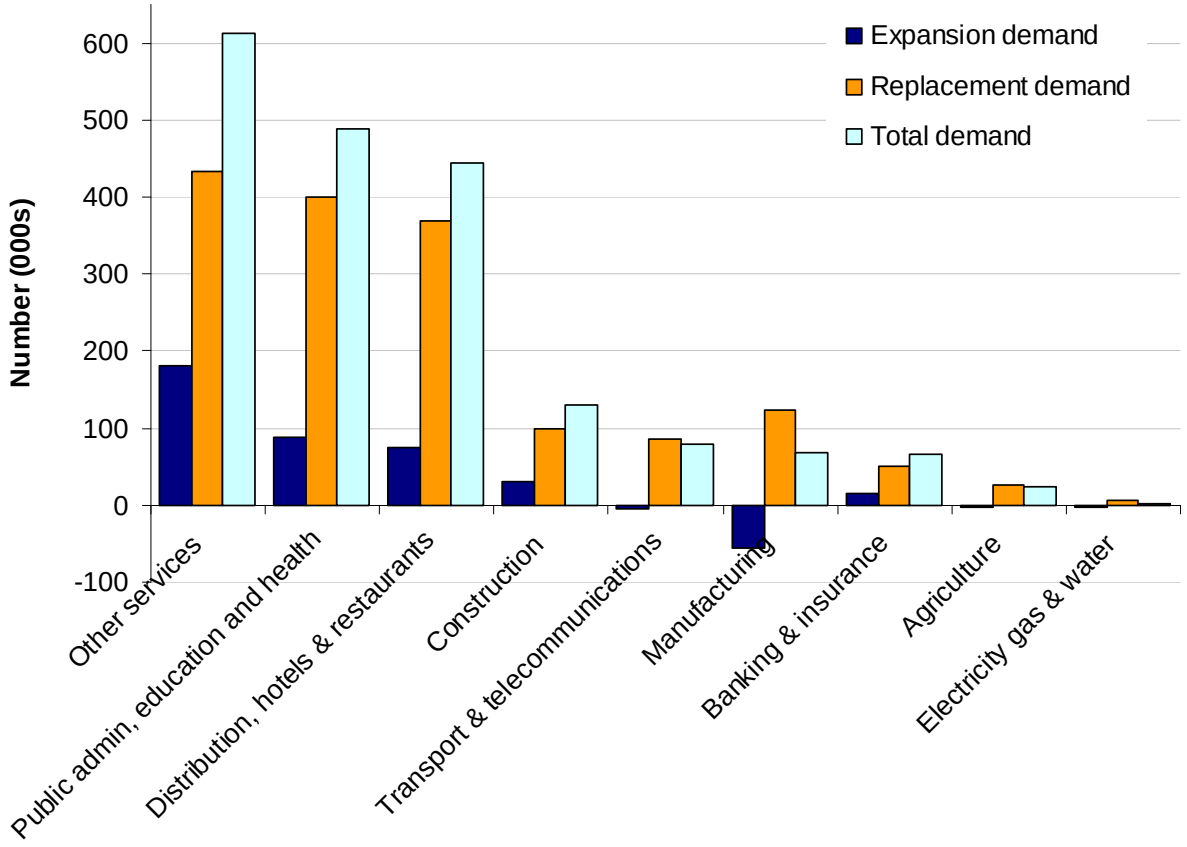

Figure 2.4: South East Replacement Demand by Sector
Source: Working Futures 3: 2007-2017 (2008 – based on pre-recession data)

Over this period all sectors are forecast to grow on the basis of expansion demand, with the exception of transport and telecommunications, manufacturing, agriculture and electricity, gas and water. Replacement demand will be particularly important for public administration, education and health, distribution, hotels and restaurants and other service sectors.

Total demand within the South East is projected to be highest (over 300,000) in other services, public administration, education and health and distribution. Conversely,

[62] Replacement demand is the replacing of employees through retirement, career moves or other reasons
[63] UKCES (2008), Working Futures 3: 2007-2017 forecasts were based on data prior to the onset of the recession, so may need moderating in the light of ongoing economic change; for example, the demand for teaching professionals in the education sector or caring professionals in the health sector may not turn out to be as strong as forecast.

agriculture and electricity, gas and water are both projected to see very little change (below 30,000) in total demand between 2007 and 2017.

2.1.5 Future sector change by occupation[64]

At a more detailed sectoral level, figure 2.5 below shows that the biggest single area of demand in absolute terms to 2017 will be sales occupations in the retail sector; this is mainly due to estimated replacement demand of 161,000 people. It is slightly offset by an expected reduction of 3,000 in the overall number of jobs, producing a net requirement of 158,000.

The other main occupations where large numbers of workers will be required are:

- Corporate managers in the business service sector, driven by expansion demand of 48,000 and replacement demand of 78,000.
- Teaching and research professionals in education with high replacement demand and a modest expansion of 19,000 jobs.
- 109,000 caring and personal service professionals in health and social work – again mainly replacement demand with some expansion.
- 95,000 elementary administrative and service occupations in hotel and catering – also a mix of positive expansion and replacement demand.

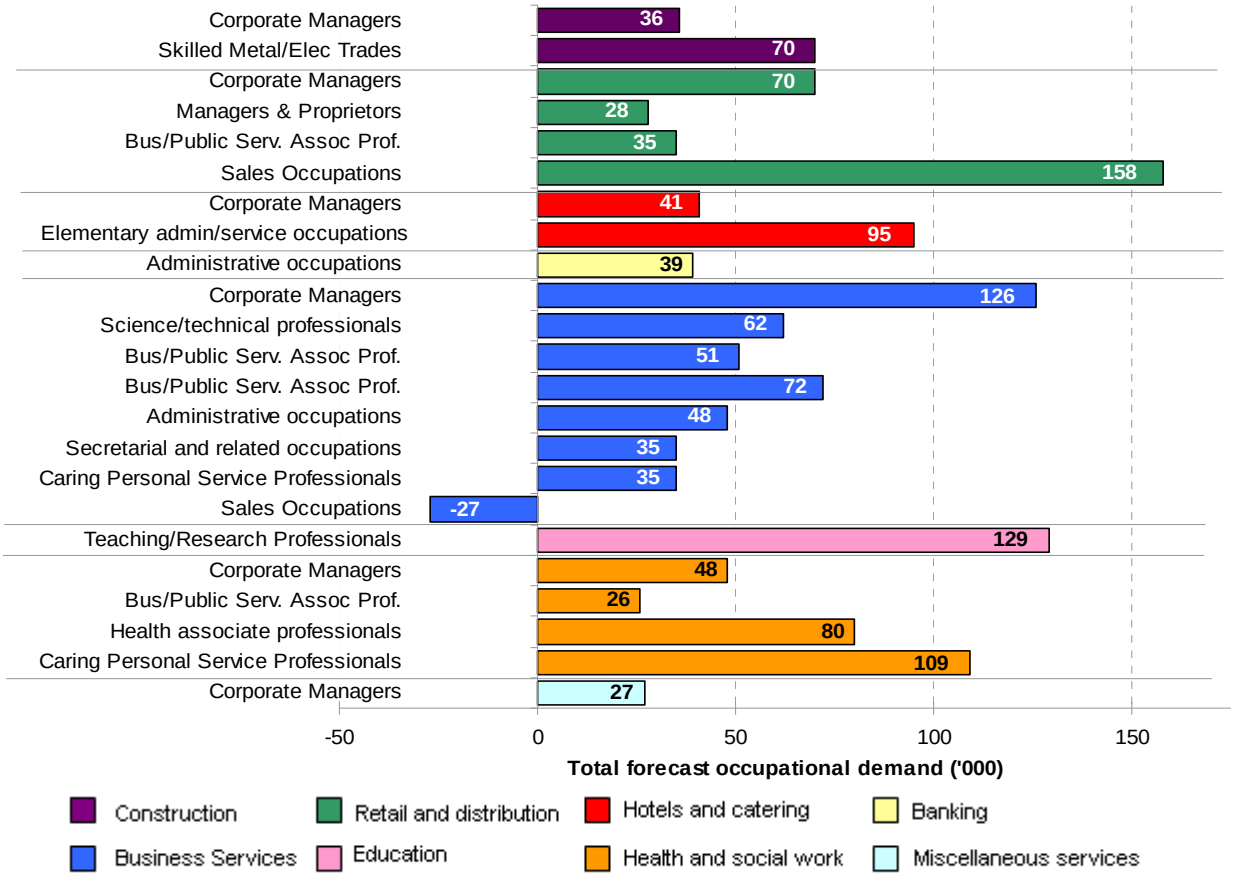

Figure 2.5: Main areas of occupational demand in the South East 2007 to 2017
Source: Working Futures 3: 2007-2017 (2008 – based on pre-recession data)

[64] UKCES (2008), Working Futures 3: 2007-2017

2.1.6 Occupational structure and trends

2.1.6.1 Current occupational structure

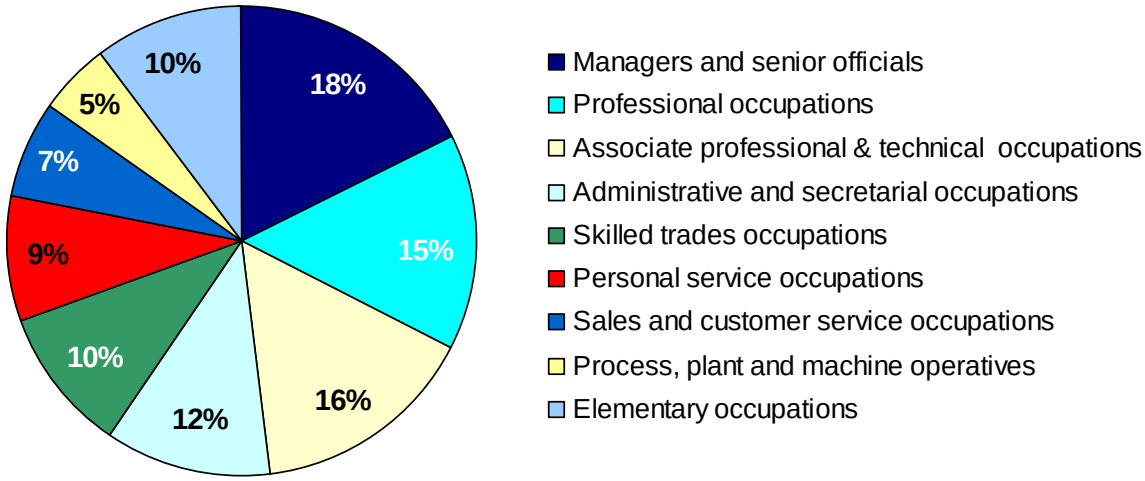

Figure 2.6: Employment by occupation
Source: APS, 2009

Figure 2.6 shows the occupational structure of those residents in the South East in employment. 48% are in the combined occupations of managerial, professional and associate professional roles, with just over 10% in elementary occupations.

2.1.6.2 Declining jobs in the South East

A range of jobs have been in decline in the last decade, and the 20 occupations with the highest percentage decline are shown in Table 2.3 below. Key points to note include:

- Various ICT jobs had high percentage decreases in the numbers employed, with database jobs decreasing by 49% (11,600 jobs), ICT operations technicians by 24% (5,700) and IT support by 21% (3,600).
- The sharpest decreases by volume are for cleaners and domestics with 26,900 jobs lost (23%), kitchen and catering staff at 17,700 (24%) and sales representatives.
- Other sales and retailing jobs have also fallen significantly; shopkeepers, wholesale and retail dealers decreasing by 11,000 (35%) and shelf-fillers down by 10,200 (32%).

Occupation	2002	2010	Decrease	
			Volume	%
Database assistants & clerks	23,810	12,181	11,629	48.8
Customer care managers	22,396	12,521	9,875	44.1
IT operations technicians	23,900	18,235	5,665	23.7
Packers, bottlers, canners, fillers	24,987	19,120	5,867	23.5
Heavy goods vehicle drivers	54,857	42,085	12,772	23.3
Cleaners, domestics	118,234	91,344	26,890	22.7
Storage and warehouse managers	14,791	11,472	3,319	22.4
IT user support technicians	17,394	13,781	3,613	20.8
Telecommunications engineers	15,140	12,060	3,080	20.3
Stock control clerks	23,007	14,593	8,414	36.6
Shopkeepers, wholesale & retail dealers	31,156	20,189	10,967	35.2
Sales representatives	51,220	33,743	17,477	34.1
Shelf fillers	31,767	21,545	10,222	32.2
Personnel & industrial relations officers	28,395	20,158	8,237	29.0
Metal working production & maintenance fitters	45,418	32,946	12,472	27.5
Civil Service administrative officers and assists	28,957	21,123	7,834	27.1
Estimators, valuers and assessors	15,652	11,412	4,240	27.1
Transport and distribution managers	20,561	15,086	5,475	26.6
Kitchen and catering assistants	73,569	55,821	17,748	24.1
Company secretaries	23,810	12,181	11,629	48.8

Table 2.3: Fastest declining jobs in the South East since 2002
Source: ONS, LFS Spring quarter 2002, first quarter 2010

2.1.6.3 New jobs in the South East

Over the past five years the number of jobs in the South East has grown by 3%. Most of the fastest growing occupations are at associate professional and professional level in the public service sector as shown in Table 2.4 below. Key points to note include:

- Public services jobs in education have grown considerably, with education assistants increasing by 42,000 (63%), primary school teachers by 19,000 (31%) and higher education and teaching professionals by 6,000 (32%).
- Jobs in the health and care sectors have also grown relatively fast including care assistants (39,000 or 42%), medical practitioners (10,000 or 36%) and social workers (3,000 or 26%).
- Other fast growing occupations include roles in higher technology sectors, such as software professionals (20,000 or 30%) and bio-scientists (4,000 or 30%).

Occupation	2002	2010	Increase	
			Volume	%
Housing and welfare officers	16,652	30,385	13,733	82.5
Educational assistants	67,405	109,590	42,185	62.6
Financial managers & chartered secretaries	35,475	54,391	18,916	53.3
Property, housing and land managers	16,046	23,825	7,779	48.5
Care assistants and home carers	92,985	132,185	39,200	42.2
Management consultants, actuaries, economists & statisticians	28,165	39,965	11,800	41.9
Childminders and related occupations	27,616	38,313	10,697	38.7
Medical practitioners	28,056	38,061	10,005	35.7
Nursery nurses	24,292	32,740	8,448	34.8
NCOs and other ranks	13,330	17,681	4,351	32.6
Higher education and teaching professionals	19,998	26,437	6,439	32.2
Primary and nursery education teaching professionals	61,607	80,383	18,776	30.5
Software professionals	65,120	84,574	19,454	29.9
Bioscientists and biochemists	14,746	19,104	4,358	29.6
Managers in construction	35,210	45,264	10,054	28.6
Information & communication technology managers	62,546	79,434	16,888	27.0
Taxi, cab drivers and chauffeurs	31,199	39,581	8,382	26.9
Social workers	12,312	15,505	3,193	25.9
Security guards and related occupations	26,488	33,327	6,839	25.8

Table 2.4: Top 20 fastest growing jobs in the South East since 2002
Source: ONS, LFS Spring quarter 2002, first quarter 2010

2.1.6.4 Future occupational change[65]

A key determinant of the future demand for labour is replacement demand which can far outweigh the impact of new or growing jobs in the labour market. Thus the biggest area of demand in the South East in the ten years to 2017 is forecast to be sales related jobs in retailing (around 161,000 jobs).

Although generally there is more demand for higher skilled jobs (such as corporate managers) than for lesser skilled jobs, a number of intermediate level occupations such as personal services, caring, leisure and customer service jobs are expected to grow fastest up to 2017.

- In the short term, public sector cuts suggest that just under 2% of the South East workforce is at risk of losing their jobs, rising to 3% in the most affected areas. There are also likely to be private sector job losses as an indirect effect of public sector cuts, which could push job losses in the South East above 100,000. Broadly, Kent, Hampshire, East Sussex and Oxfordshire are most exposed to public sector job cuts[66].
- By 2017, the number of higher skilled jobs, particularly corporate managers, will expand in the South East. Conversely, jobs in administrative and skilled trade occupations, as well as volumes of process and machine operatives, are expected to decline (Figure 2.7).
- The main area of growth in lower level jobs is in customer service occupations.

[65] UKCES (2008), Working Futures 3: 2007-2017 (2008 – based on pre-recession data)
[66] SEEDA (2010) Public Sector Redundancies: Potential Impact on the South East

- The proportion of employees in professional and associate professional occupations, particularly lawyers, accountants and town planners is forecast to expand, but not as fast as in England as a whole.

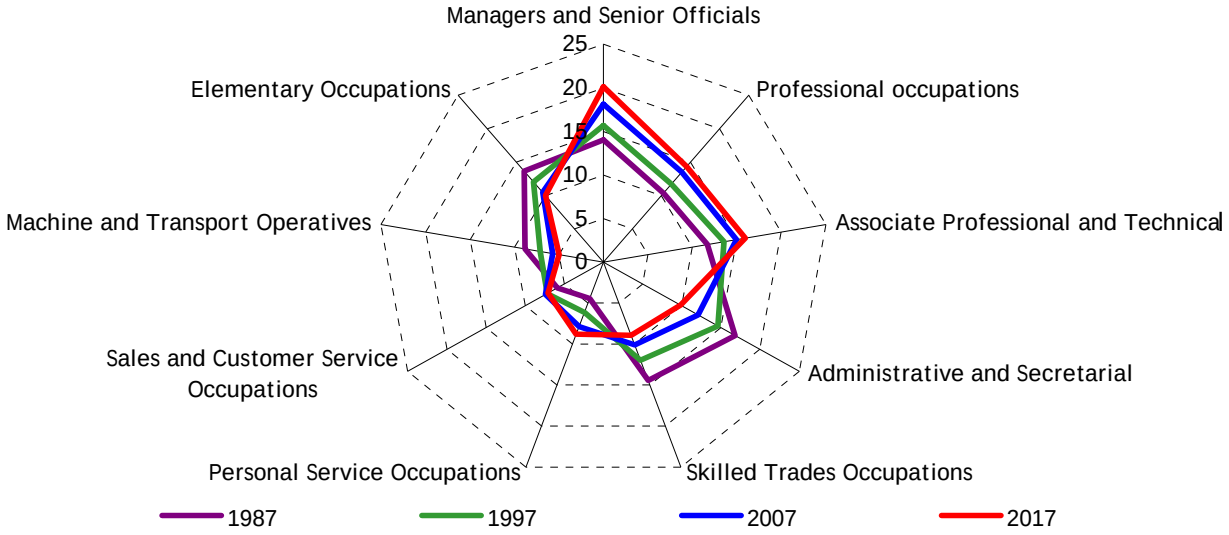

Figure 2.7: Changes in occupational structure in the South East (1997 to 2017)
Source: Working Futures 3: 2007-2017 (2008 – based on pre-recession data)

The forecast occupational change by sector between 2007 and 2017 is shown in Figure 2.8 below. All occupations apart from admin/secretarial, skilled trades and machine/transport operatives are forecast to expand.

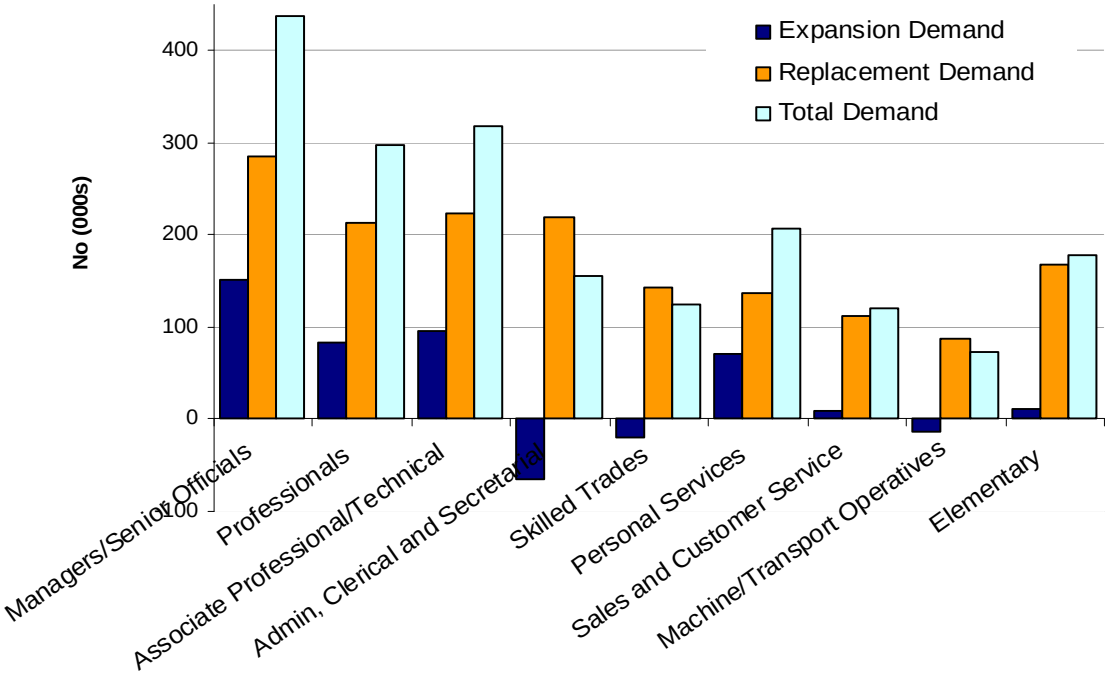

Figure 2.8: Occupational forecasts including replacement demand (2007-17)
Source: Working Futures 3: 2007-2017 (2008 – based on pre-recession data)

This also illustrates how the greatest total demand (expansion and replacement combined) will be made up of managers/officials/professionals and associate professional occupations (over 300,000 each). All other occupations will grow by less than 200,000.

It is also possible to identify which jobs in which sectors are expected to grow the fastest and contract the fastest in percentage terms (Figure 2.8). The five fastest growing occupations are forecast to be:

- Caring personal service occupations in retail and distribution – expected to grow by 49% 2007 and 2017 from a base of 18,000.
- Caring personal service occupations in business services – expected to grow by 41% between 2007 and 2017 from a base of 46,000.
- Corporate managers in health and social work – up 35% from 56,000.
- Leisure and other personal service occupations and customer service occupations in business services.

The main areas where there are expected to be fewer jobs are among:

- Skilled metal and electrical trades in engineering – down 41% from 12,000 in 2007.
- Secretarial and related occupations in both the retail and the health and social work sectors – down 35% in both instances.
- Process plant and machine operatives in the non-engineering parts of manufacturing – expected to fall by 33%.

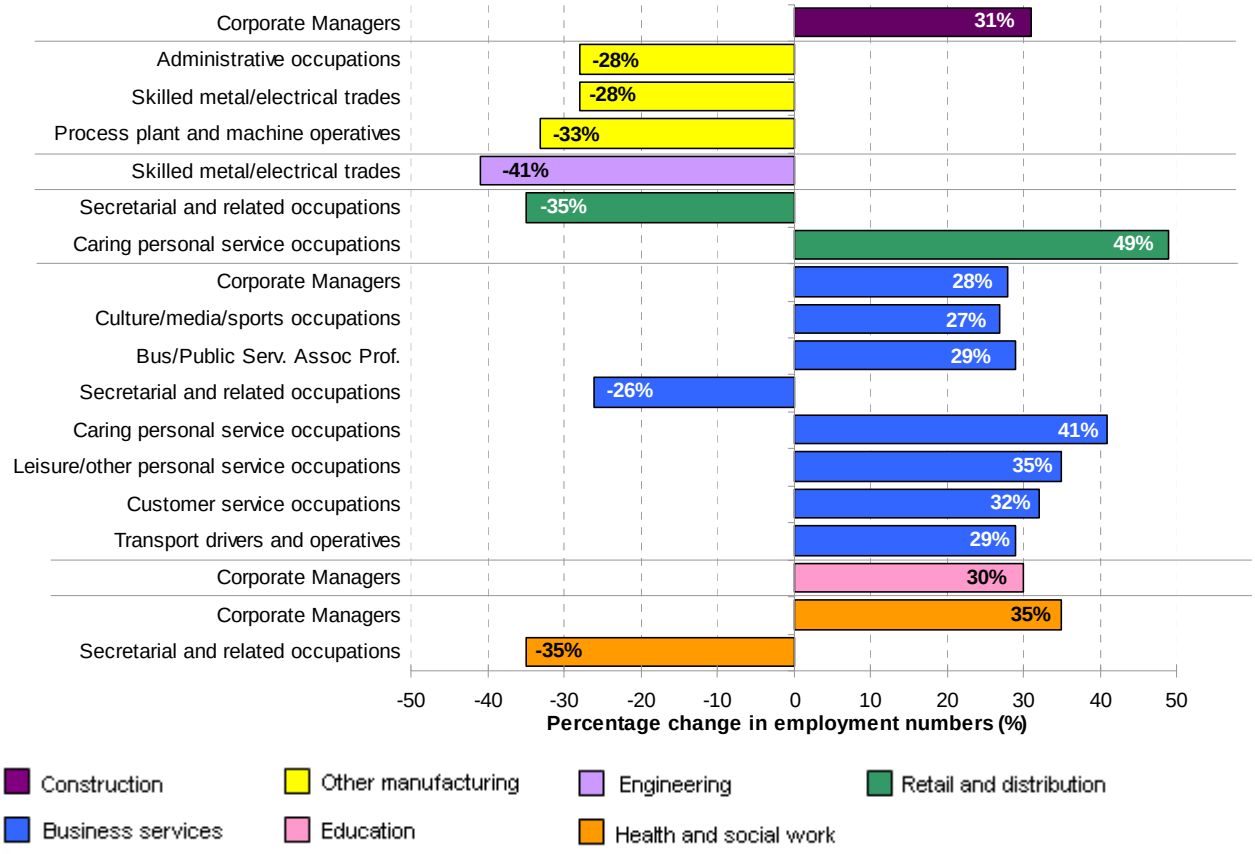

Figure 2.8: Main growing (and contracting) occupations in the South East 2007 to 2017 (% change in employment numbers)[67]

Source: Working Futures 3: 2007-2017 (2008 – based on pre-recession data)

[67] Percentage change between expected numbers employed in 2017 and actual numbers employed in 2007 of at least 25%, with a minimum number of people in the occupation of 10,000 in 2007. Based on ages 19 to 59/64.

2.2 Skill levels[68]

2.2.1 Workforce skill level ambitions[69]

Figure 2.9 shows the profile of the South East working age population according to highest qualification levels. For example, in 2008, 34% had at least a level 4 qualification compared to 9% who had no qualifications. The second column, using analysis by UKCES, shows the same data projected forward to 2020, indicating an increased proportion of the (growing) population with level 4 skills and declines in the proportions with no or low skills. The final column shows UKCES' analysis of what is necessary for the UK to be in the top eight global nations by 2020, called the '2020 ambition'.

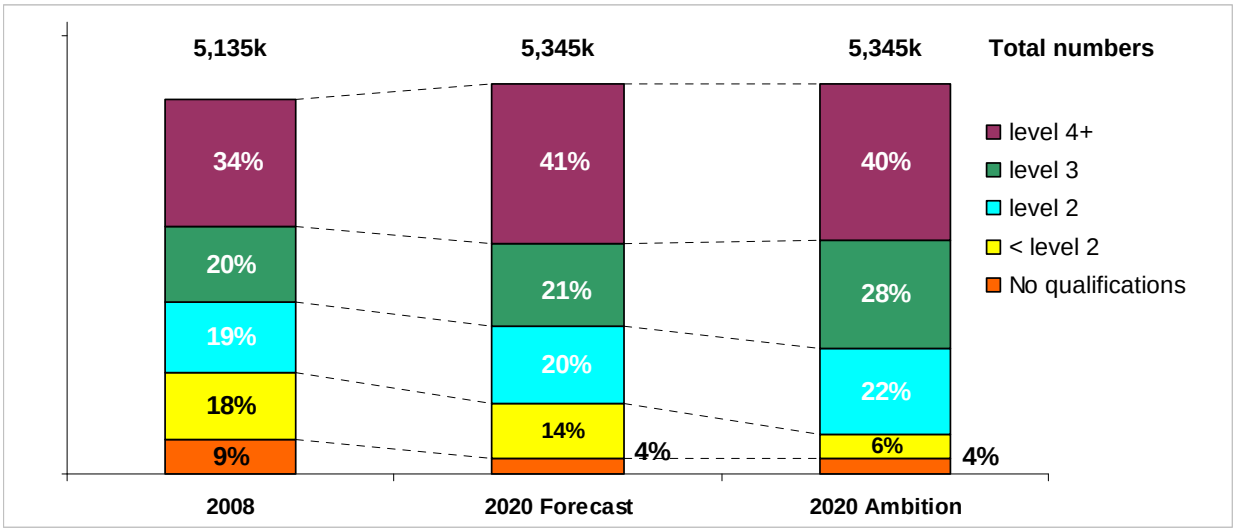

Figure 2.9: Qualifications of the SE working age population and UKCES 2020 ambition targets

Source: UKCES (2010), Ambition 2020

UKCES interpretation suggests that the level 4 ambition in volume terms is likely to be marginally exceeded with a slight underattainment at level 2 and inadequate improvements at lower levels. The greatest concern, however, is at level 3 where there is a 7 percentage point shortfall between the forecast and the ambition.

2.2.2 Total workforce profile by skill level

People living in the South East are relatively well qualified and getting better qualified each year. Note, the data is residency based so will not necessarily reflect where people work.

Figure 2.10 below provides qualification information[70] for the working age resident population in the South East[71]. Compared to England, a smaller proportion of the South East's workforce has no and low qualifications and a higher proportion is qualified to level 2 or above. However, the rate of progress has been slower in the region than nationally for levels 2 and 3, which suggests more focus at level 3 will be required.

[68] Much of this section is based on data produced for LAA purposes which incorporates 'other qualifications' into specific NVQ level categories and therefore inflates data at levels 2, 3 and 4 from the original data set.

[69] This section explores highest qualification levels in the workforce as a proxy for skills. It should be noted that this does not necessarily relate to an individual having the necessary skills to undertake a specific role

[70] The Data Service (2009), LFS/APS Supplementary Table 3: Qualification Levels of the 19-59/64 Population (2001-2008)

[71] ONS, Annual Population Survey 2004-2008

34% of the South East working age population are qualified to level 4 compared to 30% of the total English population. A further quarter are qualified to at least level 3 and 23% to level 2. 8% of South East residents have no qualifications compared to the English average of 11%.

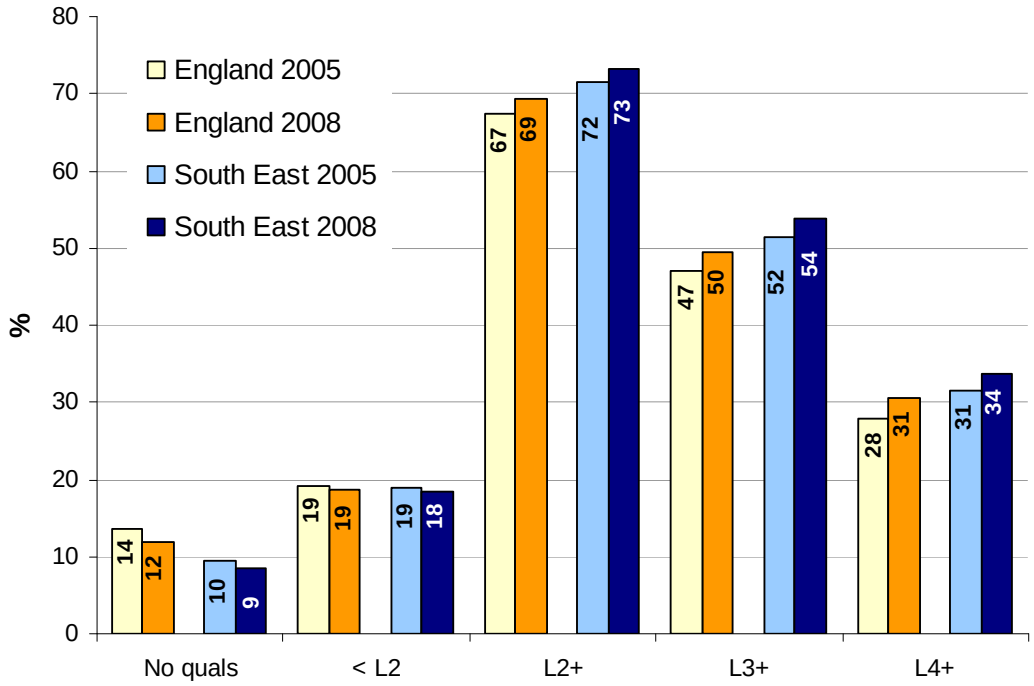

Figure 2.10: Highest qualification by level of working age population – SE and England
Source: The Data Service (2009), LFS/APS Supplementary Table 3

The proportion of people in the South East with a level 4 qualification or above has increased by 2.8 percentage points over the last five years whilst the proportion with no qualifications has gone down by 1.8 percentage points.

2.2.2.1 No or low qualifications

Some of the data in this section looks at county/unitary level[72], but caution needs to be applied to interpreting isolated data because of statistical error inherent in the samples involved.

Latest data available[73] (2008) shows that 9% of the working age population in the South East has no NVQ equivalent qualifications, compared to 12% for the whole of England. Although this is a reduction of one percentage point since 2005, it still equates to 403,000 individuals.

The areas with the highest proportion of residents with no qualifications are Portsmouth, Kent, Slough and Southampton. The lowest proportions are in Wokingham, West Berkshire, Oxfordshire and the Royal Borough of Windsor and Maidenhead. The areas with greatest longer term improvements since 2001 are Oxfordshire, Bracknell, Slough and Wokingham.

Lack of basic skills and/or any work-related qualifications can provide a substantial barrier to individual engagement and success, as such individuals too often also lack the confidence to consider education or training[74].

[72] ONS, Annual Population Survey 2004-2008
[73] The Data Service (2009), LFS/APS Supplementary Table 3: Qualification Levels of the 19-59/64 Population (2001-2008)
[74] UKCES (2009) Towards Ambition 2020: skills, jobs, growth. Expert advice from the UK Commission for

UKCES's 'Ambition 2020' has taken forward the original Leitch targets which proposed that 95% of UK adults should have functional literacy and numeracy by 2020[75]. Regional data is hard to come by but the Leitch review in 2005 (cited by UKCES) estimated that in 2005 just under 85% of the English working age population were functionally literate and 79% were functionally numerate. By 2008 this had improved to 86% and 81%, and figures are likely to be slightly higher for the South East[75]. UKCES note that the inflow of young people compared to the outflow of less well qualified older people will be insufficient to meet these ambitions, so changes are particularly needed amongst older groups of the working age population. UKCES's analysis suggests that the ambition is unlikely to be met, though the challenge will be much greater for numeracy than for literacy.

2.2.2.2 Level 2 qualifications

73% of the region's working age population is qualified to at least level 2 compared to 72% in 2005. This is the highest proportion of any region and is 3.7 percentage points higher than the English average of 70%. However, the rate of progress is slower than English levels by around 0.5 percentage points. The lowest performing areas are Slough, Medway Towns, and Portsmouth, with Surrey, Windsor and Maidenhead and Wokingham having the highest levels (Figure 2.11[76]).

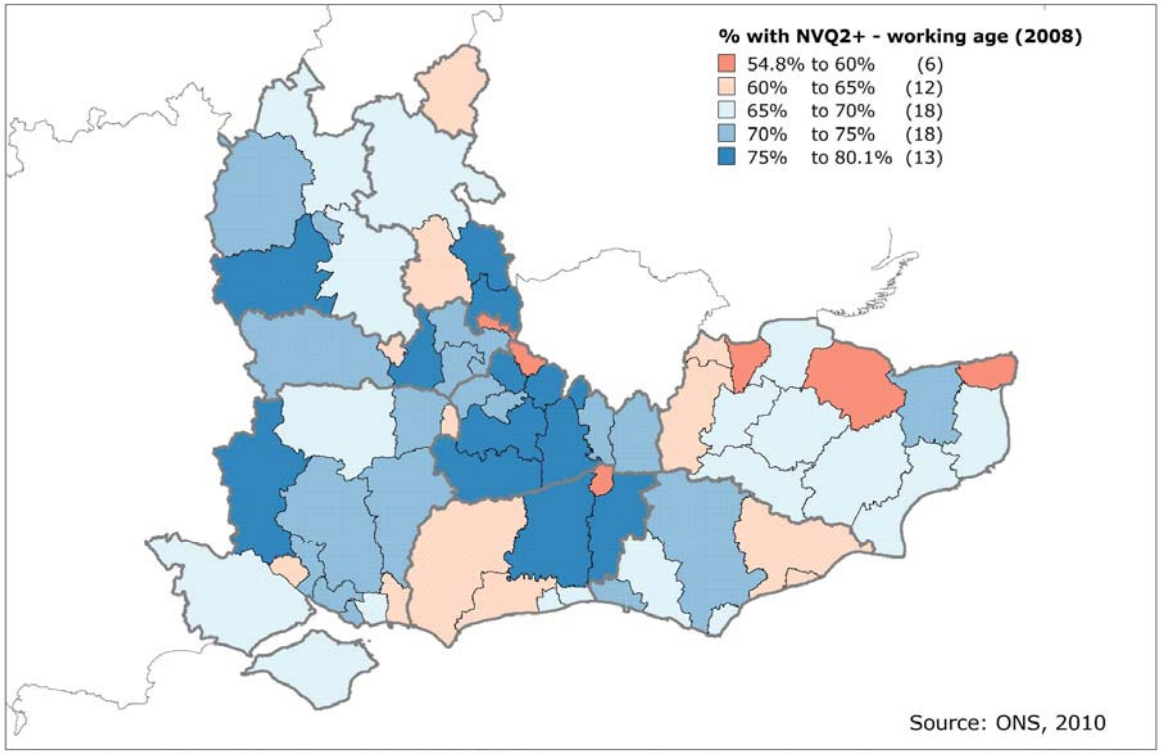

Figure 2.11: South East residents qualified to at least level 2
Source: ONS, APS

2.2.2.3 Level 3 qualifications

Regionally, 54% of the working age population has at least a level 3 qualification, an increase of just over two percentage points since 2005. Only London with 55% has a higher

Employment and Skills

[75] Ambition 2020, World Class Skills and Jobs for the UK. UKCES, 2010

[76] Maps were created using district level data, so do not correlate to narrative based on county/unitary level data. Note there are large statistical confidence levels for district based data.

figure, and the national average is 50%. The rate of progress is marginally lower than average levels for England.

Sub-regionally, Wokingham, Surrey and Brighton and Hove have the highest proportion of working age people qualified to level 3. The Medway Towns, Slough and the Isle of Wight are those with the lowest proportions (Figure 2.12)[77].

2.2.2.4 Level 4 qualifications

31% of the English working age population is qualified to at least level 4, compared to 34% in the South East, second only to London at 41%. This is a South East increase of two percentage points since 2005. The rate of growth has been lower than the national position by 0.25 percentage points.

At the sub-regional level, Wokingham, Brighton & Hove and Surrey lead the local authorities in the South East – the Medway Towns, Isle of Wight and Slough have the lowest proportion qualified to this level (Figure 2.13)[77].

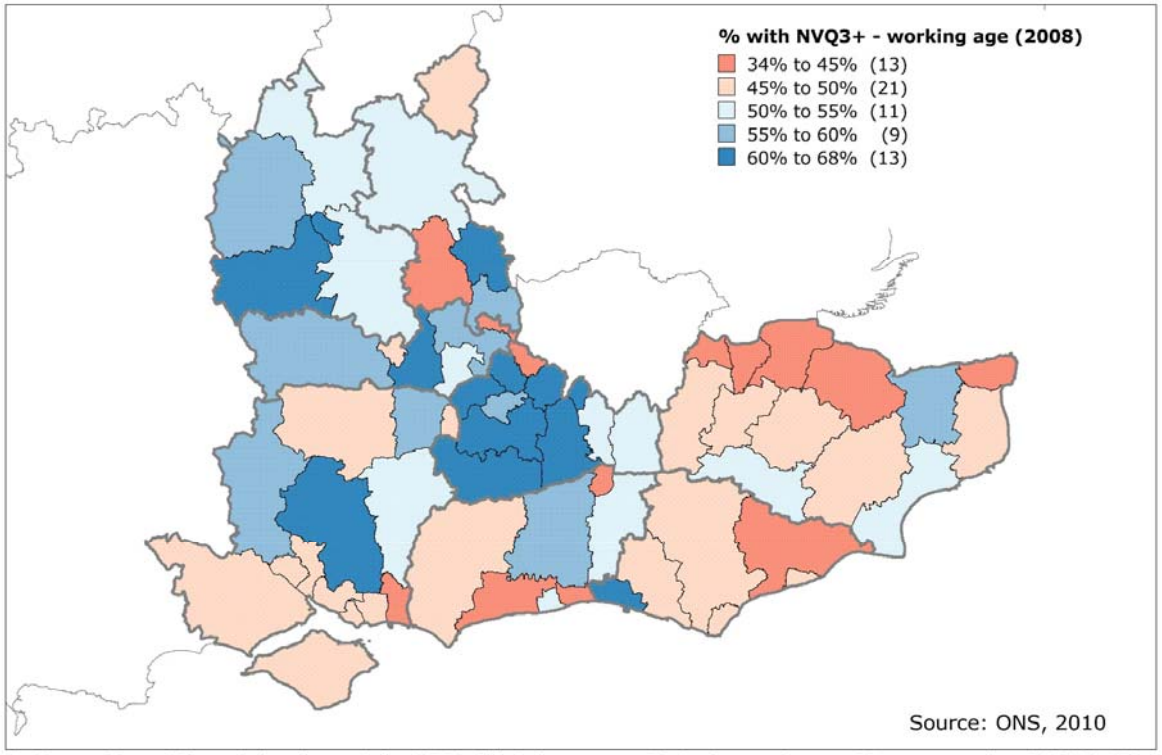

Figure 2.12: South East residents qualified to at least level 3
Source: ONS, APS

[77] Maps were created using district level data, so do not correlate to narrative based on county/unitary level data. Note there are large statistical confidence levels for district based data.

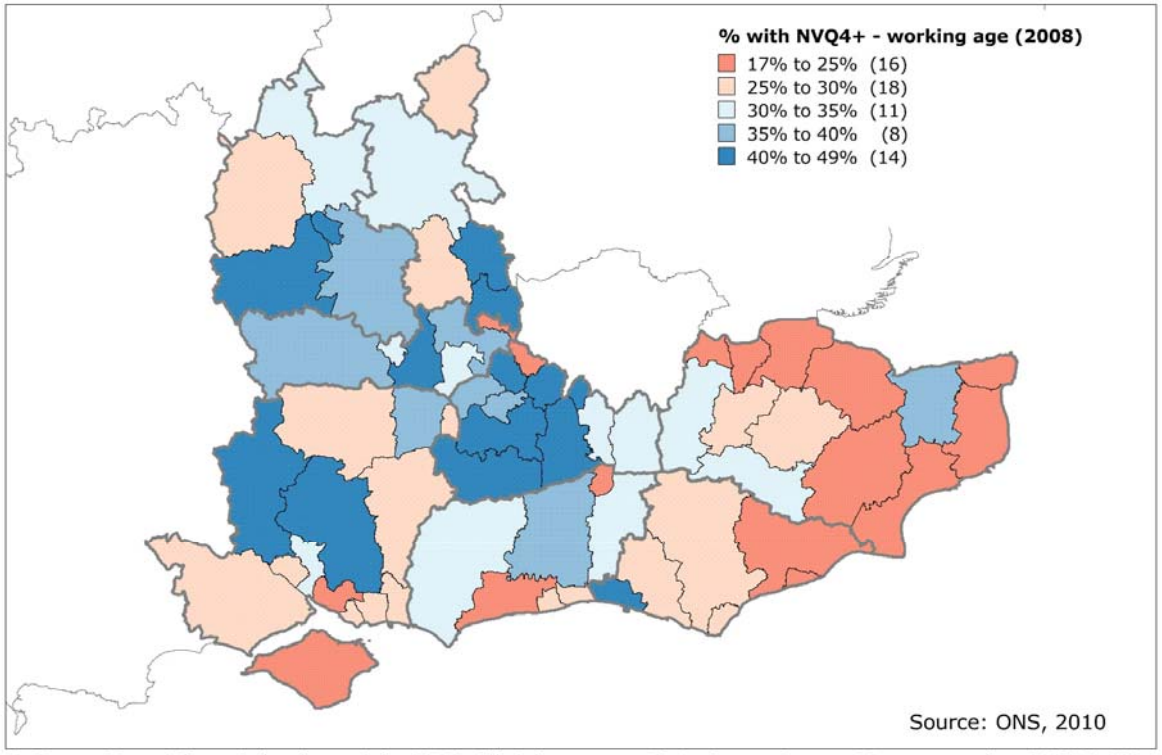

Figure 2.13: South East residents qualified to at least level 4
Source: ONS, APS

2.2.3 Skill levels of different workforce groupings

2.2.3.1 Economically active population

The economically active population (i.e. those in or seeking work) are generally slightly better qualified than the working age population as a whole. Thus in the South East: 36% had a level 4 qualification or higher compared to 33% for the wider working age population. Rates for levels 2 and 3 are similar, but slightly fewer had no qualifications at all (6% compared to 8% in England).

2.2.3.2 Qualifications of people in the South East by age

The South East working population is generally becoming better qualified and for all age groups over 35 years, South East residents are several percentage points more likely to have at least a level 4 qualification compared to the English average. Here, the South East advantage in this area is most marked for 46-55 year olds (5 percentage points higher) and decreases in younger age groups; the proportion of 16-25 year olds with level 4 qualifications is 1.2 percentage points below the national average.

Economically active people of all ages are more likely to have at least a level 4 qualification and older people overall are more likely to have no qualifications than those in younger age groups. However, this is still less likely in the South East than in England as a whole.

2.2.3.3 Qualification level by employment status

Figure 2.14 illustrates highest qualification levels according to employment status. People in work are generally better qualified than those who are unemployed, and those who have been unemployed for over a year (long term unemployed (LTU)) tend to be less well

qualified than people unemployed for a shorter time. The unemployed in the South East are relatively well qualified compared with England as a whole.

36% of employed people had at least a level 4 qualification, 25% had at least level 3, and only 5% had no qualifications at all. The long term unemployed are the least well qualified; only 18% had a level 4 qualification or higher, 17% had level 3, and 19% had no qualifications at all.

Educational levels of the South East population were generally better than those in England taken as a whole, particularly in the following areas:

- People in employment in the South East were less likely to have no qualifications (5% compared to 7%).
- People claiming Jobseekers Allowance (JSA) in the South East were less likely to have no qualifications (16% compared to 20%), and were more likely to be qualified to at least level 4 (19% compared to 16%).
- People LTU in the South East were less likely to have no qualifications (19% compared to 23%) and more likely to have a level 4 qualification or higher (18% compared to 12%).
- Economically inactive people in the South East were less likely to have no qualifications (19% compared to 24%) and were more likely to have a level 4 qualification or higher (19% compared to 16%).

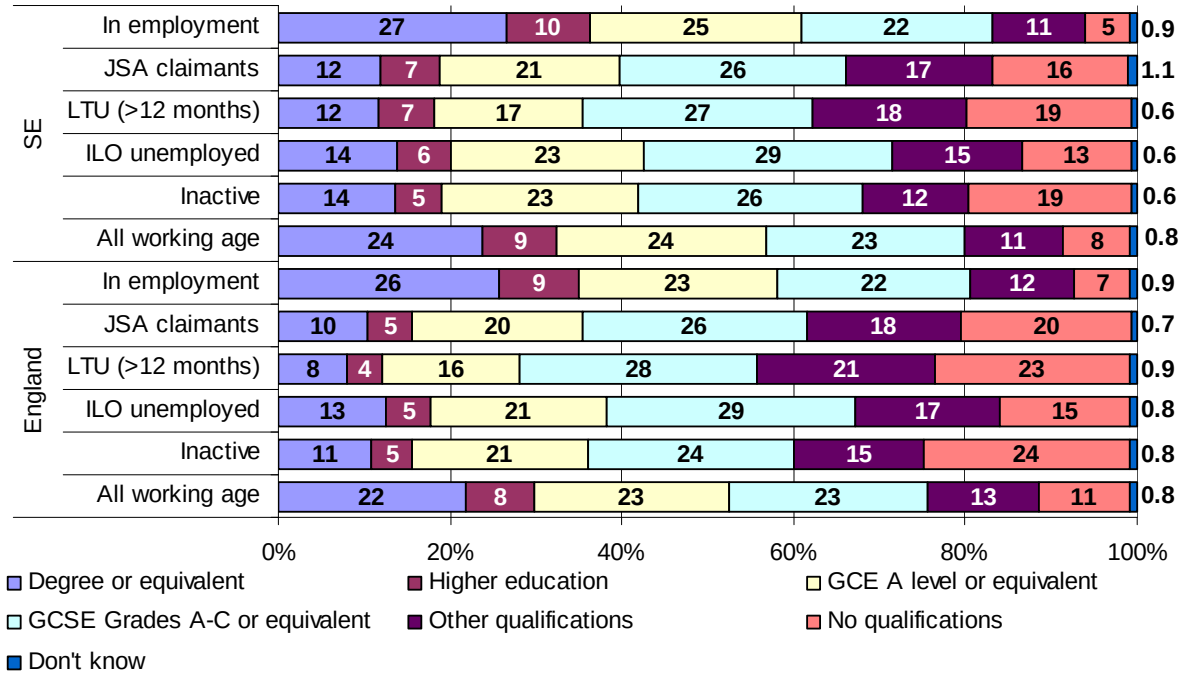

Figure 2.14: Qualification level by employment status – working age population (South East and England, 2009)

Source: ONS (2009) LFS (annualised)
Base: Working age population in the SE (5,077,390) and England (31,774,740)

The trends in terms of highest qualifications held for each of three key groups of the working age population are examined below, for the five year period from 2005 to 2009:

- The proportion of people in employment qualified to level 4 or above has been rising both in the South East and in England in general, with the South East slightly ahead of

England. The proportion of people in employment with lower levels of qualifications or without any at all has declined during the same period.

- There has been a general trend towards lower proportions of JSA claimants having no qualifications. This reflects changes in the profile of JSA claimants as a wider range of people have lost their jobs, and education leavers have taken longer to find jobs because of the recession.

- Qualification levels of the LTU have also fluctuated in recent years, but the overall trend is of increasingly well qualified people, and this is more marked in the South East compared to the national average.

2.3 Generic skills

Evidence from a wide variety of sources (See Chapter 4) consistently shows the same generic skills being in demand and varying with occupational level. For managers, leadership and decision-making skills are required, with particular emphasis on people management skills for first line managers. The higher proportion of people employed in management roles and the concentration of organisational headquarters in the South East may suggest that higher levels of management skills are more in demand than in the rest of England.

For other groups of staff, the same issues appear across a number of sectors based on evidence from reports produced by Sector Skills Councils. The generic skills valued by employers include problem-solving, team working, communication skills and particularly customer service and personal service skills. There is likely to be a premium placed on customer service skills in the context of the forthcoming Olympic Games, and increase in job opportunities in sectors where personal service skills are particularly important such as the care sector.

Graduate level skills required also include the capacity to spot and exploit commercial opportunities and a sound commercial awareness.

2.4 Skills for Business Owners/Entrepreneurs

Self employed people usually start a business based on a pre-existing skill set or knowledge base, for example a building trades skill, hairdressing or accountancy. These skills relating to the goods or services produced by the business need to be kept up to date, and practiced to a high level if the business is to remain competitive. Additional, business related skills include selling and marketing, administration and bookkeeping. As the business grows, the business owner needs the skills to directly manage others, and co-ordinate their work. High level leadership and management skills are needed to develop the owner/manager's confidence, vision and strategic thinking necessary to take the business forward. The challenge for the business owner is how to develop these skills whilst still running the business day to day. Offers that include short 'bite-size' chunks of learning, flexible delivery and peer learning are well regarded by business owners and entrepreneurs.

2.5 Vacancies

Jobcentre Plus (JCP) vacancy data provides vital indicative information regarding the changing demand for labour within the region, but only includes job openings reported by employers to JCP and therefore does not present a comprehensive picture of all employment vacancies in the region. Typically, JCP vacancies account for around half of

total vacancies, although some regions advertise a higher proportion of vacancies with JCP than others[78].

Within the South East there were a total of 38,000 jobs notified to JCP in April 2010, an increase of 11,000 since April 2009. This suggests that business confidence has started to increase within the region, though the number of jobs notified are still considerably below the high numbers of vacancies in late 2007 and early 2008, which exceeded 50,000.

The number of notified vacancies in the region remains low in comparison to the number of JSA claimants; in April 2010 the ratio of claimants to vacancies was around 4 claimants for every job notified to JCP.

In April 2010 the highest percentages of JCP vacancies in the South East were in elementary, and sales and customer service occupations, making up 27% (10,000) and 14% (5,000) respectively. At that time, the largest proportion of claimants were seeking employment within elementary occupations (39,000) and sales and customer service occupations (27,000). There were nearly four claimants seeking elementary occupations per vacancy and more than five for each sales and customer service occupation vacancy.

[78] ONS (2009), The labour market across the UK in the current recession

2.6 Implications for skills

- Total **employment levels remain uncertain**, particularly in the public sector, and in percentage terms are unlikely to return to the levels recorded five years ago.
- Forecasts suggest short term **employment growth and skills** needs will be focused on the hospitality, business and construction sectors. In the longer term, retail and health and social work will also be important and replacement demand will focus on these sectors.
- **Public service dominated sectors** account for almost one-third of employment (e.g. education, health, social care). Many of those leaving the sector, particularly with current public sector cutbacks, will require skills transferable to the private sector.
- In **occupational terms, forecasts** imply that higher skilled roles of managers/senior officials and professional/associate professional roles associated with the knowledge economy, including those associated with STEM, will increase by the largest volumes. The gap between the proportion employed in these and lower skilled occupations will also widen. This raises the importance of effective progression routes to level 3 and beyond.
- The South East population is relatively well qualified in a national context. There is, however, some evidence that the region is **losing its advantage** over the rest of England in terms of proportions of workforce qualified to levels 2 and 3, and to some extent level 4.
- Forecasts for the future supply of skills suggest there may be particular challenges in raising the proportion of the working age population **qualified to level 3**, caused in part by limited progression from level 2 to level 3.
- There are still around 400,000 individuals in the region with **no qualifications**. Many of these may have multiple or complex barriers to acquiring skills, including basic literacy and numeracy needs; these need to be addressed to enable progression into or within employment.
- Specific skills tailored to the needs of the **self-employed** are important to help new businesses establish and grow.

3 Target Groups

3.1 Unemployed people

The Government's preferred measure of unemployment is calculated using the Labour Force Survey (LFS). An alternative measure often used to supplement the LFS unemployment measure is the JSA claimant count, i.e. the number of people claiming Jobseeker's Allowance. This claimant count is directly affected by changes to the benefits system, meaning that comparisons over time may not be consistent. Although there is a large degree of overlap between the two measures, the greatest difference is the criteria by which they measure unemployment. This section reviews both of these sources.

3.1.1 Labour Force Survey (LFS) unemployment

LFS unemployment levels in the South East have historically been amongst the lowest in the UK, but during the recession there was a marked increase in the number of South East residents classed as unemployed. In September 2009 there were 239,700 unemployed in the South East, a rise of 58,500 (32%) since September 2008[79]. In the same period the total number of unemployed in England rose by 523,300 (38%). From 2005 to 2009, unemployment in the South East increased by 86,300 (56%), as shown in Figure 3.1 below.

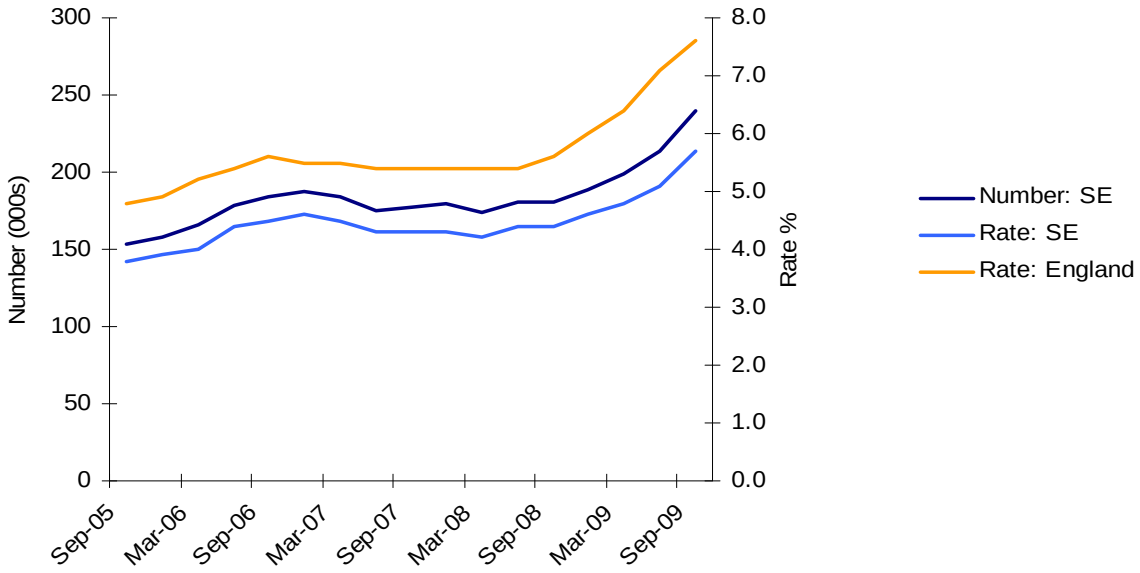

Figure 3.1: South East unemployment September 2005- September 2009
Source: ONS, APS

The South East had an unemployment rate of 6% at September 2009, the lowest of all regions and below the England rate of 8%.

Since 2005 the South East unemployment rate has increased by 2 percentage points, the smallest increase of all regions, but similar to the rises seen in the East of England and London; the English average rate rose by 3 percentage points during this period.

In September 2009 there were five sub-regional areas of particular concern which had unemployment rates higher than the UK average. Notably they are all coastal regions:

- Medway (11%)
- Isle of Wight (8%)

[79] ONS (2010), Annual Population Survey

- Brighton and Hove (8%)
- Portsmouth (8%)
- Kent (7%)

In the year to September 2009 the areas with the highest percentage point increases in unemployment rate were Medway (four percentage points), Milton Keynes and Wokingham (both three percentage points), with the lowest rises in Buckinghamshire (0.5 percentage points), Slough and West Berkshire (both 0.7 percentage points). These smaller increases may be due to aspects such as the sectoral make-up of the areas, which have less dependency on manufacturing and construction and a greater focus around business services, which have been less severely impacted by the recession. In Slough, the relatively high initial unemployment rate means that less change was observed.

Surrey recorded one of the smallest percentage point increases in unemployment rate both over the past year and since 2005 (0.7% and 0.2% respectively).

3.1.2 Claimant count unemployment

Claimant count unemployment recorded by Jobcentre Plus shows the number of people claiming Jobseeker's Allowance (JSA), and enables further and more recent breakdown by time, duration and geography. Figure 3.2 below shows the trends from April 2005 to April 2010.

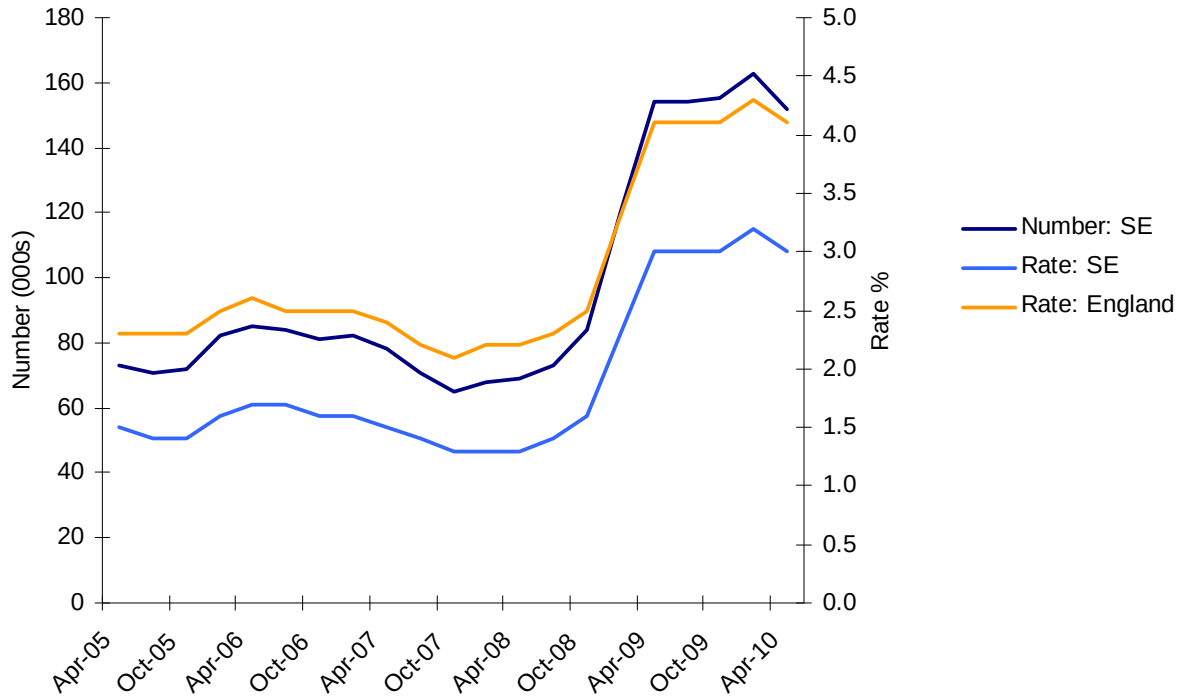

Figure 3.2: South East and England claimant count trends April 2005- April 2010
Source: Nomis, Claimant Count 2010

The claimant count unemployment rate for the South East increased from 2% to 3% between October 2008 and April 2009, but remained relatively static at around 3% for the subsequent year to April 2010. Despite the sharp growth in claimant count over the last five years, the South East rates have remained consistently below the UK average; the national average claimant count rose from 2% in October 2005 to 4% by April 2010.

Figure 3.3 below shows clear disparities across the region in the claimant count rate for April 2010. Coastal areas across the South East, as well as some urban areas in the Thames Valley, currently have the highest concentration of claimant count unemployed within the region. Areas close to London have seen substantial increases in JSA claimants, partly due to South East residents losing jobs in London and returning to their local area to claim JSA.

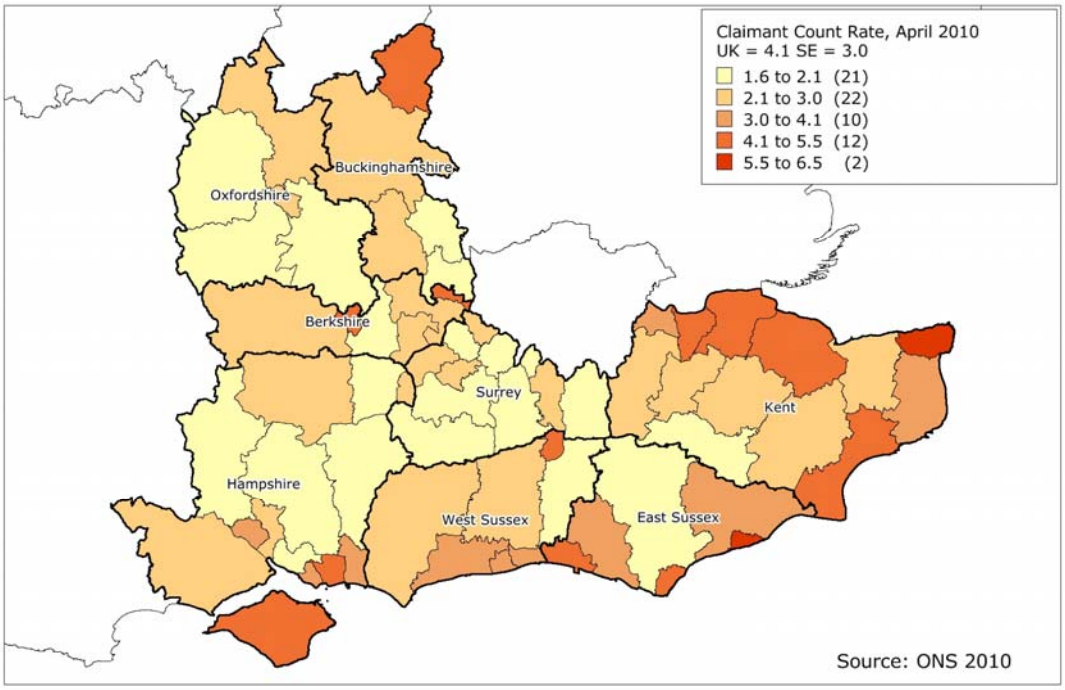

Figure 3.3: South East claimant count rate, April 2010
Source: Nomis, Claimant Count 2010

In the year to April 2010 the claimant count in the South East, England and the UK remained stable, showing no change in rate. The sub-regional picture is very similar, with any rate change amounting to less than one percentage point. Within this, Kent continued to see some of the greatest rises in claimants along with the Isle of Wight and parts of Hampshire and Surrey.

3.1.3 Claimants by gender

Figure 3.4 below shows an increasing trend in claimant count for both males and females, but with higher numbers and a sharper increase for men at both regional and national levels. The South East male claimant count rate increased from 2% to 4% between April 2008 and April 2010, with the female rates showing a rise from 1% to 2% in the same period.

South East rates are significantly lower than the English average, especially for men. In April 2010 the South East male claimant count rate was 1.5 percentage points lower than that for England, with a 0.6 percentage point difference for women.

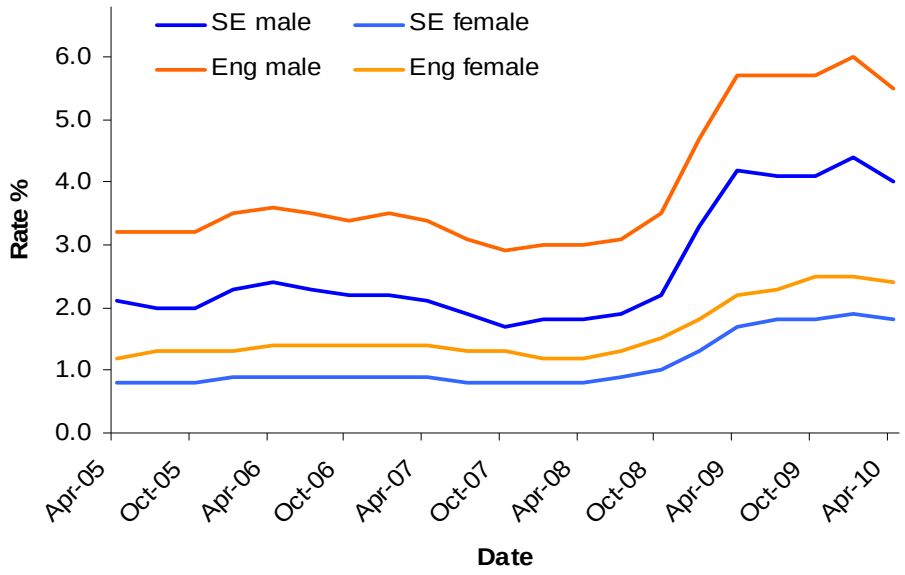

Figure 3.4: Claimant Count by gender in the SE and England from April 2005 – April 2010
Source: Nomis, Claimant Count 2010

3.1.4 Claimant count by age and duration

Levels of long term unemployed have become a growing concern, with the number of people claiming JSA for over six months increasing from 30,700 in April 2009 to 55,000 in April 2010. Sub-regionally there are pockets of high numbers of long term claimants, with the highest numbers in Kent (10,500), West Sussex (5,000) and Hampshire (5,800). Those claiming JSA for over twelve months has also increased, by 14,400 to 23,500 over the year to April 2010.

	April 2005	April 2010	Change 2005-10	
			Volume	%
All claimants	72,520	151,520	78,934	+108%
All claimants, claiming for under 6 months	51,335	96,360	45,025	+88%
All claimants, claiming for over 6 months	21,185	55,160	33,975	+160%
Aged 18-24	18,765	40,710	21,945	+117%
Aged 18-24, claiming for under 6 months	15,640	30,735	15,095	+97%
Aged 18-24, claiming for over 6 months	3,125	9,975	6,850	+219%
Aged 50+	13,900	26,770	12,870	+93%
Aged 50+ claiming for under 6 months	8,355	14,960	6,605	+79%
Aged 50+ claiming for over 6 months	5,545	11,810	6,265	+113%

Figure 3.1: Claimant count by age and duration
Source: Nomis, Claimant Count 2010

Table 3.1 above shows that in the South East there were 40,700 JSA claimants aged between 18 and 24 in April 2010, an increase of 21,900 since 2005, but a fall of 2,300 over the year to April 2010. Despite this overall drop, the number of 18 to 24 year olds claiming for over six months has increased by 4,600 to 10,000 in the year to April 2010; this compares to shorter term claimants (less than six months) decreasing over this period by 6,900 to 30,700. This suggests that opportunities to re-enter the labour market have become increasingly more difficult for young people within the region the longer they remain unemployed. Anecdotal evidence suggests that employers looking to recruit a

school/college leaver or university graduate are more likely to employ an individual that has most recently left education, lessening employment prospects for those who do not find employment within the first year of leaving education.

JSA claimants aged 50 and over in the South East totalled 26,800 in April 2010, an increase of 12,900 since April 2005 and, similarly to the trend for young people, this has fallen slightly since April 2009, by around 200. The number of claimants claiming for over six months increased by 5,100 over the year to 11,800 in the region. Comparatively, the South East has a marginally higher percentage of over 50s claiming for six months or over than England as a whole, and this is more marked for male claimants. Such disparities between England and the South East are likely to be partly due to demographic differences, with a higher concentration of over 50s within the region.

3.1.5 Claimants by occupation

Figure 3.5 shows the proportion of claimants according to their usual occupation, and illustrates the high proportion of relatively low skilled occupations; 25% of JSA claimants (39,000) in April 2010 were previously employed in elementary occupations. This is followed by 18% from sales and customer service occupations and 13% from skilled trade occupations.

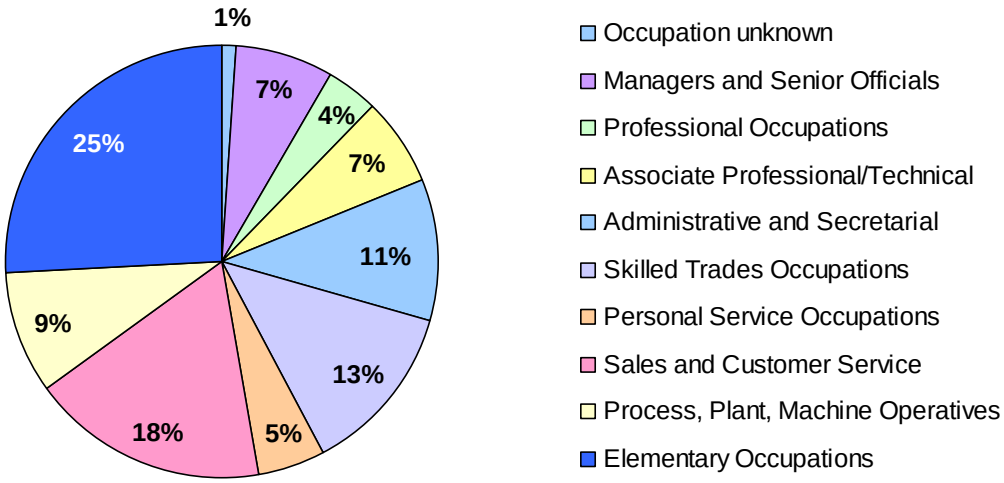

Figure 3.5: Usual occupation of claimants, May 2010
Source: Nomis, Claimant Count 2010

3.1.6 Qualification levels of JSA claimants

Between 2005 and 2009 the skills profile of JSA claimants improved noticeably, with a marked increase in the minimum levels of qualifications held by claimants. Figure 3.6 below shows that, despite some fluctuations, there was an overall fall in claimants with no qualifications from 23% to 16%. In the same period, JSA claimants qualified to level 3 or higher rose from 27% to 40%. This increase of 13 percentage points compares to a national increase of 8 percentage points in the same period. The qualification profile of South East claimants is higher at all levels than the averages for the whole of England.

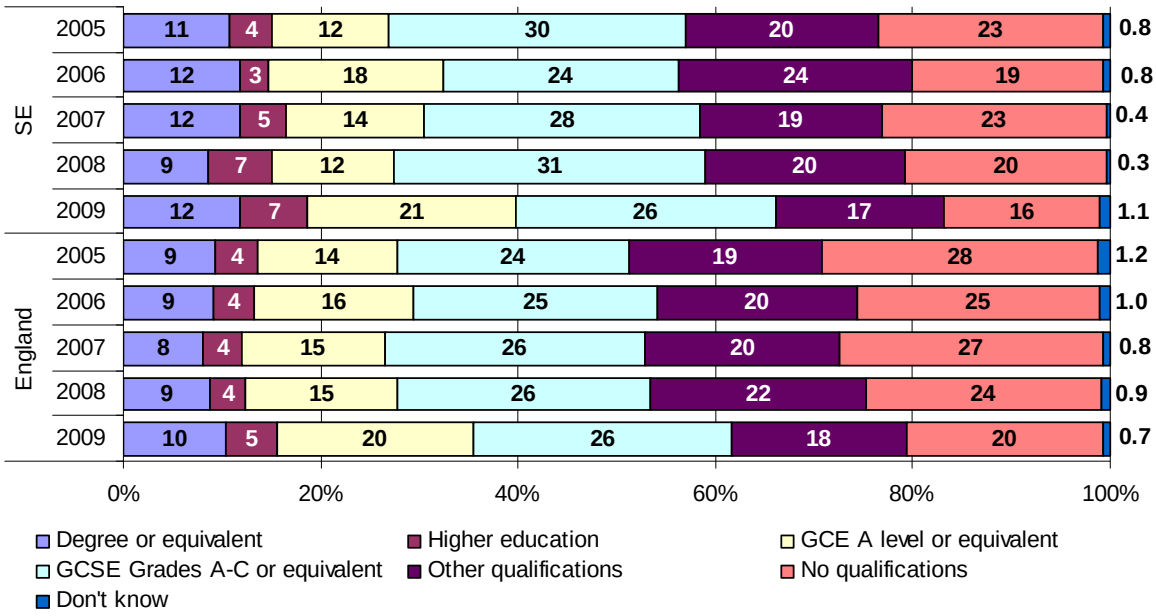

Figure 3.6: Highest qualifications held – JSA claimants 2005-2009 (SE and England)
Source: ONS, LFS 2005-2009 (annualised)

3.1.7 Other benefit claimants

Around 250,000 people in the South East receive Incapacity Benefit (IB) or Employment and Support Allowance (ESA)[80]. Jobcentre Plus notes that many of them could work and want to work but the current system has limited their options. Recent policy changes have shifted the focus of eligibility to what people can do, rather than what they cannot do.

From October 2008, people making a new claim for benefits because of illness or disability have been placed on ESA rather than IB, along with those making a repeat but unlinked claim. Existing IB claimants will have their claims reassessed between October 2010 and March 2014 using a 'work capability assessment' to help determine their future benefit entitlement. Those assessed fully capable of work will be invited to make a claim to Jobseeker's Allowance (JSA). Those who cannot work or have limited capability to work will move to ESA. An implication of this is likely to be increases in JSA numbers.

3.2 Special interest groups

3.2.1 Young people

3.2.1.1 Participation and attainment

The South East 2007/08 participation rate in employment, education or training was 86% for 16 year olds, two percentage points below the national figure; at 74% the participation rate for 17 year olds was four percentage points below the national position[81]. This is partly a result of the still rising South East cohort compared to a falling England cohort.

54% of pupils aged 16 in the South East achieved 5+ GCSEs at A-C (including English and Maths) in 2008/9 (three percentage points above the figure for England). 78% of 19 year olds in the region in 2008/09 were qualified to at least level 2, in line with the national rate of 79%. However, this masks considerable sub-regional variation from 68% in Milton Keynes to

[80] DWP (2010) Work and Pensions Longitudinal Study
[81] YPLA (2010), South East 2010 Strategic Analysis Regional Summary Paper (draft)

84% in the Royal Borough of Windsor and Maidenhead. 54% of 19 year olds are qualified to level 3, which is 2.3 percentage points higher than the national figure[82].

The regional take up of Education Maintenance Allowance (EMA) is 22%, which is below the national rate of 30%; the take up of Care to Learn was 13%, compared to 16% nationally.

Although there is steady progress in closing the attainment gap for 19 year olds in receipt of free school meals (FSM) who qualify for level 2 and those qualifying for level 3 (compared with those not qualifying for FSM), in both cases, the actual proportion of achievements within the FSM cohort remains worse than the national position[83].

3.2.1.2 Young people not in education, employment or training (NEET)

In March 2010 the number of 16 to 18 year olds in the South East who were NEET reached 12,700 or 6% of that age group; in absolute terms, the highest of any region[82]. NEET levels have been steadily rising following the recession, compared to November 2007 when 4.9% of the cohort were classified as NEET[84]. Figure 3.7 below shows that the South East has the second lowest percentage of NEETS of all English regions, following London (5%). This ranged sub-regionally from 4% in Buckinghamshire to 11% in Portsmouth[85]. NEET rates increase by age, with 4.8% of 16 year olds and 5.4% of 17 year olds classified as NEET[83].

From March 2009 to March 2010 the number of NEETS within the region decreased by 0.5 percentage points with evidence that young people are prolonging their education or moving directly into Apprenticeships and other government funded initiatives. In the South East, 82% of all 16-18 year olds were participating in some form of learning in March 2010.

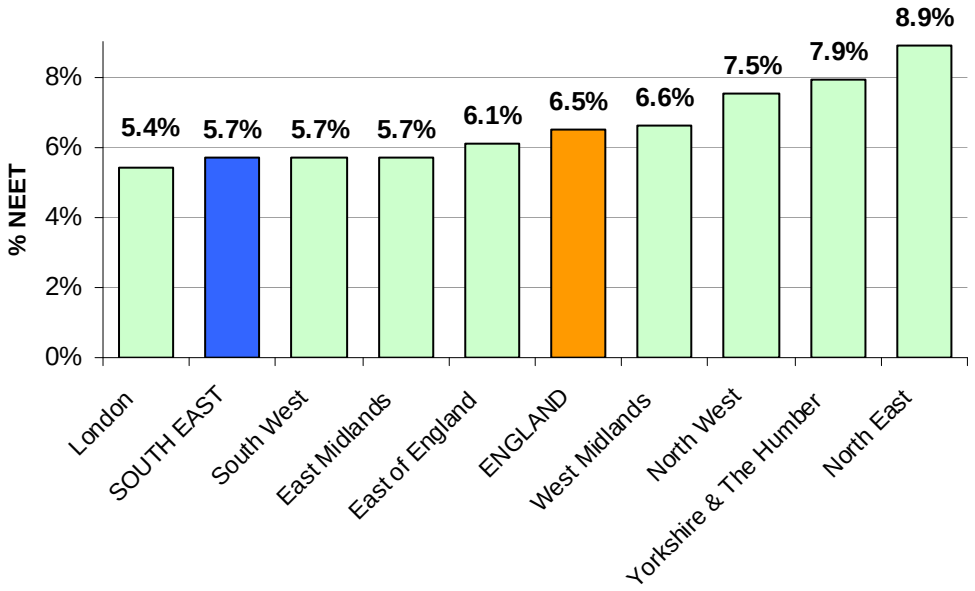

Figure 3.7: Percentages of NEETS across England in March 2010
Source: National Client Caseload Information System, YPLA

Across the region, nearly all ethnic minority groups have a lower NEET rate than the national average for these groups. A few ethnic groups have a higher proportion, although this needs to be considered against the relatively low cohort numbers.

82 YPLA (2010) South East 2010 Strategic Analysis Regional Summary (draft)
83 YPLA South East (2010)
84 IES (2009) Impact of Recession on South East
85 YPLA (2010), Young People Not in Education, Employment or Training (NEET) and Young People in Employment Without Training (EWT)

The South East has the third highest proportion of 16 to 18 year olds in employment without training (EWT) at 6%, though this has fallen by nearly a third in the last year[86].

Around 26% of teenage mothers known to Connexions in the South East were in some form or education, employment or training in June 2010. This is marginally below the national position of 27%, but the South East figure has increased by 2 percentage points from the same period last year.

3.2.1.3 Recruitment of young people

2009 data from the National Employer Skills Survey shows that 23% of South East employers had recruited someone under the age of 25 during the twelve months preceding the survey, down from 25% two years earlier. Over the same two year period, the total proportion of employers recording vacancies for England fell from 26% to 23% (Table 3.2 below). Given a 44% reduction in overall South East vacancies during that time, the recruitment of young people has remained relatively strong[87].

The manufacturing sector was least likely to have recruited someone aged 24 or under directly from education, with just 18% of employers having done so. This compares to 24% of service sector employers and 26% in the public sector.

	South East		England	
	2007	2009	2007	2009
Any under 24 year olds recruited straight from education	25%	23%	26%	23%
Any 16 year olds straight from education	6%	6%	7%	6%
Any 17-18 year olds straight from school or college	12%	12%	12%	11%
Any 24 year olds straight from HE	10%	10%	10%	10%

Table 3.2: Proportion of organisations recruiting young people straight from education in the South East and England

Source: NESS 2009

The majority of employers in the South East that had recruited a young person directly from school, college or university over the previous twelve months found recruits to be either "well prepared" or "very well prepared" to meet the demands of the workplace. The rates of satisfaction increased with the age of the recruits as follows:

- 16 year old school leavers — 74% were sufficiently prepared for work
- 17 and 18 year old school leavers — 78% were sufficiently prepared for work
- Higher Education leavers — 86% were sufficiently prepared for work

For all ages, preparedness for work was higher in the South East than the average for England.

However, the remaining 24% of South East employers believed recent 16 year old recruits to be either "poorly prepared" or "very poorly prepared" (18% for 17 to 18 year olds and 11% for those under 24 from HE). For 16 to 18 year olds the two main reasons were a lack of work/life experience and maturity or poor attitudes/a lack of motivation. Deficiencies relating to specific skills and competences were only identified by one third of respondents.

[86] YPLA (2010), Young People Not in Education, Employment or Training (NEET) and Young People in Employment Without Training (EWT)

[87] Worcester Research, National Employer Skills Survey, 2009 – South East key findings

For recent graduates identified as either “poorly prepared” or “very poorly prepared” the most common deficiency identified related to specific skills and competencies; of those employers reporting poorly or very poorly prepared graduates, 46% identified deficiencies in work/life experience and maturity, traits which were more common with the younger groups.

3.2.1.4 Work experience

Work experience plays an important role for all young people by allowing students to learn about the world of work in a "real life" working situation and providing an experience of working life and the key skills needed in the workplace[88]. The experience can demonstrate to students their capacity to perform tasks delegated to them as well as an ability to work on their own initiative. Importantly, it can help determine whether the young person has the right skills and qualifications for specific roles, giving them first hand knowledge and experience of a potential career choice. They can also develop the ability to work with those around them from the employee’s perspective. On the employers’ side, it can help improve the quality and preparedness of young people coming onto the labour market, and develop recruitment channels to resolve skills needs as well as closer links to both the education system and the community within which it operates.

Some qualitative evidence suggests that current lack of industrial placements may lead to disengagement between HE and industry.

3.2.2 Older workers[89]

SEEDA analysis[90] shows that the number of 45 to 65 year olds in the region will grow by 124,000 by 2015, such that 42% of the workforce will be ‘older’. The number of older workers has already increased by 95,000 between 1999 and 2007-8. 13% of people over state pension age were still working in 2007/8, with a higher proportion in coastal and rural districts compared to urban areas. In 2007 workers aged 40 or over contributed more than half the output of the South East economy and those aged 50 or more contributed more than one quarter, demonstrating the economic significance of older workers.

Some sectors such as manufacturing and public services have a larger proportion of older workers. In contrast, those where the majority of the workforce are under 40 include hotels and restaurants, wholesale and retail, and these could provide future opportunities for older workers. For those sectors currently more reliant on older workers, there may be pressures around succession planning and the need to respond to replacement demand as people retire from the workforce[90].

The South East demand for labour is forecast to rise more than any other region; it is possible that in the medium term, without additional older workers joining the group of economically active people, the overall economic growth of the South East could be constrained by labour shortages associated with factors such as a decline in the numbers of younger people identified previously[90].

Experience from previous recessions suggests that older workers who have been made redundant are likely to find it harder to re-engage in the labour market than younger people. Whilst older workers tend to be less well qualified, though not necessarily less well skilled, there is evidence that staff retention is higher and absenteeism lower in firms employing larger number of older workers. They also demonstrate better customer handling skills and lower training costs[91]. Early intervention is important to prepare older workers for re-

[88] http://www.learningtrust.co.uk/schools/secondary_schools/work_experience.aspx

[89] There is no standard definition of older workers, though recent SEEDA research has considered older workers to be anyone aged over 40. However, due to availability of data sources, the figures used in this section refer mainly to workers aged over 45.

[90] SEEDA (2009), 40-70 Tomorrow’s Workforce Programme, Opportunities for older workers in the South East

[91] SEEDA and Open Agenda (2010), 40-70 Tomorrow’s Workforce Programme: Making the most of opportunities for older workers in the South East

engagement in the labour market and prevent loss of confidence making it harder to return to work.

3.2.3 Learners with Learning Difficulties and/or Disabilities (LLDD)

3.2.3.1 Young people

Information provided by the South East YPLA indicates that developing provision for the following learner groups in the region remains a priority:

- learners with profound and/or complex needs;
- learners with Autistic Spectrum Disorder;
- learners with emotional and behavioural difficulties/mental health needs.

In addition, in line with national trends, there is now an increase in learners with speech, language and communication disorders.

Young people who have LDD are more likely to be NEET. In June 2010, 13% of LDD young people were NEET in the South East, compared to 6% of all young people in the region. A challenge for the region is to reduce the gap in participation for learners with LDD.

20% of all young people participating in mainstream Further Education and Entry to Employment (E2E) programmes declared themselves to be LLDD (17% across England). Such declarations varied sub-regionally from 11% in Bracknell Forest to 31% in the Isle of Wight. For E2E alone, 29% of learners were LLDD, in line with the rate for England, but varying from 19% in Reading to 75% in Buckinghamshire. 11% of South East apprentices self-declared a LDD (in line with England), ranging from 6% in Wokingham to 18% in Milton Keynes.

Uptake of additional learning support funds (ALS) can also indicate levels of learner need. This was constant at 18% in both 2007/08 and 2008/09, in line with the national rate. Learners using high value ALS funding increased by 2% from 2007/08 to 2008/09 (compared to a 6% national rise).

The number of school age learners with Special Educational Needs (SEN) increased by 13% between 2007/08 and 2008/09, with a further increase of 25% in the following year.

3.2.3.2 Adults

From the latest data available it is estimated that 15,000 adults in the South East have severe learning disabilities. There are also a further 1.2 million people nationally with mild to moderate learning difficulties, but no regional breakdowns exist[92]. Prevalence of severe and profound learning disability is fairly uniformly distributed across the region and across socio-economic groups. Mild to moderate learning disability, however, has a link to poverty and rates are higher in deprived and urban areas. For example, amongst offenders there are a significant number with mild to moderate learning disability. The number of people with severe and profound learning disabilities in some areas is affected by past funding and placement practices, especially the presence of old long-stay patients and people placed outside their original area of residence by funding authorities.

In terms of expected changes, the number of people with severe learning disabilities is expected to increase by 1% per annum over the next 10 years. This increase is due to:

- increased life expectancy, especially among people with Down's syndrome;
- growing numbers of children and young people with complex and multiple disabilities who now survive into adulthood;

[92] LSC South East (2006), Action for Inclusion

- a sharp rise in the reported numbers of school age children with autistic spectrum disorders, some of whom will have learning disabilities.

3.2.4 Offenders

The Offenders Needs Analysis published by the Ministry of Justice in December 2009 identifies the needs of the South East offender population; it includes both offenders in custody and offenders in the community who are under the supervision of probation services. Needs are defined as 'criminogenic needs', i.e. to aid in eliminating factors likely to increase the risk of reoffending. The South East has 30 prisons, which is more than any other region and these currently hold 14,000 prisoners, or 17% of the national total. Of these, only 42% are South East residents, with a further third coming from London and a quarter from various other regions. In addition, 32% of offenders from the South East are held in prisons outside the region. 31% of all prisoners held in the region were serving a sentence of a year or less, 22% had sentences between one and four years, with the remaining 47% having sentences of four years or more[93].

34% of all offenders in the region have no qualifications and over half were unemployed prior to conviction. 65% were assessed as having problems with their employment history, and one in seven has learning difficulties of some kind[94]. Of the 39% of short term prisoners who were employed or self-employed before the start of their sentence, one third said they would not be able to resume their work after release, with a further third being unsure. 46% said they wanted to find future employment in the construction sector.

Between April 2008 and March 2009, 52% of all offenders in the South East were assessed as having needs relating to education, training and employment (ETE). This figure was slightly lower than the national level of 55%, but higher for South East women (57%) compared to men (51%). Offenders with a high risk of reconviction and Prolific and other Priority Offenders (PPO) were identified as having high ETE needs, at 95% and 90% respectively.

Approximately 4,700 offenders on probation have ETE needs compared to planned interventions of just over 2,000, leaving a 54% gap of offenders who will receive no such support. In custody, there are 300 planned interventions against 490 people with identified needs, a gap of 39%.

3.2.4.1 Young offenders

2008/09 data indicates a reduction in the frequency of youth re-offending and a significant fall in first time entrants to the Criminal Justice system compared to 2007/08, with a continued downward trend for the first half of 2009/10.

Young Offenders are more likely to have poor prior learning and are more likely to become NEET. There is a challenge to maintain the current downward trends through targeted intervention work and re-engagement of young people into education, training and employment.

[93] Ministry of Justice, NOMS (2009), Offender Needs Analysis

[94] OASys (Offender Assessment System), in general use, but not covering all offenders, so is supplemented by an additional needs survey for the short term prison population (September 2009).

3.3 Implications for skills

- **Unemployment levels have more than doubled in the five years to April 2010** though levels vary significantly across the region and correlate closely to levels of deprivation. For areas of high unemployment, matching the skills of the unemployed to unmet local demand will be important. For many areas, analysis is required to identify the degree of proximity between geographical areas of skills needs and areas where there is an unemployed supply of skills.
- The profile of the unemployed has changed following the recession with **a greater proportion of the unemployed now holding higher qualifications.** Large rises in the long term unemployed impact on the type of appropriate support necessary to support returning to the labour market.
- **Changes in incapacity benefit rules are likely to result in increasing numbers of unemployed people**; some will have particular needs in terms of enabling them to enter the labour market.
- **NEET numbers have risen as a result of the recession** – those with no or low skills are particularly impacted and the longer an individual is NEET the harder it becomes to enter the labour market.
- **A significant minority of employers do not regard young people as well prepared for work.** Where dissatisfaction was expressed with recruits up to the age of 18, this was less to do with their skill levels but rather a general lack of work or life experience, and personal issues such as poor attitude or motivation.
- **Increasing numbers of older workers**, including some of retirement age, will be an important component of the region's future labour supply.
- **Provision for learners with learning difficulties and/or disabilities** needs ongoing development in line with expected increases in numbers.
- **Learning and skills support for offenders remains a key component** for social and economic rehabilitation

4 Skills Mismatches and Training Activity

This chapter examines skills gaps, skills shortages and recruitment issues, including analysis by sectors and occupations. The levels of training activity taking place across the region are considered, with breakdowns by sector and occupation, as well as looking at the use of different types of training provider, and barriers to training. The impacts of migrant workers and the recession are also considered.

Figure 4.1 below illustrates the relationship between skills available in the workforce and the skills required by businesses in the South East[95].

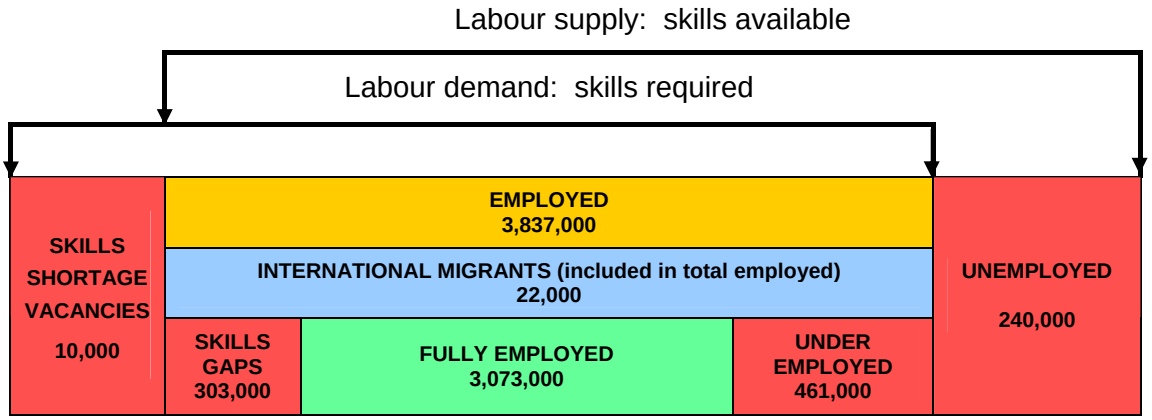

Figure 4.1: Key components of skills mismatches
Sources: UKCES, NESS and LFS 2009

4.1 Skills shortages

4.1.1 Skills shortages and recruitment issues

A key source regarding skill shortages and recruitment issues is the National Employers Skills Survey (NESS) most recently conducted in the summer of 2009 at a time of deepening recession.

Evidence of weakening market demand is shown by employers having fewer vacancies than at any time since 2003 (Table 4.1). Employers reported 65,000 vacancies in the South East in 2009, which is 44% lower than in 2007. They also found it easier to fill vacancies, with only 14,000 reported to be 'Hard to fill vacancies' (HtFVs); this was a decrease of 22,000 (61%) from 2007. Of those, skills shortage vacancies (SSVs) were also at an all time low with 3% of establishments reporting skill shortage vacancies. Vacancies accounted for just 2% of total jobs in the South East, with skills shortage vacancies at just 3 per 1,000 employees[96].

[95] Adapted from UKCES 2009 audit; NESS 2009; ONS 2009
[96] Worcester Research (2010), National Employer Skills Survey 2009 – South East Key Findings

	South East					England
	2003	2004	2005	2007	2009	2009
Total employment (millions)	3.6m	3.5m	3.5m	3.6m	3.7m	23.0m
Number of vacancies	126k	117k	99k	116k	65k	386k
Of which: hard to fill vacancies	54k	46k	38k	36k	14k	85k
Of which: skill shortage vacancies	24k	29k	26k	26k	10k	63k
SE share of national SSVs	17%	20%	18%	20%	16%	-
Vacancies as % of employment	3.5%	3.3%	2.8%	3.2%	1.7%	1.7%
Proportion of vacancies which are SSVs	19%	24%	26%	22%	15%	16%
SSVs per 1,000 employees	6	8	7	7	3	3

Table 4.1: Key trend data in numbers of vacancies, HtFVs and SSVs in the South East 2003-2009, with national comparisons for 2009

Source: Worcester Research, 2010 NESS 2003 – 2009

Analysing the total number of vacancies by size of employer shows that small businesses with fewer than 25 employees had a disproportionately large share of vacancies (57%) relative to their share of employment (35%). This suggests that smaller firms were less adversely affected by the recession or that they had a higher staff turnover.

There was little difference sub-regionally other than the Milton Keynes, Oxfordshire and Buckinghamshire areas having a disproportionately high share of skills shortage vacancies.

4.1.1.1 Vacancies by sector[97]

There was a significant variation in vacancy levels across different sectors. Employers in sectors largely covered by the public sector had most vacancies at the time of the NESS survey[98], with vacancies reported by 30% of employers in Skills for Care and Development, 23% in Lifelong Learning UK and 22% in Skills for Health.

By contrast, those in construction-related industries which were hard hit by the recession reported the least vacancies, e.g. SummitSkills (5%) and ConstructionSkills (6%). The highest levels of HtFVs were in Skills for Care and Development (9%), Skills for Health (9%), GoSkills (7%) and People 1st (6%).

Vacancies as a proportion of the size of the workforce were above average in Skills for Care and Development, Creative and Cultural Skills and People 1st.

4.1.1.2 Vacancies by occupation

The distribution of South East vacancies by occupation type was broadly in line with averages for England. Relative to employment, however, the number of SSVs per 1,000 employees was low by historic standards and virtually identical to the national picture. SSVs were highest in personal service occupations and associate professional and technical occupations, with the level for personal service occupations higher in the region (21% of all

[97] See Appendix Three for a full list of sectors and Sector Skills Councils
[98] Note that this survey was undertaken in 2009

SSVs) than nationally (15%). These two categories accounted for just under 4,000 SSVs, or 39% of the South East total despite representing only 16% of jobs and 34% of all vacancies.

Reasons given by employers for skills shortage and overall HtfVs are summarised in table 4.2 below, showing the percentage of employers surveyed who cited the given reasons.

Hard to Fill Vacancies (HtfVs)	
Reasons	**% of Employers**
Lack of skills	34
Lack of experience	20
Lack of qualifications	17
Low numbers of applicants	18
Not enough people interested in the work	17

Skills Shortage Vacancies (SSVs)	
Skills Lacking	**% of Employers**
Technical, practical, job-specific skills	63
Customer handling skills	40
Written communication skills	33
Problem solving	32
Literacy	32

Table 4.2: Reasons for Hard to fill Vacancies
Source: NESS 2009

The South East had more employers citing low applicant numbers for vacancies (18%) than the average for England (12%). Similarly, employers in the South East were more likely to identify a lack of people interested in the work (17% compared to 15% nationally). By contrast, South East employers identified fewer instances of a lack of skills or a lack of personal attributes and 'soft skills', such as motivation or attitude, than were identified across the country.

The main effects of recruitment difficulties were an increased workload for existing staff (identified by 72% of employers) and a delay in developing new products and services (40% of employers). The picture was not significantly different from 2007.

4.2 Skills gaps

Skills gaps are discussed below using two different information sources: firstly, the analysis of employer opinions reported in the National Employer Skills Survey (2009), and secondly by comparing assumed levels of qualification required for occupations at different levels.

The incidence of skills gaps in the South East (i.e. the extent to which employers perceive their existing workforce as not being fully proficient) increased rapidly from 2007. 21% of organisations had skills gaps in 2009, up from 15% in 2007, giving the South East the second largest level of gaps in England. This is likely to be due to organisations being more skills aware during a recession and identifying areas where the workforce needs to improve and/or where firms were making redundancies[99].

Overall, approximately 300,000 individuals in the South East were identified by the survey as not being fully proficient, equivalent to 8% of the workforce; marginally above the national proportion of 7%.

The proportion of staff described as having a skills gap increased with size of establishment from one in twenty staff in micro businesses to one in ten staff in large employers.

[99] Worcester Research (2010), National Employer Skills Survey 2007 – South East Key Findings

4.2.1 Skills lacking in the workforce

Employers with skills gaps were asked which skills their workforce was lacking[100]. Two thirds said their employees lacked the necessary technical, practical or job-specific skills to do their job[101]. Other deficiencies identified by a large minority of employers were 'soft' skills such as customer handling, problem solving, team working and communication skills. The responses given in the South East closely mirrored those of employers nationwide.

Figure 4.2 shows the skills lacking among staff identified as not fully proficient in the South East and England:

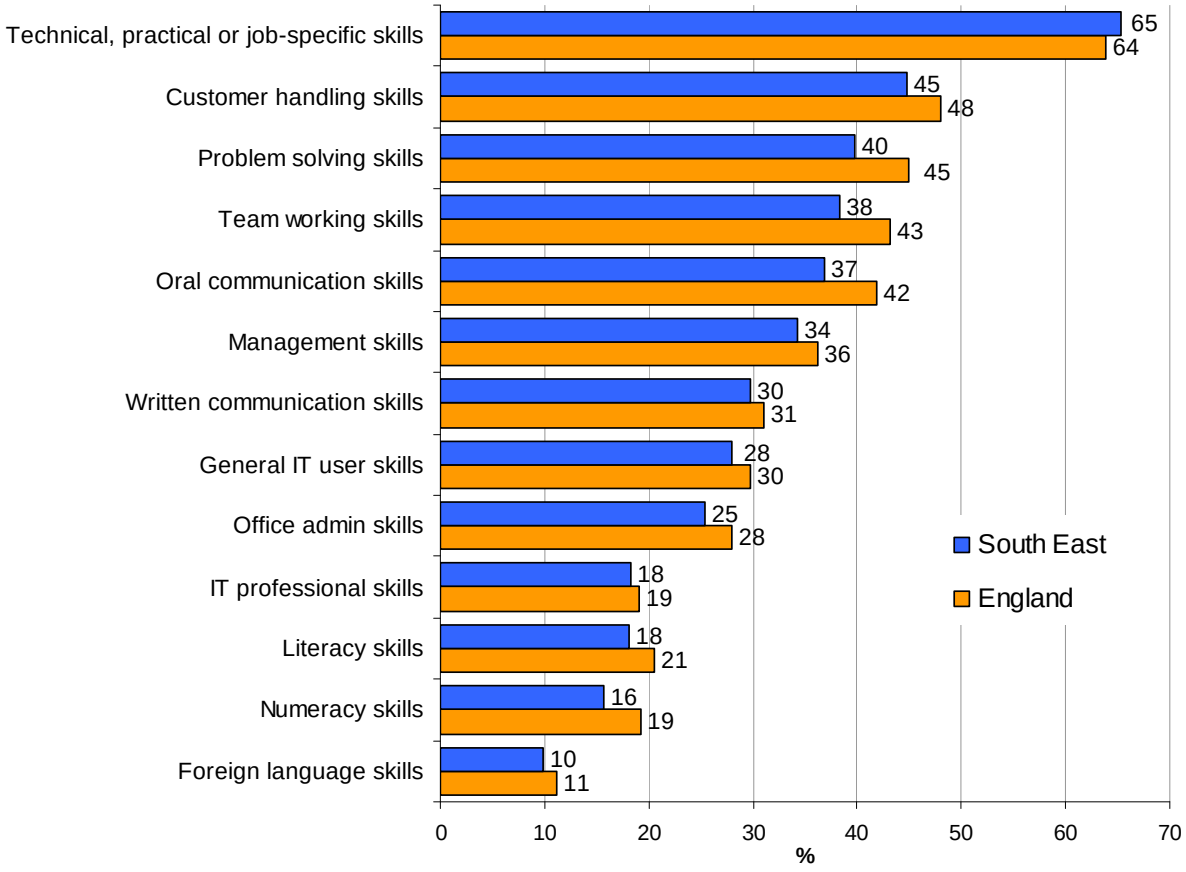

Figure 4.2: Skills lacking in the workforce
Base: All employers with skills gaps
Source: NESS 09

76% of skills gaps were attributed to lack of experience or staff being recently recruited. Although all other reasons were accorded far less significance, more than one in five employers identified a failure to train their staff as a key contributory factor.

The principal means of addressing skills gaps was to increase training activity, with 78% of employers responding in that way. Far fewer indicated greater staff supervision or improved appraisal processes. One in twelve South East employers took no action to address their skills gaps.

[100] Worcester Research (2010), National Employer Skills Survey 2009 – South East Key Findings
[101] Technical, practical or job-specific skills was a defined question within NESS. No further breakdown was available.

4.2.2 Skills gaps by occupation

Figure 4.3 below shows the numbers of employees in each occupational category identified as having a skills gap. The findings were consistent with earlier years and with the national picture, in that skills gaps were most likely to be found in sales and customer services. In the South East, this occupational group accounted for 21% of skills gaps compared with just 15% of the workforce. Other high volumes of staff described as not fully proficient included managers, elementary occupations (both 14%) and administrative and secretarial jobs (13%).

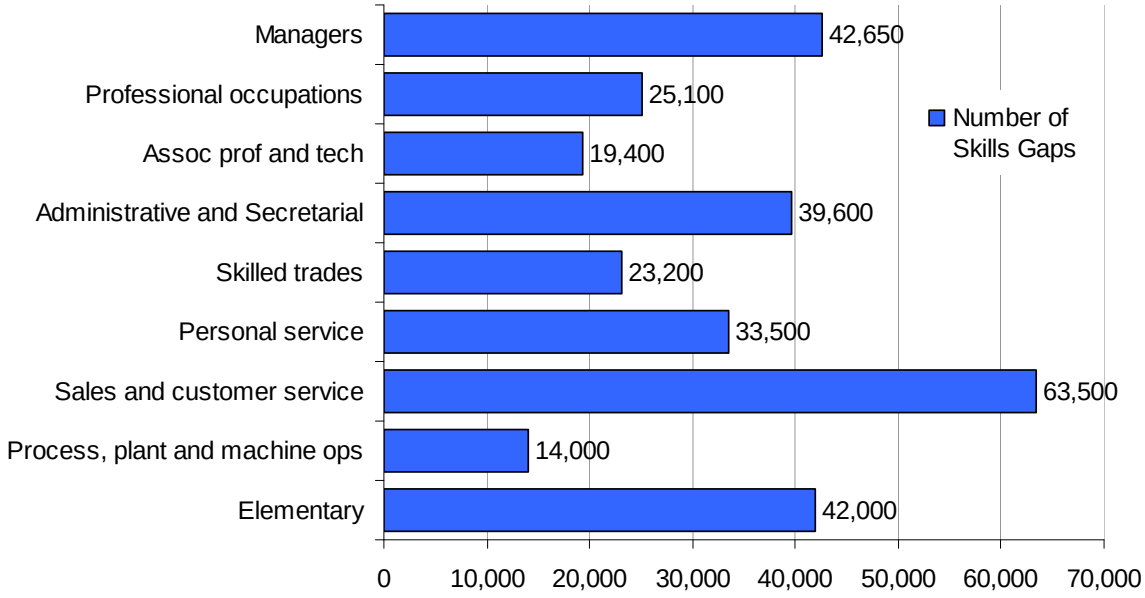

Figure 4.3: Skills gaps by occupational category
Base: All employers with skills gaps
Source: NESS 2009

Sales and customer service staff also dominated in terms of density, with 12% described as having skills gaps – a higher proportion for this category than anywhere else in the country.

4.2.3 Skills gaps by size of business

Almost one third of skills deficiencies identified for the smallest firms (2-4 employees) are for managers, reflecting the fact that around half of all staff in micro businesses are managers. More than a quarter of skills gaps for small firms with 5-24 staff are for sales staff, despite these employees representing only 19% of the workforce.

In businesses with 25-99 employees, skills gaps are disproportionately high in elementary, sales and personal service occupations. For medium sized firms with 100-199 employees skills gaps for sales staff are highest, accounting for almost 25% of gaps compared to a 15% share of employment. Skills gaps in the largest firms are dominated by administrative and secretarial occupations, sales staff and managers.

4.2.4 Skills gaps by sector

The highest proportions of skills gaps reported are by employers in sectors covered by People 1st (29%) and Skills for Care and Development (27%). The lowest levels are for Creative and Cultural Skills (10%), GoSkills (14%), Skillfast UK (15%), ConstructionSkills (15%) and Asset Skills (15%).

In absolute numbers, one third of all the skills gaps in the region are accounted for by Skillsmart Retail, People 1st and Skills for Health. Skills gaps in Skillsmart Retail alone account for the greatest number of gaps – equivalent to one in eight of all skills gaps.

4.2.5 Qualification deficits

Another measure of potential skills gaps is to examine whether workers have the level of qualification that might be expected of them at a given occupational level (although it is recognised that qualifications do not equate precisely to skill levels, and that there is no perfect alignment of qualification levels to occupational levels). In order to explore likely skills gaps, qualifications deficits were calculated as follows:

- Managers and professional workers not qualified to at least level 4
- Associate professional or technical workers not qualified to at least level 3
- All other workers not qualified to at least level 2[102]

Figure 4.4 below shows that qualification deficits amongst the South East working population have reduced by 2.6 percentage points since 2005, and that generally, fewer working people in the South East have a qualification deficit than in England as a whole.

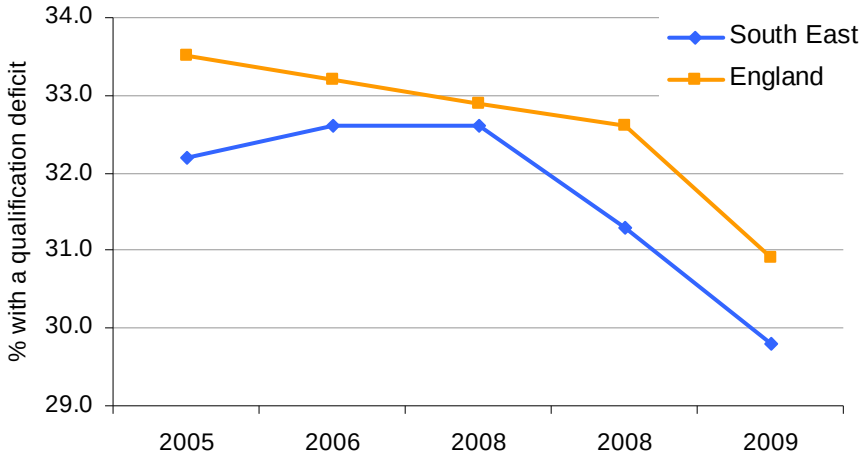

Figure 4.4: Proportion of people in employment with a qualifications deficit, SE and England (2009)

Base: Employed people in 2009 South East (4,151,864) and England (24,329,225)
Source: ONS, LFS 2005-2009 (annualised)

Figure 4.5 below shows qualification deficits by occupational level and demonstrates that the extent of qualification deficits varies significantly, with managerial and professional employees having the highest levels of qualification deficits, and associate professional and technical occupations the lowest.

Whilst qualification deficits for all groups have declined slightly since 2005 the extent of the gaps for different occupational groups in the South East relative to England as a whole varies; whilst associate professionals in the South East are slightly more likely to have a qualifications deficit than those in England, workers in lower occupational levels in the South East are less likely. Broadly similar proportions of managers and professionals in the South East had a qualification deficit as compared to England.

[102] This was the method used in the (UKCES) National Strategic Skills Audit (2010). Other benchmarks could be and are used, for example by Sector Skills Councils.

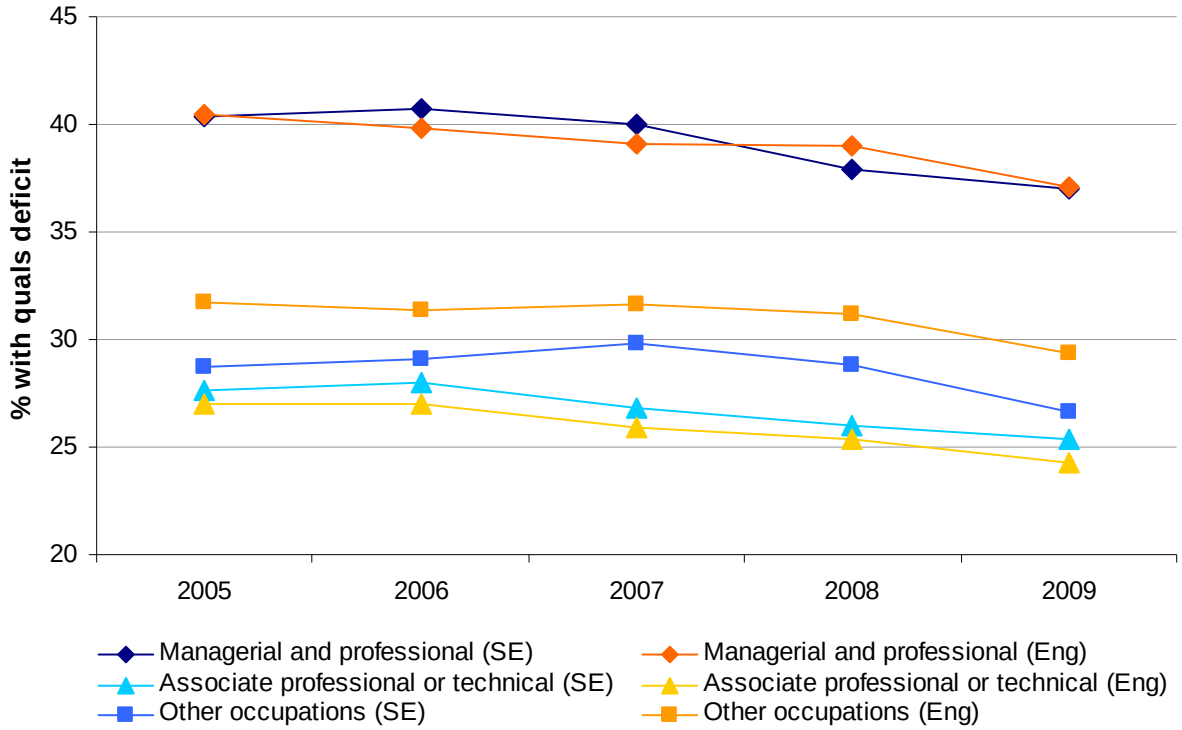

Figure 4.5: Qualifications deficits by occupational level, SE and England (2009)
Base: Employed people in 2009 South East (4,151,864) and England (24,329,225)
Source: ONS, LFS 2005-2009 (annualised)

4.3 Underemployment

Underemployment can be defined as when workers are employed below their full capacity, whether in terms of level of skills and experience, compensation or hours worked. Limited research exists on the extent of regional underemployment, but it is important to understand the implications of national evidence in the context of the South East.

UKCES[103] cite studies looking at underemployment by comparing qualifications as a proxy for skills against the qualification level typically needed for the type of job. The analysis showed that the supply of skills exceeds demand at all levels, except for those with no qualifications. UKCES notes that the most important feature over recent years has been the relative decline in excess supply at level 3 and relative increase at level 4.

One study found that as many as two in five jobs were undertaken by people underemployed, a trend which is greatest for those with a level 4 qualification. The proportion of graduates underemployed has increased by 50% over the last 20 years, 75% of this in the last five years. Evidence from the Higher Education Statistics Agency (HESA), cited by UKCES[103], shows that around 23% of full time, first degree graduates were working in non graduate jobs; these figures are highest for agriculture, communications, arts and history/philosophy disciplines and lower in medicine, planning and education based subjects. Graduate related challenges are especially evident in parts of the region such as north Kent and Ashford, where there are low retention rates of graduates, and in Brighton and Hove, where there is severe underemployment.

Overall, the increase in demand for skills has lagged behind increases in the supply and UKCES note international comparisons which show the growth in the demand for skills in the UK is one of the lowest of all OECD nations. UKCES conclude that the relatively low

[103] UKCES (2010), Ambition 2020: World class skills and jobs for the UK

levels of skills in the UK, combined with relatively limited skills shortages and gaps, combined with excess supply of skills, strongly implies a potentially weakness in UK skills demand. The key issue is that whilst there may be more skilled people than jobs today, these will be required in the future if the UK labour market is to compete effectively internationally[104].

Underemployment can also be analysed by considering working time. ONS data shows that almost 10% of the national workforce is underemployed, working shorter hours than they would like to. These figures have increased sharply during the recession, partly due to practices such as shorter working hours and four day weeks[105].

4.4 Migration

Migrant employment is a possible indicator of an imbalance between skills available and those needed, and can be seen as mismatch between skills required in the labour market and those available from the domestic labour force. This is applies to both people within the European Economic Area (EEA) and those on the points based migration system[106]. International migration has been the major driver in the South East's population change so that by 2005/6 net international migration accounted for nearly two thirds of the region's population increase.

Year	Population	International migration			Inter-regional migration		
		In	Out	Net	In	Out	Net
2004-2005	8,172,900	77,900	45,300	32,600	234,100	221,400	12,700
2008-2009	8,435,700	80,100	58,200	21,900	226,700	208,700	18,000

Table 4.3: Migration figures in the South East
Source: ONS, Local Area Migration Indicators (2010)

There is no single comprehensive data source exploring the migrant population in the South East, and there is a specific lack of information about people leaving the UK[107]. However, some datasets do provide helpful evidence around migration. Table 4.3 shows international and internal (from other parts of the UK) migration figures between 2004/05 and 2008/09. Net international migration[108] totals fell during this period from +32,600 to +21,900 and net internal migration increased from +12,700 to +18,000. By volume, the region is third highest for international migration (behind London and Eastern regions), and second for internal migration (behind the South West).

The South East has experienced an 8% decline in its outflow since mid 2007 and a 9% decrease in its inflow. In common with other parts of the UK, the flow from the South East to London has increased more recently, whilst the total number of inter-regional movements in the UK fell by nearly 6%. The general decline in the numbers of people moving between regions and particularly those leaving the South East, London and the East of England is a possible indication of the impact of the present financial downturn[109].

104 UKCES (2010), Ambition 2020: World class skills and jobs for the UK
105 ONS (2010), Economic and Labour Market Review, Vol. 4, No 2, Article: Underemployment in the UK labour market (Annette Walling and Gareth Clancy)
106 UKCES (2010), Skills for Jobs: Today and Tomorrow – The National Strategic Skills Audit for England 2010
107 Warwick Institute for Employment Research/BMG Research (2008), Migrant Workers in the SE Regional Economy
108 The difference between in-coming and out-going migrants
109 South East England Partnership Board (July 2010) Demography Briefing 28 – Migration Indicators

The proposed limit on non-EEA economic migrants could affect a range of occupations and skills areas identified as being in short supply potentially requiring the appropriate skilling of resident workers.

Sub-regionally, the highest volumes of international migrants for 2008/09 were to Surrey (3,300), Reading and Portsmouth (2500 each). For total international in-migrants per thousand of population, the highest figures are for Reading (59), Southampton (38), Portsmouth and Brighton and Hove (31 each). For internal net in-migration, the areas with the highest net volume increases are Kent (4,700), Surrey (4,400) and Hampshire (3,700); per thousand of population the highest rates are for Reading (216), Southampton (176) and Brighton and Hove (166).

UKCES cite evidence exploring occupations with the highest proportions of migrant labour, where a migrant is defined as anyone not born in the UK (Table 4.4). There was a mix of higher and lower level occupations, with a general trend of non-EEA immigrants in relatively high level occupations and EEA migrants more heavily represented in lower level occupations[110].

Occupation	% employment occupied by all migrants
Elementary process plant operations	29
Health professionals	28
Food preparation trades	26
Process operatives	25
Research professionals	21
Occupation	**% employment occupied by EEA migrants**
Elementary process plant operations	18
Process operatives	13
Elementary agricultural	8
Assemblers and routine operatives	8
Elementary cleaning	8
Occupation	**% employment occupied by non-EEA migrants**
Health professionals	22
Food preparation trades	19
Health associate professionals	16
Information and communication technology professionals	16
Research professionals	16

Table 4.4: Top 'migration intensive' occupations
Source: UKCES 2010

Evidence collected in the South East in 2008 revealed that there is a relatively high concentration of migrant workers in the manufacturing, hotels and restaurants and health and social work sectors. Many such roles tend to be hard to fill and may be vulnerable to future emigration of these workers. There is some evidence of underemployment because

[110] UKCES (2010), Skills for Jobs: Today and Tomorrow – The National Strategic Skills Audit for England 2010

of a lack of proficiency in the English language and sometimes because of the potential exploitation by employers[111].

Whilst employers may not actively seek to employ migrant workers, many cite labour market advantages such as enthusiasm, punctuality, and willingness to work hard as positive attributes. Ready-made supply channels can also make recruitment relatively easy. Historically there is little evidence of UK born workers being crowded out of the labour market by the arrival of migrants, except for UK-born males with no or few qualifications. With relatively high living costs, the South East may not always appear attractive to local workers but is still seen as a viable option for many migrants when comparing wages with home rates[111].

The South East migration study found that generally migration in the South East addressed labour and skill shortages, having an important and growing impact on regional economic output. Employers were overwhelmingly positive about their impact on business performance. Little evidence was found for an unemployment penalty for UK born workers though there was evidence of displacement as natural turnover creates opportunities for migrant workers[111].

4.5 Training activity

4.5.1 Planning

The 2009 National Employer Skills Survey found that 61% of organisations in the South East had a formal business plan specifying objectives for the coming year, 44% had a training plan in place, and 37% had a budget for training activities. Table 4.5 shows that the regional picture generally reflected national findings.

30% of all employers in the South East did not have any of these formal plans, which was two percentage points less than the level found across England as a whole.

	South East		England	
	2007	2009	2007	2009
Have a formal business plan	59%	61%	57%	58%
Have a training plan specifying in advance the level and type of training employees will need in the coming year	48%	44%	48%	43%
Have a budget for training expenditure	37%	37%	35%	36%
Have no formal plans	N/A	30%	N/A	32%

Table 4.5: Proportion of organisations with business or training plans or training budgets
Base: All establishments
Source: NESS 2009

4.5.2 Training activity[112]

Approximately 70% of employers in the South East had provided at least some of their workforce with training over the course of the 12 months prior to completing the 2009 National Employer Skills Survey. This was around two percentage points more than the average across England as a whole, and was one percentage point more than two years previously. Conversely of course, 30% provided no workforce training. There were

[111] Warwick Institute for Employment Research/BMG Research (2008), Migrant Workers in the South East Regional Economy
[112] NESS 2009

variations in the proportion of firms which provided training by organisational size - only around three-fifths of small employers (2-4 employees) had provided any training compared to almost all firms with more than 200 staff. There's a general recognition that SMEs are less well placed to invest to invest in formalised training in both time and money terms.

Variations in levels of training activity were also evident between different sectors. Compared to the sector average, employers represented by Skills for Care and Development, Lifelong Learning UK, Skills for Health and Financial Services were 10 percentage points more likely to train their staff. Sectors with levels of training significantly below average included Proskills, Skillsfast-UK and GoSkills.

Despite a small increase in the proportion of South East organisations providing training for at least some of their workforce between 2007 and 2009, the number of workers actually receiving training decreased between the two surveys. An estimated two million employees (54% of the workforce) received training in the twelve months prior to the 2009 survey (56% nationally). Figure 4.6 below shows the proportion of broad occupational groups in both England and the South East which received training, and shows that in both groups, those employed in personal service occupations were mostly likely to have been trained.

Other occupational groups in the South East receiving an above average proportion of training included professionals, associate professionals and those in sales and customer service roles. Less than half those employed as managers, admin and clerical occupations, skilled trades and machine occupations received any training in the year to 2009. Fewer managers and professionals in the South East received training in the previous twelve months than across England as a whole.

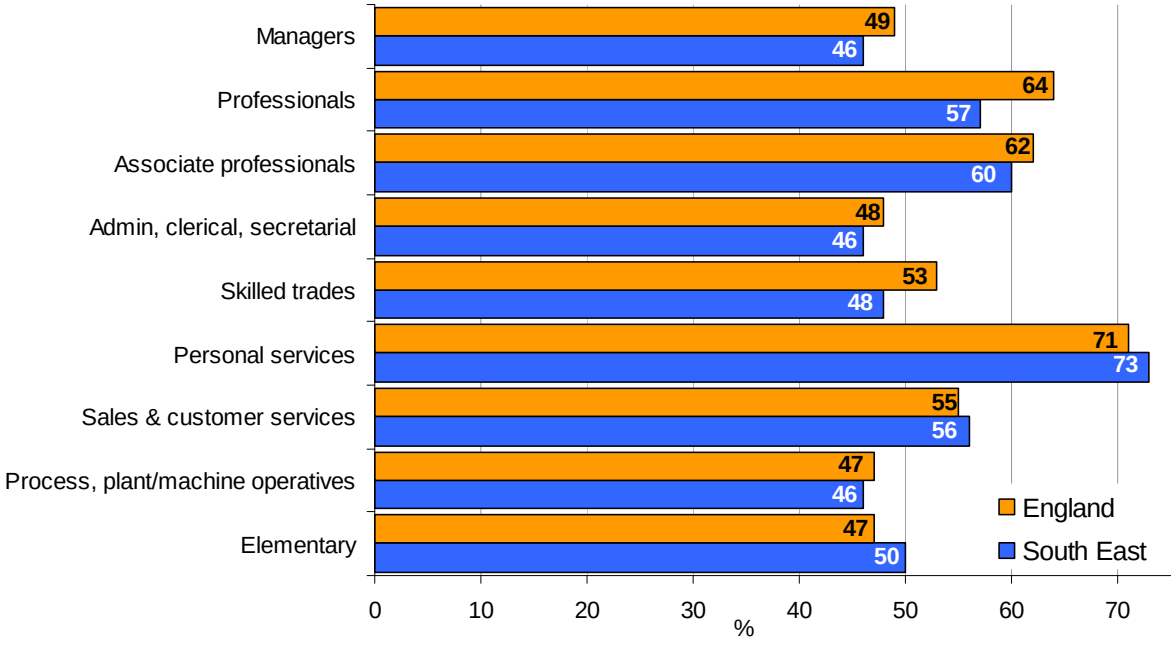

Figure 4.6: Proportion of staff trained by occupation, South East and England 2009
Source: NESS 2009

As well as data from employers collected through the National Employer Skills Survey (2009) analysed above, individual employees were also questioned for the Labour Force Survey (2009), with results shown in Figure 4.7 below.

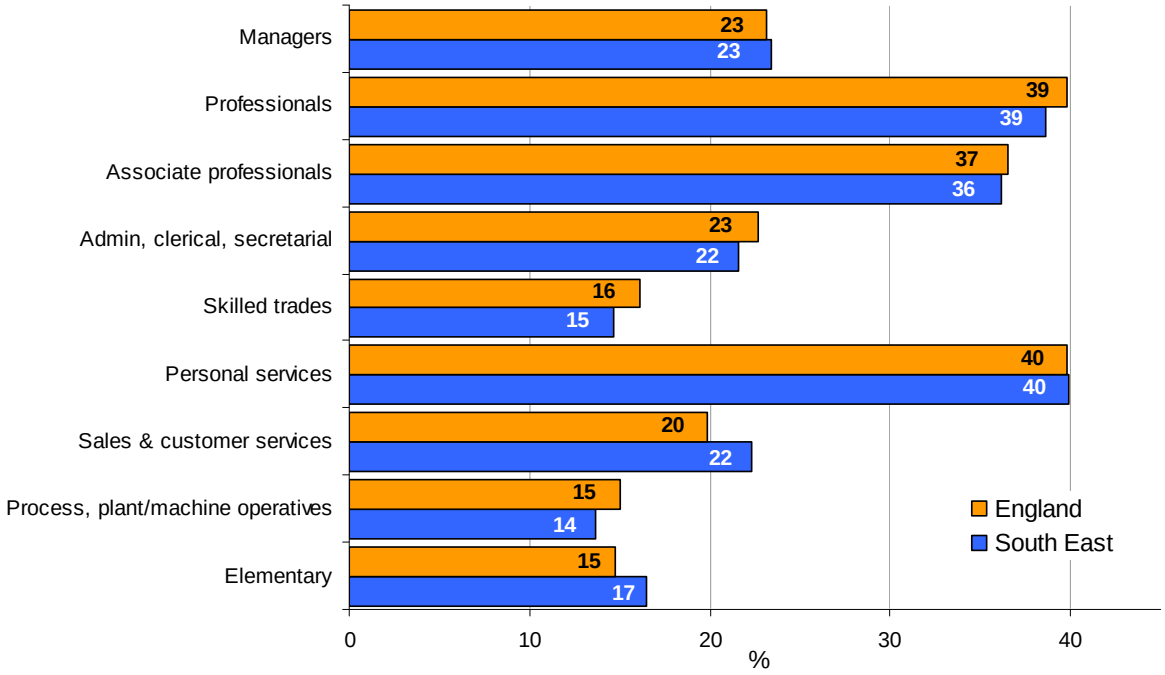

Figure 4.7: Training received by occupational group
Base: Working age population in the South East and England
Source: ONS, LFS 2009 (annualised)

The relative proportions of training received by different occupational groups, as reported by staff, are broadly similar to those reported by employers. However, absolute levels are much lower for employees, but the survey covered only a three month period compared to twelve months for employers, so a lower overall level of training would be expected. For example, 27% of workers in the South East reported some form of training in the last three months compared to 70% of employers reporting training over the previous year.

For employees, the occupations reported as most likely to have received training in the last three months were personal services occupations (40%), professional occupations (39%), and associate professional and technical occupations (36%). Those least likely to have had training were process, plant and machine operatives (14%), skilled trade occupations (15%) and those working in elementary occupations (17%).

4.5.3 Participation in training by sector

Participation in training in the South East reflects that of the wider working population in England across all sectors except agriculture, forestry and fishing where participation was noticeably higher in the South East (Figure 4.8). Public administration, education and health had the highest levels of training by far with 43% of employees in these sectors reporting having received training in the last three months[113]. Lowest participation rates were in: agriculture, forestry and fishing (15%), construction (16%), manufacturing (18%), and distribution, hotels and restaurants (19%).

[113] ONS (2009), Labour Force Survey

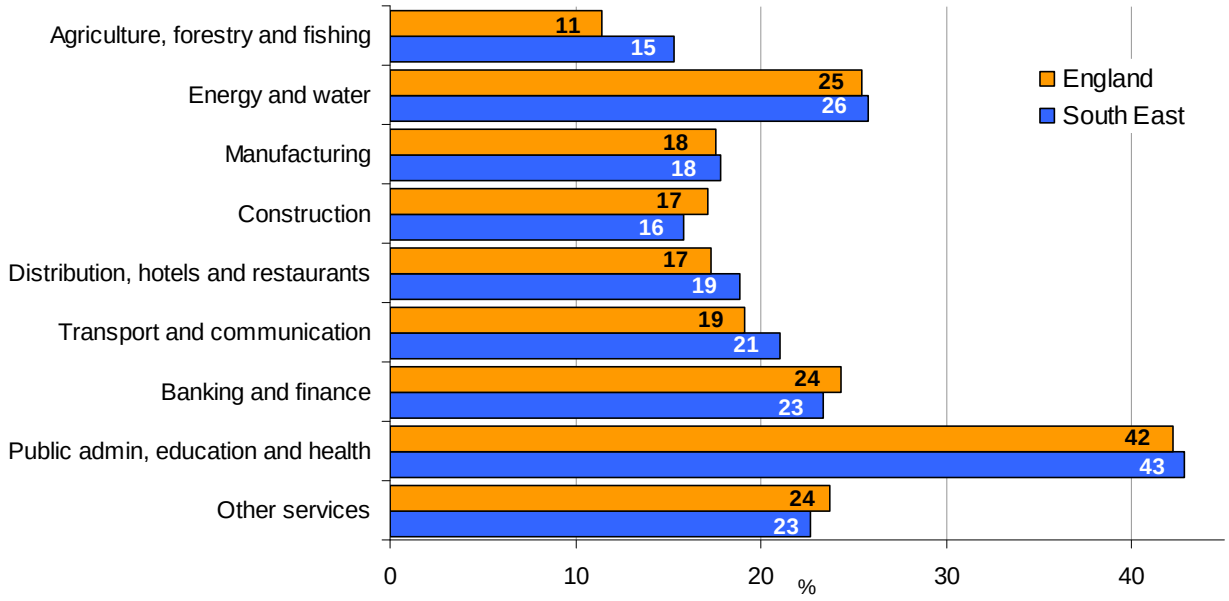

Figure 4.8: Proportion with training in the last three months, by sector (South East)
Base: Working age population in the South East
Source: ONS, LFS 2005-2009 (annualised)

Levels of training in the South East from 2005-09 varied by sector and for most sectors have fluctuated over that period. Most sectors showed fewer people receiving training in 2009 than in 2005, with only agriculture, forestry and fishing and other services reporting higher 2009 participation; however, participation for both of these peaked in the interceding years. There was a similarly variable pattern nationally, but with an overall average decrease from 68% to 65%, compared to a static regional picture at 70%.

4.5.4 Barriers to providing more training

Over 60% of South East employers reported a lack of funds/cost of training as the main barrier to providing staff training. This was substantially higher than in 2007, probably reflecting the underlying economic situation in 2009. Staff time was also cited by more than 50% of respondents as a major barrier to further training. Lack of appropriate training and qualifications was a less significant barrier but still quoted by around 4% of respondents. (Figure 4.9)

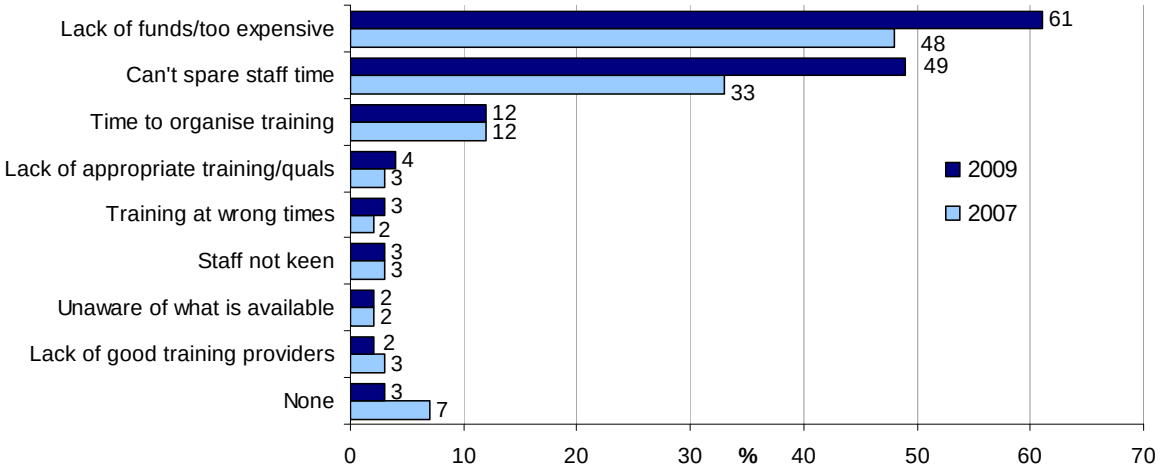

Figure 4.9: Barriers to providing more training, South East 2007 and 2009
Base: All establishments that would have liked to provide more training in previous 12 months.
Source: NESS 2009

30% of regional employers provided no training for their employees over the previous 12 months. 65% of these said this was because all staff were already fully proficient, up from 61% in 2007. 5% of firms thought external courses were too expensive, compared to 2% in 2007. Cost was a key issue for smaller employers with 5% and 6% of small and medium sized firms respectively citing this reason compared to less than 1% of employers with over 100 employees. 11% of larger employers found that releasing staff who could deliver the required training was the key barrier to provision.

4.5.5 Impact of the recession on training

74% of South East employers reported that the recession had no impact on their levels of spending on training[114]. Figure 4.10 below shows that 9% increased their expenditure compared to 17% who decreased it. Only two percentage points more businesses decreased the proportion of staff trained than increased it. There was a shift from using external trainers to doing in-house training; 10% of employers increased spending on training compared with 7% who decreased it.

Small firms (2-4 employees) were more likely to reduce the proportion of staff trained than larger firms. Larger firms responded by reducing their use of external training providers and increasing in-house provision. One in five of the largest firms in the region reported increasing their use of informal training as compared with just 7% of the very smallest employers.

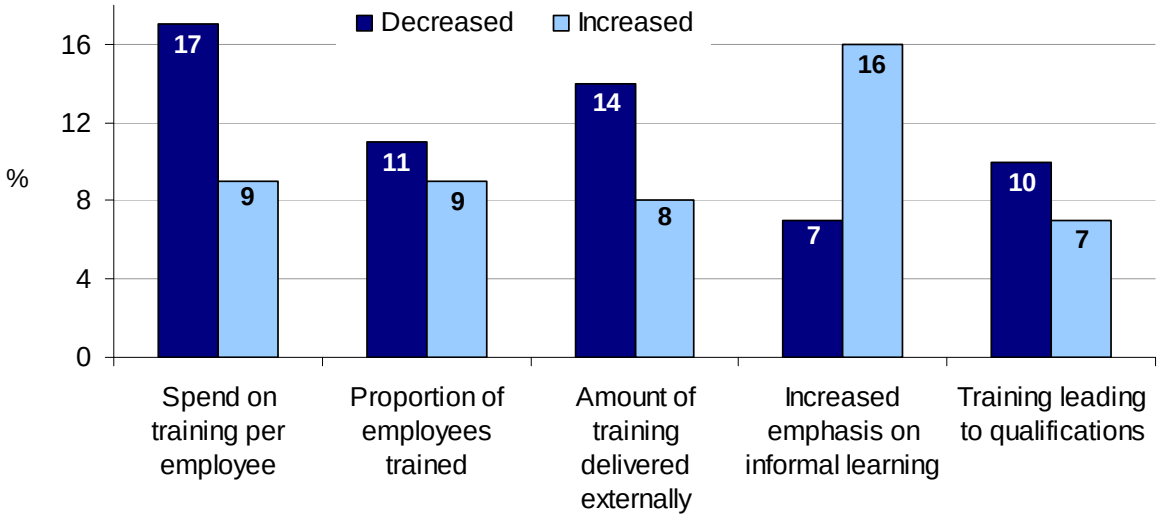

Figure 4.10: Impact of recession on training activity in the South East
Base: All employers which provided training
Source: NESS 2009

4.5.6 Use of and satisfaction with Further Education colleges, Higher Education Institutions and other providers

4.5.6.1 Use of Further Education colleges

Nationally, 28% of employers that provided training over the last 12 months used Further Education (FE) colleges. In the South East 25% of employers used FE colleges, down from 26% in 2007.

[114] Worcester Research (2010), National Employer Skills Survey 2009 – South East Key Findings

Engagement with FE colleges varies greatly by sector. 44% of public sector organisations used FE colleges for training in 2009, compared to the regional average of 25%, while a third of manufacturing businesses trained with FE colleges, slightly below the national average. The proportion of services sector organisations that engaged with FE is much below the regional average at just 18%, ten percentage points below the national figure.

Within the South East region, businesses that provided training for their staff were most likely to have used FE colleges in Hampshire and the Isle of Wight (28%), Sussex (27%) and Kent and Medway (27%) than Berkshire (22%).

There was a high level of satisfaction from employers that used FE colleges, with 86% either very or quite satisfied with the provision, which is in line with the national average of 85%.

Of the 74% of employers in the South East that train their staff but did not use FE colleges, the most common reasons given were that: courses offered were not relevant (45%); they preferred to train in-house (28%) and they preferred to train through other providers (16%). The lack of relevant courses was most frequently reported by small employers while the preference to train in-house was the most common reason given by larger employers.

4.5.6.2 Use of Higher Education institutions

9% of employers who provided training in the past 12 months had used Higher Education (HE) institutions, just below the national average of 11%, an increase from just 6% in 2007. Employers within the public sector were most likely to use HE providers.

Employers in the South East were overwhelmingly satisfied with the teaching and training provided by HE institutions, with 90% being either 'quite satisfied' or 'very satisfied' (similar to national figures).

Despite this high level of satisfaction, over 90% of employers in the South East did not use HE institutions. The reasons given for this are similar to those for FE: lack of relevant courses (48%), a preference to train either in-house (23%) or with other providers (15%). Again, small companies tended to find courses to be not relevant, with large companies mainly preferring to train in-house. Notably, the proportion of those who find the courses provided by HE to be not relevant increased significantly, by 15 percentage points since 2007.

4.5.6.3 Use of other providers

60% of South East employers have used providers other than FE colleges and universities to provide training and teaching for their staff, just below the national average of 61%. Public sector employers are more likely to do so (73% compared to 55% of services employers). Training was well received with 95% of those employers using other providers being either very satisfied or quite satisfied with the teaching and training.

4.5.7 Apprenticeships

NESS[115] looked at employers' awareness, current use and likely future engagement with government funded Apprenticeships.

4.5.7.1 Awareness

Awareness of Apprenticeships is high in the South East with 92% of all employers having heard of them, although there are variations in different sectors. For example, 98% of

[115] Worcester Research (2010), National Employer Skills Survey 2009 – South East Key Findings

employers represented by SummitSkills[116] were aware of Apprenticeships, followed by Energy & Utility Skills, IMI, Go Skills and Financial Services Skills. The lowest awareness levels were by People 1st (85%) and Cogent (87%).

Approximately 8% of all South East employers offered Apprenticeships, although at the time of the survey only around half of these (4%) actually had active apprentices. These findings were exactly in line with those found across England, but the South East does outperform employers in its near neighbours in the Eastern of England and in London.

The survey suggested approximately 22,000 active apprentices in the South East region, representing around 16% of the total cohort of apprentices in England; this is the second largest number of apprentices by region, behind only the North West. However, when different workforce sizes are taken into account, the South East is in line with the national average of 5.9 apprentices per 1,000 employees.

Engagement with apprenticeships varied a lot by sector, as shown in Figure 4.11. SummitSkills and IMI had the most apprentices at 50 and 24 respectively per 1,000 employees.

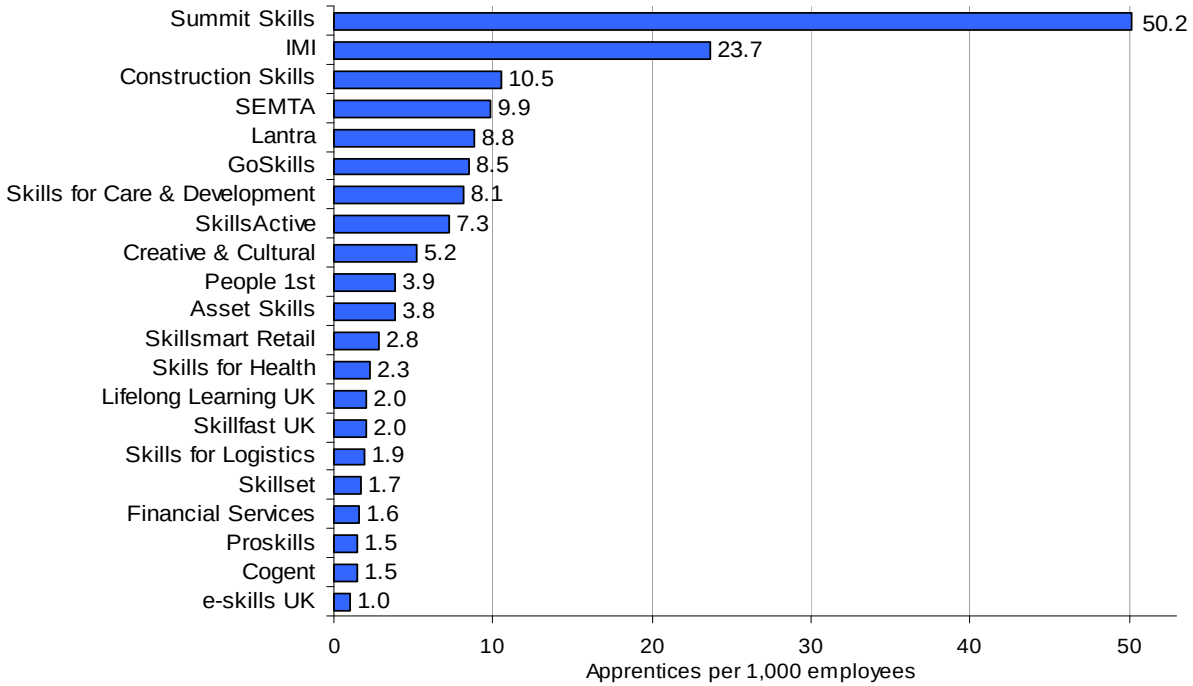

Figure 4.11: Apprentices per 1,000 employees by SSC in South East
Source: NESS 2009

Employers were also asked about the likelihood of their organisation having at least one individual undertaking an Apprenticeship over the course of the next 12 months. In total 17% of regional employers thought it "likely" or "very likely" that they would have someone undertaking an Apprenticeship.

[116] See Appendix Three for a full list of Sector Skills Councils and the sectors covered by each one

4.6 Implications for skills

- **Recession has reduced the number of vacancies**, thereby reducing individuals' choices in the job market; this adds significance to both appropriate skills and the importance of timely and accurate information, advice and guidance on skills demand needs to both providers and those seeking work.
- **Vacancies and hard-to-fill vacancies are highest in the caring sectors**, and lowest in construction. Skills shortage vacancies in absolute terms constitute a very small number of South East jobs; most which do exist are in technical/practical/job-specific and customer service roles.
- The recession has **increased the proportion of organisations recording skills gaps** within the South East economy which has had an impact on organisational efficiency; these are more prevalent in larger organisations and predominate in customer service occupations and the retail, tourism and care sectors.
- The types of skills shortage and skill gaps evident confirm the **growing importance of both technical skills and 'softer' skills** for business performance. Customer handling, problem solving, team working and communication skills are next in order of significance.
- There is **increasing evidence of underemployment**, particularly at level 4 where the supply of skills has exceeded employer demand. This implies a need for better matching of skills within the workforce and support to enable employers to make best use of the skills of their staff. Additional support may be required to help individuals move across sectors and occupations.
- **Some sectors and occupations rely heavily on international migrants,** and skills gaps and shortages may result if this supply of labour is not maintained (assuming demand remains constant) or if the local labour force is unable to fill roles. In some sectors such as agriculture, international labour is perceived as offering an advantage to the employer.
- The **majority of organisations do not have training plans** and there is, therefore, a concern around how employers systematically consider the contribution that training and skills development can make to sustainable organisational performance.
- Employers have reduced training expenditure in the recession, but short term **cuts in training can have long term consequences** on businesses' ability to weather the recovery. Skills shortages may quickly re-emerge during a period of renewed growth, but the capacity of firms to address them could be hampered by the long lead-in time needed to develop skills, especially for technical roles. This is of particular concern because of the likely future demand for STEM skills across the South East's priority sectors.
- Employers recovering from the recession have sought **changes in both content and delivery methods of learning provision**; further dialogue between employers and learning providers will remain important to match provision to changing need. Tailored training recognised as increasingly important.
- Overall reductions in training and **lower than national rates in leadership and management programmes** are a concern for the South East.

5 Sectors

This section briefly explores the high employment sectors of retail, care, and the hospitality, leisure and tourism sector in the South East. It then summarises the regional skills issues for SEEDA's six priority sectors. In both cases, both quantitative survey evidence and qualitative evidence gathered from appropriate regional partners has been used.

5.1 Key employment sectors

5.1.1 Retail

5.1.1.1 Sector profile

The South East has a major concentration of the retail sector, with 16% (925,000) of English retail enterprises based in the South East, second only to London with 18%. Additionally 15% (400,000) of total UK retail employment is based in the South East, a higher proportion than any other region; the sector accounts for 11% of the region's total employment[117].

Retail centres are located throughout the South East and Table 5.1 shows the major centres and their comparative expenditures. CACI data cited by Skillsmart Retail indicates the South East has 507 retail destinations[117].

Centre	£m per year	Centre	£m per year
Bluewater	1,233	Brighton	889
Reading	1,143	Oxford	630
Milton Keynes	953	Tunbridge Wells	500
Southampton	920	Maidstone	435
Guildford	893	High Wycombe	396

Table 5.1: South East retail centres and comparison expenditure (£m per year)
Source: CACI Retail Footprint 2009 adapted from Skillsmart 2010

5.1.1.2 Evidence on demand for skills

48% of all retail staff are in sales and customer service roles[118]. 21% are managers or senior officials, compared to 18% in England as a whole.

From 2007 to 2017 there are 29,000 new retail jobs forecast in the South East and 155,000 replacement jobs arising as people leave the sector, giving a total requirement of 184,000. By occupation, the greatest demand is forecast to be in:

- managers & senior officials (52,000 people: 24,000 new and 28,000 replacement),
- sales occupations (45,000 people: 5,000 reduction and 50,000 replacement)
- associate professional & technical (23,000 people: 11,000 new and 13,000 replacement)

[117] Skillsmart Retail (2010), Skills Priorities for the Retail Sector in the UK and its Four Nations
[118] UKCES (2010), Skills for Jobs: Today and Tomorrow – The National Strategic Skills Audit for England 2010, Volume 2: The Evidence Report

5.1.1.3 Quantity and quality of supply of skills

Qualification levels in the South East amongst customer service and retail staff, managers and senior officials are broadly comparable to national levels. However, among managers and senior officials the proportion with NVQ Level 4 is three percentage points higher in the South East[119].

Only 3% of South East establishments have hard to fill vacancies (compared to 2% in the sector in England as a whole) However, there does appear to be some mismatch between demand and supply of skills amongst the current workforce, with 17% of employers in the region reporting skills gaps. 12% of these reported gaps are among sales and customer service staff, followed by 4% for managers and senior officials[119].

Customer handling skills are the most common skills gap identified, with 51% of employers who reported skills gaps identifying this area as a problem. Other skills gaps in the workforce included technical, practical or job-specific skills (39%), team working skills (35%) oral communication skills (32%) problem solving skills (29%) and management skills (23%). A major driver of skills in the future is likely to be the development of online retail[119].

Skillsmart Retail has also identified some specific skills issues as follows[119].

- The level of management skills amongst retail managers has been consistently identified as an issue over the past few years. This is associated with the increasing complexity of managing retail enterprises, managing supply chains (associated with complexity and fragmentation) and store management skills, as retailers have sought to devolve responsibility to store level and reduce levels of head office management. A greater number of employees are expected to perform management functions including HR and financial reporting. Independent managers and proprietors of independent retailers also face unprecedented pressure and competition associated with issues such as business planning, people management, and visual merchandising.
- There is evidence that retailers have particular concentrations of skills gaps within their sales staff[120] and these have increased during the recession. High quality sales and customer handling are important to all retailers to achieve a competitive advantage.
- There are often difficulties in attracting the necessary labour supply as the sector is noted for its high labour turnover. Many retailers have developed systems that enable them to cope with significant turnover, particularly amongst those in sales occupations, but turnover is often more of an issue for the sector's managerial occupations.
- The retail sector has the challenge of dealing with the shift towards an ageing workforce. Currently, a third of the workforce is aged under 25, but as the population continues to age, attracting this number of young people will not be possible. Skillsmart maintains the scale of the issue is such that more learning needs to take place between retailers if the sector is to avoid large scale problems with the supply and retention of workers in the future.
- Many retailers report that attracting and retaining high calibre candidates into the retail sector is a key issue.

[119] Skillsmart Retail (2010), Skills Priorities for the Retail Sector in the UK and its Four Nations
[120] UKCES (2010), National Employer Skills Survey for England 2009: Key Findings Report

5.1.1.4 Implications for skills

- There is a need to ensure that sufficient people have appropriate retail skills to meet future replacement demand and new skills to account for the declines in the numbers of young people entering the workforce.
- Skill gaps associated with sales and management roles at all levels are an issue for retail employers; addressing these is important to ensure the retail offer remains competitive in the face of other regions, notably London, and that retail opportunities associated with 2012 are fully exploited.
- There is a need to improve the information and advice associated with retail and to raise the profile of progression routes, particularly in the context of declining numbers of young people entering the labour market.

5.1.2 Care

5.1.2.1 Sector profile

There are 170,000 workers employed in care and development in the South East, which is 15% of the sector's workforce in England[121]. There are also 240,000 people employed in the health sector, with the South East accounting for 16% of the England figure. The health sector accounts for 6% of the region's employment, though sub-regionally this can vary from 2% to 11%[122].

5.1.2.2 Evidence on demand for skills

Skills for Care and Development has identified a need for general leadership and management skills to address changes in the way services are delivered. Workers also need to meet gateway qualifications and continuous professional development is required to allow them to re-register. As services become more personalised, there will be a demand for specialist expertise, increasing the need for professionals and associate professionals. Many employees in the sector also lack important basic skills such as literacy and team working.

In future, population growth and an ageing population are likely to drive up demand for services provided by the care and development sector. Forecasts suggest that the sector will grow by 1% from 2007 to 2017 with 128,000 new jobs nationally, though replacement jobs are four times this figure. The health sector across the South East is predicted to grow by 43,000 people (14%) between 2007 and 2017 (higher than the 12% growth predicted for England). The region and its employers will need to recruit an additional 164,000 people between 2007 and 2017 to fill new jobs and replace existing workers who will retire or leave the sector[123].

For the care and development sector, there are a number of future developments which may have an impact on skills. There will be a rise in the use of assistive technology which will increase the importance of ICT skills. Anticipated reforms to the care system will mean commissioning, procurement and negotiation skills will be required for staff in both local authorities and care organisations, and also for service users who choose their own services. A range of skills around multidisciplinary and inter-professional working will also be essential to facilitate moves towards greater collaboration between areas and organisations within the sector. There will also be future skills needs due to a combination of an ageing

[121] Skills for care and development (2010) UK Sector Skills Assessment for social care, children early years and young people's workforces
[122] Skills for Health (2010), Skills and Labour Market Intelligence Briefing for the South East of England
[123] UKCES (2008), Working Futures 3: 2007-2017

workforce within the sector and a likely reduction in the availability of migrant workers from outside the EEA.

5.1.2.3 Quantity and quality of supply of skills

Skills gaps in a range of basic skills areas point to a mismatch between supply and demand. In 2007, 49% of care employers identified skills gaps in team working, 46% in written communications and 30% cited problems with literacy. There are problems with recruitment and retention in the sector, which is often perceived negatively by many potential employees and therefore makes it hard to attract suitably qualified individuals[124].

For the health sector, 23% of health establishments report skills gaps in current workforces, focused particularly in technical, practical and job specific skills and customer handling skills. Vacancy levels are also higher than the national average[125].

The sector has relied heavily on migrant workers to fill jobs, and this has the potential to generate further skills needs, for example in relation to communication skills[124].

5.1.2.4 Implications for skills

- Employers report skills needs in team working and communication among the care workforce, with evidence of further skills needs in basic literacy and numeracy. The demands of ICT to support users of assisted living technologies will also increase skills needs in these areas.
- Managers and leaders will need skills in working across organisational boundaries in an increasingly complicated environment, with multiple organisations from the private, state and voluntary sectors delivering care services.
- Possible limitations to the use of migrant labour raises challenges for recruitment, particularly because of the relative lack of popularity of the sector among job seekers. The sector needs to consider how it can provide more attractive careers to ensure future skills needs are met.
- Upskilling important issue for sector including to address skills gaps in associate professional roles need addressing
- The impact of public spending cuts across the sectors have yet to be realised.

5.1.3 Hospitality, leisure and tourism

5.1.3.1 Sector profile

The hospitality, leisure, travel and tourism sectors in the South East employ 260,000 staff working in 29,000 establishments (6.2% of the region's total workforce) and contribute just over £4.6 million in GVA. It has been estimated that the tourism economy will grow by 3% a year from 2009 to 2018, and as a labour intensive industry this would imply significant job creation[126]. The sector has a high concentration of regional cultural and outdoor visitor attractions covering areas such as the southern Cotswolds, the North and South Downs and coastal resorts.

97,000 people work in the active leisure, learning and well-being sector in the South East (covering sport and recreation, health and fitness, play work, the outdoors and caravans). Employment growth over the past decade has exceeded the regional average, with key

[124] Skills for care and development (2010), UK Sector Skills Assessment for social care, children early years and young people's workforces
[125] Skills for Health (2010), Skills and Labour Market Intelligence Briefing for the South East of England
[126] Heritage Lottery Fund/Visit Britain (2010), Investing in Success: Heritage and the UK tourism economy

occupations including personal service and associate professional and technical roles. In the short term, London 2012 provides a huge opportunity and challenge to the sector. In addition, the sector has a key role to play in helping to reduce obesity levels and to improve the health of the region's population.

5.1.3.2 Evidence on demand for skills

8% of businesses represented by the People 1st Sector Skills Council (SSC) in the South East report hard-to-fill vacancies (the same proportion as England as a whole). Of all vacancies, 3,685 (32%) are designated hard-to-fill, which is also in line with 31% in the whole of England[127].

Across all occupations, the total regional growth forecast for 2007-2017 is for 37,000 new jobs plus 115,000 from replacement demand, giving a total requirement of 152,000 new recruits to the sector[128].

Demand for managers is expected to grow by 14% (12,000) to 97,200 in 2017, with replacement demand necessitating another 32,000 new managers, giving a total of 44,000 additional jobs. Demand for skilled trades such as chefs is expected to decline slightly over the ten years 2007-2017, down from 28,000 to 26,000. However, replacement demand will mean 10,600 new chefs are required, and there are already existing longstanding shortages and difficulties in recruitment to this occupation. Total demand overall is therefore forecast to be 8,400 over the decade[128].

Demand for elementary occupations (waiting staff, catering assistants, bar staff) is expected to increase from 102,500 in 2007 to 122,500 in 2017 (up 20%). Replacement demand of 41,800 brings the total needed over ten years to 62,000[128].

Future drivers of skills needs include the impact of potential large cuts to public sector subsidies to regional attractions; such cuts would result in a higher demand for fundraising skills to obtain investment from the private sector and to avoid closure of some venues. An alternative option could be to scale back the operations of some cultural venues, hence reducing skills shortages.

Forecasts prepared prior to the recession suggest further substantial growth in many strands within the active leisure sector. Employers have identified leadership and management and customer services to be skills areas important for surviving the recession.

London 2012 currently has, and will continue to have, a huge impact on the sector, with surges in sports participation anticipated before, during and after the Olympic Games. This increased participation will be serviced mainly by the community sports sector, and there will be a need to upskill sports coaches, club staff and volunteers. London 2012 also provides an opportunity to attract new sporting and leisure events. The success of these developments will depend in part on a highly skilled and motivated workface.

The proximity of the South East region to the London 2012 Olympic Games, including hosting events and training facilities, offers an opportunity to capitalise on the spending power of overseas visitors to the South East and adjacent regions. It is likely that use of migrant labour for occupations such as chefs will be subject to stricter future regulation, which may heighten employer demand for these roles.

[127] NESS (2009)
[128] UKCES (2008), Working Futures 3: 2007-2017

5.1.3.3 Quantity and quality of supply of skills

The qualifications profile of the workforce centres on low and intermediate level qualifications. 66% have at least a level 2 qualification which is higher than the average for England as a whole (60%), and this comprises 13% qualified to at least level 4, 24% to level 3 and 29% at least a level 2. The remaining third have level 1 or no qualifications[129].

24% of establishments report internal skills gaps, suggesting that 12% of the sector's workforce in the region is not fully proficient. The main reasons given for skills gaps are recruitment and retention difficulties, lack of experience, and lack of training/staff development[130]. Unsocial working hours and perceived poor working conditions may also exacerbate difficulties in recruitment.

The areas with the greatest skills shortages are technical, practical and job specific skills, and further evidence from People 1st suggests this mainly relates to chefs. In this sector, most skills gaps exist because staff have recently been recruited. Approximately 9% of the total hospitality, leisure, travel and tourism workforce are deemed by their employers to be not fully proficient, which is higher than the average across all sectors. With high levels of labour turnover across the sector, this can mean that more skills gaps exist in the hospitality, leisure, travel and tourism sector than in other sectors of the economy. At a broad level, customer handling skills are most frequently noted by hospitality, leisure, travel and tourism employers as needing improvement, followed by technical, practical or job specific skills. People 1st cite some evidence which suggests these gaps have fallen because of migrant workers from Accession State countries[131] moving into the sector who are generally perceived to have good customer service skills[130].

Recruitment difficulties in the active leisure sector are higher than the average for all sectors in the region, and especially affect sporting officials, coaches/teachers and volunteers. The main skills in short supply are specific technical skills, communication and management skills, with a particular shortage of coaches at level 2. Skills gaps are relatively high, with the major areas of deficiency being sports-specific skills, first aid, child protection, communication and planning and preparation work. Employers are critical of the work readiness of young people entering the sector and there is a growing need for flexible and subsidised training options. Staff retention is also an issue, running at around 14% of turnover per annum.

5.1.3.4 Implications for skills

- Customer service across retail and hospitality sector a large occupation in terms of replacement demand.
- There is significant increasing demand for skills among many occupations in the sector including both low skilled catering and cleaning work as well as higher skilled occupations such as chefs.
- The hospitality sector needs to address difficulties in recruitment which may be exacerbated by perceptions about working conditions, pay and career development opportunities. Ongoing attention could be given to build on existing work in the sector to develop good management practice.
- The South East is endowed with a wealth of natural visitor attractions as well as cultural attractions and events which should be exploited to maximise revenue opportunities

129 ONS (2010), Labour Force Survey

130 People 1st (2010), Sector Skills Assessment for Hospitality, Leisure, Travel and Tourism in England

131 The European Accession Treaty gave full rights to work in EU member states to nationals from only 2 out of the ten countries which joined the EU in May 2004. Nationals of the other eight states have restricted labour access

arising from visitors to the London 2012 Olympic Games. Servicing the needs of these visitors through outstanding customer service skills will be important to winning repeat business from overseas tourism.

- Fundraising skills are likely to be particularly important for the cultural sector in the event of public subsidies reducing.

5.2 SEEDA's priority sectors

5.2.1 Financial and professional services

5.2.1.1 Sector profile

The financial and professional services sector consists of banking, finance and related services, insurance and accounting, as well as other services including tax, legal activities, management consultancy, market research, advertising, architectural and engineering activities and related technical consultancy.

The South East contributes 10% to the UK's GVA for financial services, being second only to London, and employs 187,000 people in 6,500 businesses. This comprises 5% of employment in the region, and 12% of all financial services employment in the UK[132].

In 2007 the broader financial and professional services sector contributed £23.2 billion to the South East economy and forecasts suggest that over the next decade the sector will expand by 4% per annum[133]. This must be tempered by the possible reduction in importance of London as an important international financial centre, as financial market activity shifts to Asian economies.

There are over 59,000 financial and professional services business units in the region. One fifth of these are located in just 12 districts: in Surrey (Elmbridge, Waverly, Guildford, Woking, Mole Valley, Surrey Heath, and Reigate and Banstead), neighbouring areas in Buckinghamshire and Thames Valley (Chiltern, Windsor and Maidenhead, Wokingham) and Hart in Hampshire[133]. There are also important concentrations found in Mid Sussex, Epsom and Ewell, across Surrey and in large urban areas.

The highest concentration of employment in the sector is in Surrey (Reigate and Banstead, Epsom and Ewell, Mole Valley, Woking), several large urban areas (Southampton, Reading, Milton Keynes and Brighton and Hove), Dartford in Kent, Worthing in West Sussex and South Oxfordshire and Bracknell Forest.

5.2.1.2 Evidence on demand for skills

Employment in financial services in the South East contracted by 1% between 2000 and 2007, which was the highest fall in any region during that period[133].

Financial services are unlikely to offer the potential for employment growth that has been experienced over the last decade[134]. Post-recession forecasts suggest that employment in financial services will start rising slowly from 2011, and will not reach pre-recession levels until some point between 2015 and 2019. Demand for skilled accountants will not reach pre-

[132] Financial Services Skills Council (2010), UK Skills Assessment: The Financial Services Industry, the Accountancy Sector and the Finance Function

[133] South East England Development Agency (SEEDA) (2010), The geography of key sectors in the South East

[134] UKCES (2010), Skills for Jobs: Today and Tomorrow – The National Strategic Skills Audit for England 2010, Volume 2: The Evidence Report

recession levels until 2014; demand for lower-skilled accountants will bottom out in 2011-2012 and then begin growing slowly[132].

Stricter regulation following the recession is likely to have a considerable impact on the financial services sector, with a requirement that all staff in retail financial services who sell to the general public have an appropriate qualification by 2012. Certain skills will be in greater demand post-recession, particularly risk management and corporate governance in financial services and also risk management in legal services, which may be able to expand into international markets. In legal services, new skills in procurement and tendering will also be needed to respond to the introduction of market based legal aid[135].

5.2.1.3 Quantity and quality of supply of skills

Skills shortages in financial services have been noted in risk analysis and management, legal skills, analytical skills, statistical skills, ICT, leadership and management, change management, language skills and regulatory compliance knowledge and skills[135]. There are also ongoing likely shortages of actuaries and there may be future needs for professionals with an understanding of investment in carbon trading markets and Islamic finance, as the Asian economies continue to develop[136].

In the accountancy profession, accountants are likely to see an increased need for skills in new technology, risk and compliance, external (financial) assurance, corporate recovery and insolvency services and forensic accounting[136].

There appears to be a possibility of oversupply in legal services, with undergraduate applications for law degrees increasing by a third between 2006 and 2007. Many people completing the bar vocational course cannot obtain a pupilage and there are more people taking the legal practical course than there are training contracts available. Some law graduates may enter other areas of the legal profession and still be able to use their skills[136].

There is some evidence financial graduates prefer to work in London.

5.2.1.4 Implications for skills

- The financial services sector faces considerable uncertainty and a reduction in skills demands and job vacancies in the short term. The longer term outlook may depend on the ongoing importance of London as a centre of financial trading.
- In the short term, people retailing financial products will need specific qualifications to meet legislative requirements by 2012.
- Risk management and corporate governance skills in financial and legal services will be needed.
- Support to ensure a sufficient supply of engineering consultants may be required through increasing the numbers taking professional level courses in engineering.

5.2.2 ICT, software and digital media

5.2.2.1 Sector profile

The ICT and digital media sector is made up of industries associated with sound, video, computing and other media activities including manufacture, wholesale, publishing, telecommunications and data processing activities.

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135 Financial Services Skills Council (2010), UK Skills Assessment: The Financial Services Industry, the Accountancy Sector and the Finance Function

136 PricewaterhouseCoopers LLP (2010), published by UKCES, Strategic Skills Needs in the Financial Services Sector – A report for the National Strategic Skills Audit for England 2010

The sector consists of two broad activities: technology – providing infrastructure and operating platforms, and content – the creative media products[137].

The development of the digital economy has been largely focused on London and the South East, with 24% of England's creative and cultural workers related to this sector employed in these regions[138]. They also share 44% of digital technology businesses (e-skills, 2009). The digital technology sector is worth £66bn in GDP to the UK. Growth in this sector is predicted to continue, with it being potentially the key to the country's future prosperity[138]. GVA in the South East is expected to grow by £5.4 billion over the next 5-7 years, as a result of the potential productivity uplift driven by continued adoption and exploitation of ICT[139].

In 2007 the ICT, software and digital media sector contributed 12% to the total GVA of the South East[140] with a workforce of 350,000, which is almost 20% of national employment in this sector. Over the past decade (1997-2007) employment in the region has grown by an average 2% per annum, and the sector accounted for 13% of total employment generation in the South East.

There are 43,600 ICT software and digital media business units in the region. There is a clear clustering of these in the local authority districts in the Thames Valley, which account for almost 40% of the region's business units in the sector – this clustering is expected to continue. Taken together these areas account for almost half of the sector's business units in the region.

The Thames Valley districts have around 133,000 people employed in the sector, or 43% of regional sector employment, with Milton Keynes also having a significant concentration. The employment effect is less pronounced in Brighton which appears to have a large number of small employers. The sector is male dominated.

It is projected that employment in the ICT, software and digital media sector will grow by 0.4% per annum in the South East over the next decade, and that the region's share of the sector's workforce will rise by a modest amount.

The region has a number of strengths in the sector, with research and development in the digital technology sector being concentrated in the region. As well as commercial research and development companies, there are academic centres of expertise including the Universities of Surrey, Sussex, Kent, and Southampton[141].

The South East has a number of other specific strengths, including animation work (with the region having 1,650 workers, or 38% of the national workforce), the manufacture of audio visual equipment and processing laboratories being located almost exclusively in the region. In addition, 23% of the country's photo imaging workforce are located in the South East (9,000 workers)[138].

5.2.2.2 Evidence on demand for skills

The recession has seen a fall in demand for technology professionals (this halved from the start of 2008 to mid 2009), but there are still 78,000 vacancies of which 77% are in systems development, systems design or technical support[139]. The SE Diamonds reports skills shortages in technical skills, including hardware programming, and CAD.

137 UKCES (2010), Skills for Jobs: Today and Tomorrow – The National Strategic Skills Audit for England 2010, Volume 2: The Evidence Report
138 Creative and Cultural Skills/Skillset (2010), Strategic Skills Assessment for the Creative Industries
139 e-skills UK et al (2009), Strategic Skills Assessment for the Digital Economy
140 South East England Development Agency (SEEDA) (2010), The geography of key sectors in the South East
141 Technopolis, CURDs and GHK (2009) Digital Technology

High levels of technical capacity, business development, creative and interpersonal skills will be needed across the cluster to respond to globalisation and technological advances[142]. There will be particular demand for technical skills around delivering content using multi-platform capability, including high definition (HD) televisions and portable display units. There will also be growing demand for specialist web skills, project management and supplier management to manage the growth in outsourced functions[142].

The technology professional workforce is forecast to grow at 1.2% per year nationally between 2009 and 2018. Growth will be strongest in high skills areas, particularly software professionals (forecast to grow at 2% per year). Combined replacement demand and growth between 2009 and 2013 suggests that 110,500 jobs each year need to be filled by people moving into technology professional jobs. 63% of this intake will need to be at managerial and senior professional levels (e.g. ICT manager, ICT strategy manager, software professional)[143].

5.2.2.3 Quantity and quality of supply of skills

There is evidence of a high proportion of skills gaps associated with technology professionals, particularly ICT, supplier and service management.

Within the technology strand, skills gaps affect over three quarters of technology professionals, specifically in ICT programme management, supplier management and service management and delivery at senior level[144]. The number of UK residents applying to do computing/information systems and engineering courses dropped by 50% between 2001 and 2006, suggesting there may be future skills shortages within the sector[144]. In part this is due to the lack of appeal of the GCSE ICT course which is reported to deter young people from taking further ICT qualifications. However, there is also a gender imbalance in the sector with small minorities of women occupying technical professional roles in the software industry[143].

In the content strand, gaps are around the ability to produce multi-platform content, broadcast engineering skills and visualisation[145]. Between 2002 and 2008 there were considerable increases in people entering courses in creative and media industry related subjects; in media studies numbers increased by 37%, in journalism by 73%, in cinematics and photography courses by 51% and other creative arts and design courses by 76%. Historically, there have been concerns amongst employers about the quality of higher education courses, but these have been partially reduced by the advent of skills academies[146].

5.2.2.4 Implications for skills

- Whilst there is significant potential for growth in the digital economy building on a strong existing industrial base in the South East, evidence shows this may be constrained by skills shortages in some areas such as multi-platform capability and systems technology professionals.
- Further work may be needed to develop attractive entry level and Apprenticeship courses to recruit workers to the ICT sector and to improve gender balance within the workforce in order to meet future demand.

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142 UKCES (2010), Skills for Jobs: Today and Tomorrow – The National Strategic Skills Audit for England 2010, Volume 2: The Evidence Report

143 e-skills UK et al (2009), Strategic Skills Assessment for the Digital Economy

144 Technopolis, CURDs and GHK (2009) Digital Technology

145 UKCES (2010), Skills for Jobs: Today and Tomorrow – The National Strategic Skills Audit for England 2010, Volume 2: The Evidence Report

146 Creative and Cultural Skills/Skillset (2010), Strategic Skills Assessment for the Creative Industries

- Further targeted support may be required to ensure that skills development is adequate in the large proportion of SMEs in the sector which typically provide less training than larger firms.
- There is a need to develop 'hybrid' skill sets, in particular to ensure that workers with core skills in creative content development also have expertise in digital software production.

5.2.3 Pharmaceuticals, life sciences and healthcare

5.2.3.1 Sector profile

The pharmaceuticals, life sciences and healthcare sector consists of the manufacture, repair, wholesale and retail sale of pharmaceutical and medical products. It includes associated research and development, hospital and medical support services.

The pharmaceuticals, life sciences and healthcare sector contributed £9.7 billion to the South East economy in 2007. Over the past decade the GVA growth of the sector in the South East has exceeded the average for other regions, and is further growth is forecast at 3% for the next decade.

In 2007 there were 380,000 people employed in the sector in the South East, accounting for more than 8% of total regional employment. The South East share of sector employment was slightly lower than its share in overall employment (13% compared to 14%). Over the decade (1997-2007) employment in the sector in the South East grew by an average of 1.6% per annum, with expansion of 2.4% in 2009 alone[147].

There are 12,550 pharmaceutical, life sciences and healthcare business units in the region; East Sussex, Kent and Medway and West Sussex have the highest concentrations of these, with major healthcare companies such as Kuro Healthcare, Premier Medical, Custom Healthcare and Omron Healthcare in Brighton and Hove. Large employers in pharmaceuticals and life sciences include Pfizer in Kent, Elli Lilly and Novartis in Hampshire and Abbott in Berkshire.

Overall the highest concentrations of employment in the sector are in parts of Surrey (Tandridge and Surrey Heath), Sussex (Worthing, Eastbourne and Hastings) and Oxford. These districts account for 46,610 employees, 14% of the region's employment in the sector.

Projections suggest that over the next decade employment in the sector will expand by 1.2% per annum, faster than national sector growth of 0.7%, with the South East share of total sector employment set to grow to 14%.

The South East has a number of key strengths within the health and life sciences cluster, including the following:

- The region has the major national concentration of pharmaceuticals employment, accounting for 24% of the sector's total national workforce[148].
- There is a major cluster of life science activity around Oxford, and the Universities of Oxford and Southampton are both life sciences centres of excellence.
- The major national cluster for medical and biotechnology activity is the 'golden triangle' around Oxford, Cambridge, and London[149].

147 South East England Development Agency (SEEDA) (2010), The geography of key sectors in the South East

148 Cogent/Semta/Skills for Health (2009), Life Sciences & Pharmaceuticals: A Future Skills Review with Recommendations to Sustain Growth in Emerging Technologies

- The region accounts for around a third of total employment in England in medical devices[150].
- Industrial biotechnology is expected to account for up to 75% of all chemicals and materials produced by 2050; the pharmaceuticals sector is a key end-user of materials produced using this type of technology, and is a key sector for the South East[151].

The sector is based on the STEM disciplines of biology, chemistry, chemical engineering, maths and statistics and health economics. While skilled trades and machine operatives are central to the physical production process, there are also a range of managerial skills needed around effective leadership, regulation, negotiation and procurement[152].

5.2.3.2 Evidence on demand for skills

In pharmaceuticals, there are a number of skills gaps across research and development and manufacturing in a range of disciplines including biosciences, chemical sciences, engineering, mathematics, and ICT[153].

Skills needs in medical technologies include mathematics, engineering, communication, customer handling, problem solving, management, leadership and numeracy skills. In addition, a range of specific technical and practical skills are needed, including around medical device regulations[153]. The major skills sets required for business development in the sector are biotechnology knowledge, design skills, research and development skills, knowledge of medical issues and knowledge of the NHS[153].

In the bioscience sector skills demands highlighted include greater scientific literacy in the sector as a whole, strengthened use of external directors, managers, advisers and mentors, improved efficiency of clinical trials, advanced genetic research techniques and bioinformatics. More general practical skills, laboratory and manufacturing practice, chemistry skills and technician roles have also been cited at graduate and postgraduate level.

5.2.3.3 Quantity and quality of supply of skills

In general the sector is able to recruit roughly the number of graduates it needs; current projections suggest 15,600 of the 16,000 replacement demand to 2017 will be met at current rates. However, the overall figure may disguise hard to fill vacancies in certain disciplines such as biological and medical sciences. Furthermore, 25% of the graduate intake initially goes into lower level occupations, suggesting a need for development to get them up to the required standard[154].

Among the issues for the pharmaceutical sector are competition from other sectors for graduates with mathematics and statistics skills, chemical engineering, instrument engineering/process control skills and health economists[154].

The numbers of universities offering bio-science related subjects is declining, as is the number of first degrees in related subjects, by 27% in biological sciences and 23% in chemistry in the last six years[151].

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149 UKCES (2010), Skills for Jobs: Today and Tomorrow – The National Strategic Skills Audit for England 2010, Volume 2: The Evidence Report

150 Hogarth et al, UKCES (UK Commission for Employment and Skills) (2009), Strategic Skills Needs in the Bio-medical Sector: Medical Technologies and Pharmaceutical Industries

151 Technopolis, CURDs and GHK (2009) Advanced Manufacturing

152 UKCES (2010), Skills for Jobs: Today and Tomorrow – The National Strategic Skills Audit for England 2010, Volume 2: The Evidence Report

153 Cogent/Semta/Skills for Health (2009), Life Sciences & Pharmaceuticals: A Future Skills Review with Recommendations to Sustain Growth in Emerging Technologies

154 Hogarth et al. (2009) Strategic skills needs in the biomedical sector: medical technologies and pharmaceutical industries

Concern has also been noted around strengthening science education in schools, strengthening vocational routes into bioscience, depth of degrees, progression and succession routes and scientific research skills.

5.2.3.4 Implications for skills

- A very wide variety of specialist STEM skills will be required to meet skills needs in this sector arising from technology developments, but other skills needs include basic laboratory, project management and leadership skills to commercialise and exploit the potential of scientific innovations are also required. This will require flexibility in how different skills sets are combined and taught in formal education and training settings.
- More general project and lean process management skills will be required among all operational staff to enable them to run more flexible production processes.
- External support to enable SMEs to navigate medical technology, innovation procurement and regulatory approval processes could be helpful.
- Greater collaboration may be needed between small organisations with niche areas of expertise to develop products and services. This may result in management skills needs in working across organisational boundaries and managing different forms of contractual relationships with partner organisations.
- Policy intervention to maintain both learning provision in relevant life science disciplines at undergraduate and postgraduate level, and information, advice and guidance provision to maintain a supply of recruits to the sector may be worth attention.

5.2.4 Advanced engineering and marine

5.2.4.1 Sector profile

The advanced engineering and marine sector comprises industries associated with the manufacture and repair of a range of electrical, mechanical and vehicular products, and includes water transport, engineering and testing activities.

In 2007 the advanced engineering and marine sector contributed £7.6 billion to the South East economy and employed 165,000 people, 4% of total regional employment. Over the past decade, employment in the sector in the South East has declined by an average of 2.5% per annum (compared to 2.8% nationally). In 2009, this decrease was 7.6% in the South East compared to 9.6% nationally[155].

The region has around 9,400 advanced engineering and marine business units, concentrated mainly in Hampshire (Havant, Eastleigh, Gosport, Fareham, Test Valley), which has a large recreational marine sector, and Adur in West Sussex. By travel to work areas, the highest concentrations are found along the south west coast of the region (Southampton, Portsmouth, Chichester, Bognor Regis and the Isle of Wight).

The highest concentrations of employment in the sector are in Hampshire (Rushmoor, Havant, Eastleigh, Winchester, Portsmouth and Fareham), Oxfordshire and the Thames Valley (Vale of White Horse, Slough and Bracknell Forest) and Kent (Dover and Swale). These districts account for over one third of regional employment in the sector[155].

Total output growth of 2.4% is forecast for the next decade across this sector. Latest projections also suggest that South East employment in the sector will fall by 0.6% per annum over the same period (nationally it is expected to remain static[155]).

[155] South East England Development Agency (SEEDA) (2010), The geography of key sectors in the South East

The South East has a number of prominent strengths in different strands of advanced engineering, including:

- The region has the largest number of silicon electronics workplaces of any region, and has the fourth highest total employment in the sector[156]. More generally, the UK has an international advantage in its silicon electronics sector.
- Oxford and Reading Universities both have cutting edge research and development expertise in plastic electronics[156], which are likely to replace some product functions currently using silicon electronics, as plastic electronics have the potential to provide thinner circuits. The printing techniques used are similar to those used in conventional printing, and the South East has the second highest number of employees in this sector of all English regions (25,900).
- The region contains a number of academic and commercial composite research and technology centres. There are concentrations of composites expertise in North Oxfordshire (aerospace and motor sport); Surrey/North Hants (aerospace and motor sport) and South Hants/Isle of Wight (aerospace, energy and marine)[157]. The region also has concentrations of businesses which provide end markets for composite manufactured products, including aerospace, automotive and marine[156]. Globally, the market for aerospace composites is forecast to grow by four to five times over the next decade, to a value of over £20 billion[157].

As research and development are key activities across the sector, high level STEM skills are critical. There are also significant workforce needs around managerial and leadership skills and the commercialisation of products[158].

5.2.4.2 Evidence on demand for skills

Skills needs in the cluster are generally high-end STEM skills to sustain research and development, which are supported by a range of technician roles. Management, leadership and commercialisation skills are also important to bring new products to market.

In silicon electronics there is an ongoing need for research and development skills, as well as for more technicians with electronics knowledge that can be applied across multiple areas. More specific skills include circuit design, control systems, embedded software, mathematical modelling and simulation, systems design and engineering skills for use in advanced manufacturing and quality control[158].

In plastic electronics, current skills needs are predominantly at PhD level in a range of disciplines including electronic engineering, optics and nanotechnology, printing and ink technology, materials science, chemistry, and physics. Other skills which will be needed in the future include using industrial and graphic designers to develop attractive products, and materials scientists to develop materials for printing on and inks to print with[158]. As the scale of the industry's production grows there will be increased demand for technicians with multidisciplinary skills (for example, electronics technicians with awareness of printing, materials science or chemistry). Greater multidisciplinary skills will also be required within production plants, and skills around product development and implementation will be required to get products to market quickly.

In the composites sector South East demand for trained personnel has been identified for the next ten years[157] including around 40 graduates/postgraduates in design engineering, 40 manufacturing managers/supervisors and 130 level 1-2 and 60 level 3/HND shop floor type roles.

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156 Semta et al. (2009) Skills and the future of Advanced Manufacturing

157 Premiertask (2010), Composite Blueprint Programme

158 UKCES (2010), Skills for Jobs: Today and Tomorrow – The National Strategic Skills Audit for England 2010, Volume 2: The Evidence Report

Within the marine industry, a recent report for the Partnership for Urban South Hampshire (PUSH area) identified four areas likely to have increasing skill needs due to the growing sophistication of the industry[159]. These are tradesmen, mechanical fitters, electrical engineers and supervisors.

A number of key infrastructure projects within the South East include Cross Rail, redevelopment of Reading Station and Slough Business estate will impact on the future demand for skills.

5.2.4.3 Quantity and quality of supply of skills

Nationally, since 2002 there has been some decline in students studying relevant subjects for the sector including design studies, biological sciences, electronic/electrical engineering, chemistry, physics, materials technology and materials science. There has also been a fall in numbers of electronic/electrical engineering HNDs. This has the potential to hold back productivity advances within the plastic electronics and silicon electronics sectors[160].

In silicon electronics nationally there are skills gaps generally around technical and engineering skills, with specific gaps around Computer Aided Design (CAD), assembly line of production robotics, Computer Numerical Control (CNC) machine operation and Computer Aided Engineering (CAE)[160].

A major barrier to the expansion of the composites sector is a shortage of skills, particularly among composite technicians, engineers and materials scientists in all regions[161]. Skills shortages are reported at all levels from postgraduate through to technician (numerically the largest shortage area). Other growth barriers identified for the industry are the quality of new entrants (it takes 18-24 months to retrain graduate entrants), the need for designers to think in composites not in metal and the lack of accredited courses for composite engineering and manufacture. There is perceived to be a poor supply of engineering entrants from STEM subjects from schools and FE colleges who lack funding for the capital investment they would need in tooling, machinery, and software design and analysis packages to keep pace with industry[160].

Within the composites sector nationally, demand exceeds the available supply of all skills levels from level 2 through to level 4 and above. The SEEDA Blueprint report[160] identifies the following requirements for skills needs in the industry:

- more and better collaboration between universities and employers at higher skill levels
- a new framework of modules in composite engineering and manufacturing
- better college and industry partnerships, perhaps through the development of local composite clusters
- a comprehensive training needs analysis programme for the industry.

In the marine workforce an assessment of skills shortages in the Solent area for the Waterfront Strategy (2007) indicated there were currently skills shortages in engineering, administration, design, boat builders, shipwrights and sail makers, and also managerial roles[159].

159 Marine South East (2009), Marine Workforce Coordination Project for the South East of England
160 Premiertask (2010), Composite Blueprint Programme
161 Technopolis, CURDs and GHK (2009), Composites

The South East Diamonds report that new entrants' perceptions of employment opportunities in the sector compounded by the possibilities of unemployment give rise to shortages and specialised engineering skills.

5.2.4.4 Implications for skills

- There are skills needs at postgraduate levels for silicon and plastic electronics experts, and at technician levels for engineers.
- The existing R&D base in universities in the region gives potential for significant commercial exploitation of this sector.
- Capital investment in FE institutions is required to provide equipment needed to develop new skills, and new courses are required in disciplines such as composite engineering, with modular course units to develop multidisciplinary skills.
- Employer involvement in developing course content for new specialist areas is required.

5.2.5 Environment and energy

5.2.5.1 Sector profile

The environmental technologies and energy sector includes activities related to gas, petroleum, nuclear and electricity and encompasses a range of manufacturing, processing, retailing and support services. The environmental sector also captures water, waste collection and treatment.

In 2007 the environment and energy sector in the South East contributed £4.5 billion to the region's GVA (3% of the total), and employed 64,000 people, which is 1.5 % of the region's total employment. The South East's share of this sector is slightly below the national average (13% compared to 14%), but regional employment in the sector has grown over the last decade compared to a small contraction nationally[162].

Environment and energy-related business units in the region are relatively dispersed, with Kent and Medway having the highest concentration, at 25% above the regional average.

The highest concentration of employment in the sector is found in parts of Kent (Shepway, Canterbury and Gravesham), Hampshire (Havant, New Forest, Basingstoke and Deane), Thames Valley/Oxfordshire (Wokingham, Vale of White Horse, Reading) and Brighton and Hove. Together, these districts account for almost a third of the regional employment in the sector[162].

3% total output growth across the sector is forecast for the next decade, and projections suggest that over the same period employment in the sector in the South East will decline by an average of 0.1% per annum (compared to no decline nationally)[162].

Within the environmental technologies cluster there is a distinction between the energy sector, with its role in developing low carbon power generation, and a broader set of sectors which will lead on developing new technologies to ensure the more efficient use of carbon in the economy[163]. The South East has a significant role in developing cleaner power generation:

- 9% of the country's civil nuclear power workforce are located in the South East

[162] SEEDA Research and Economics (2010) The geography of key sectors in the South East
[163] UKCES (2010), Skills for Jobs: Today and Tomorrow – The National Strategic Skills Audit for England 2010, Volume 2: The Evidence Report

- the region is potentially strategically important for carbon storage, because of its proximity to the North Sea and the Thames Estuary[164]

Within the environmental technologies cluster more generally the development of increasingly carbon efficient practices is often likely to involve "greening" of existing jobs, rather than the creation of entirely new jobs[165].

5.2.5.2 Evidence on demand for skills

Within the energy strand, technologies are in the early stages of development and there is therefore a strong dependence on research, development and engineering activities which are reliant on high level STEM skills. For example, there is a need for level 4 and 5 skills across a range of engineering disciplines, including mechanical, design, civil and structural, electrical, aeronautical, marine and geotechnical. These occupations are supported by a range of technicians with skills at levels 2-4. More generic managerial skills needs are those associated with project management, leadership and technology transfer[166].

The main skills needs in the development of nuclear energy capacity are for graduates and postgraduates with multi-disciplinary experience (for example in natural sciences and engineering), technicians, research and development skills[165], mathematical modelling, rapid prototyping and computer simulation[165]. In the next decade there is projected to be a large increase in demand for workers nationally in power generation, particularly in new build (from 300 currently to 4,000) and decommissioning (500 to 1,500)[167]. There is a recognised future skills gap in nuclear engineering which will be exacerbated due to 70% of the industry's current, high skilled employees due to retire by 2025[168].

Many engineering graduates do not consider working in the power industry. However, there is some evidence that where in the past many engineering graduates have entered the financial services industry, this may change now due to the impact of the recession on that sector[168].

As the micro renewables industry develops there will be increased demand for new project development and project management skills. The need for technicians and operators will also increase as technology becomes more embedded in industry. The main current skills needs are graduates and postgraduates with multi-disciplinary experience (for example of nanotechnology in natural science and engineering), technicians capable of running the complex equipment associated with the technology, and research and development skills[165].

In the alternative fuels sector the main skills requirement will be to increase the volume of entrants into engineering construction industry and upskill existing workers to take account of new environmental technologies. Research and development skills for fuel cell development, hydrogen generation and safe handling and storage will also be important[165]. In addition, zero carbon homes is a developing industry where skills needs are around design, project management and installation[165].

A number of locations have been granted offshore wind licences including Thanet, London Array, Newhaven and the Isle of Wight.

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164 Technopolis, CURDs and GHK (2009), Low Carbon – Carbon Capture and Storage
165 Asset Skills et al (2009), Low Carbon Cluster: Sector Skills Assessment Report, December 2009
166 UKCES (2010), Skills for Jobs: Today and Tomorrow – The National Strategic Skills Audit for England 2010, Volume 2: The Evidence Report
167 Construction Skills et al (2009), The Engineering Construction Industry, Strategic Skills Cluster Report
168 Technopolis, CURDs and GHK (2009), Civil Nuclear Power

More generally, the 'greening' of existing jobs will involve extending or revising existing skills sets such as efficient energy use for facilities managers or 'eco-driving' skills for HGV or bus drivers.

Many environmental technology industries are still in fairly formative stages – the price of fossil fuels, CO_2 regulation and government intervention will have a significant impact on the nature of growth and the associated skills needs. In general, demand for skills will be considerably affected by the fiscal and regulatory actions of government, for example in setting low carbon targets and investing in new technologies. Other critical factors include the development of technology more generally, and economic imperatives which may spur greater interest in efficiency from both businesses and consumers trying to reduce fuel bills. Across the environmental technologies cluster there is an ageing workforce. The number of STEM graduates in this sector has increased but the rate of growth is felt to be unlikely to be sufficient to keep up with demand from developing low carbon industries in future years[169].

5.2.5.3 Quantity and quality of supply of skills

Across the environmental technologies cluster there is concern about the shortage of skills required to convert research laboratory work into products which can be applied in industry settings[173]. There are also a number of specific current skills shortages, including business development managers, project managers who are qualified engineers, geologists, civil, marine, mechanical and structural engineers, postgraduate level STEM specialists, turbine technicians, engineering technicians and senior managers and professionals with appropriate management and leadership skills[170].

5.2.5.4 Implications for skills

- There is significant growth potential in these sectors, although the extent of skills needs for some emerging industries is unknown. Government intervention will help determine the initial growth in the market and may also be required to the stimulate provision of learning to meet future skills needs.
- Skills needs are of two types: firstly, 'core' skills for new jobs associated with environmental technologies, which may require prolonged training, and secondly, 'peripheral' skills which may require much more limited change to existing skills sets (for example, new driving techniques to maximise efficient fuel consumption).
- Highly specialised but multidisciplinary STEM skills will be needed at postgraduate levels, particularly in various engineering disciplines. This is likely to require modular training provision at postgraduate level.
- There may be an ongoing need to attract workers into training for engineering occupations through information, advice and guidance provision.

5.2.6 Aerospace and defence

5.2.6.1 Sector profile

In definitional terms, the aerospace and defence sector consists of the manufacturing and repair of air, space and defence equipment, air transport and defence activities.

The UK aerospace industry produces around 15% of the sector's global total output. The industry is concentrated in a number of UK regions, one of which is the South East, where

169 Asset Skills et al (2009), Low Carbon Cluster: Sector Skills Assessment Report, December 2009

170 Pricewaterhouse Coopers LLP (2010), published by UKCES, Strategic Skills Needs in the Low Carbon Energy Generation Sector – A report for the National Strategic Skills Audit for England 2010

the sector makes a major contribution to employment, value added, and research and development networks[171].

In 2007 the aerospace and defence sector contributed £3 billion to the South East economy. However, growth within this sector over the last decade has been below the national average[172].

In 2007 there were 57,000 people employed in the aerospace and defence sector in the South East, 1.3% of the region's total employment, with the South East accounting for 17% of national employment in the sector. Over the previous decade, employment in the sector in the South East declined by 2.5% per annum (compared to a decrease of 0.1% nationally)[172].

There are 900 aerospace and defence business units in the South East. A high concentration of these units can be found in West Sussex (Crawley – which has more than 100 business units, Mid Sussex and Adur), Hampshire (Rushmoor, Gosport, Hart, Eastleigh and Fareham), Surrey (Reigate and Banstead, Tandridge and Surrey Heath) and Shepway in Kent. These districts account for nearly 40% of the region's business units.

The largest concentration of employment in the sector is found in Crawley, followed by several areas in Hampshire (Gosport, Fareham, Portsmouth, Test Valley, Rushmoor, Eastleigh and Winchester), and in West Berkshire and South Buckinghamshire. Crawley has a number of large companies, Gatwick Airport, and several airlines.

Over the next decade, employment in the sector is forecast to increase by 0.2% per annum in the South East (compared to 0.3% nationally), with total output growth forecast at 2.2%. The key high growth area within the aerospace industry will be composite materials, which is likely to grow by 4-5 times over the next ten years leading to a market worth over £20 billion[173].

5.2.6.2 Evidence on demand for skills

The workforce in the aerospace industry has grown most in high-end jobs; 54% of the workforce is in management, professional and technician occupations compared to 41% ten years ago, with skills needs for professionals and technicians growing most. Demand in the sector is consistently high for engineers in satellite, defence and unmanned aerial vehicles. There is also demand for a range of skilled trades, including electricians, radio frequency technicians and surface mount technology operators. The increasing complexity of electronic systems on modern aircraft means ICT skills are of growing importance, and tight budgets in the industry mean that graduate recruitment is aimed at selecting the very best[174].

Future skills needs are likely to be driven by new technologies and equipment, developments of new products and services, new legislative or regulatory requirements and new working practices. More specifically, the start of Airbus A350 work will increase demand for systems design and stress engineers[174].

Skills gaps and shortages are likely to increase in the future due to an ageing workforce; 8% of the sector's current workforce is over 60, meaning that upskilling and multi-skilling of existing workforce will become increasingly important. The civil aviation industry is also predicting a shortage of licensed mechanics due to retirements and a lack of new entrants[174].

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171 UKCES (2010), Skills for Jobs: Today and Tomorrow – The National Strategic Skills Audit for England 2010, Volume 2: The Evidence Report

172 South East England Development Agency (SEEDA) (2010), The geography of key sectors in the South East

173 Premiertask (2010), Composite Blueprint Programme

174 Semta et al. (2009) Skills and the future of Advanced Manufacturing

In the aerospace composites sector it is forecast that over the next ten years significant numbers of technicians will be required at the manufacturing/shop floor level, with demand reaching around 400 per annum[173].

5.2.6.3 Quantity and quality of supply of skills

Around 10% of aerospace companies report skills gaps in their existing workforce, while 14% have difficulties in recruiting graduates due to the high competition for STEM graduates from other advanced manufacturing industries.

There are falling numbers of new aerospace and other engineering and technology graduates. A quarter of aerospace graduates from UK universities are foreign nationals unable to work in the UK or get clearance to work in defence[175].The aim of raising the sectors qualification level to 50% at NVQ level 4 or higher by 2020 cannot be met by current graduate levels alone, and the industry may need to look towards more vocational courses, particularly the higher Apprenticeship in engineering.

A lack of management capability, particularly regarding workforce planning, is blamed for an unwillingness of SMEs to invest in skills more generally; 64% of aerospace SMEs felt their employees had not needed to acquire new skills over the last 2-3 years[175].

5.2.6.4 Implications for skills

- The aerospace sector is a key manufacturing sector for the South East with significant employment potential due to both replacement demand and the development and application of new technologies.
- There are future skills needs for higher level apprentices and technicians in engineering disciplines as well as professional engineers and mechanics, due to both likely expansion of the sector and to meet replacement demand.
- There is an ongoing need to make careers in the sector attractive to suitably qualified workers, some of whom are choosing to work in other industries, and to equip managers with the skills to commercialise and exploit the sector's potential.
- SMEs in the sector may require further support to enable them to recognise and address workforce development needs.

5.3 The third sector

5.3.1.1 Sector Profile

The voluntary sector, including charities and social enterprises, needs an appropriately skilled workforce in order to operate successfully and provide quality services. This is particularly true now, with rising and changing demands about what it can and should deliver caused by changing funding and skills infrastructure bodies and the potential for even greater demands driven by the Coalition Government's 'Big Society' ambitions. The sector is particularly important for social work (more than 55% of voluntary sector workers); housing; religious organisations; hospital activities; and education[176].

The third sector represents 3% of the region's economy and 7% of its workforce[177]. In 2005/6 there were 25,000 charities in the region equating to nearly 4 per 1,000 people, the highest amount of all the English regions[178].

175 Premiertask (2010), Composite Blueprint Programme
176 National Council for Voluntary Organisations (2010), UK Civil Society Almanac
177 RAISE (2009), Hidden Asset 2009

5.3.1.2 Evidence on demand for skills

Raise's 'Hidden Asset' research noted that 40% of third sector organisations would benefit from additional training or support in the five main areas of: diversity and equality; managing staff/volunteers; fundraising/bidding; first aid/health and safety and 'specific skills'. Specific training needs at local voluntary and community organisation (VCO) level is available in this report[179].

29% of voluntary sector employers said that they had staff who they considered didn't have the right skills to do their jobs well. The main skills gaps are in performance management, people management, coaching and mentoring, managing change and business acumen[180].

Recruitment of the right staff and volunteers is not always easy; for example, sectors such as youth work, social and health care, find it hard to recruit because of factors which can include salary, working hours and image. In addition, there is evidence of some skills shortages and skills gaps in specialist areas such as marketing, fundraising, strategic use of IT and legal knowledge[179]; this is partly due to short-term appointments before individuals return to the private sector. The main impact of recruitment problems is an increased workload for existing staff, and in some cases volunteers are used to cover hard to fill vacancies until a permanent staff member can be found. This prompts the need for additional support on training and skills development.

5.3.1.3 Quantity and quality of supply of skills

The level of training in the third sector is perceived to be good but remains a development area[179]. There are known training issues in the sector caused in part by lack of funding and lack of time for training and development[181]. There are also concerns around succession planning, due to insufficient numbers of young people joining the sector.

Priority areas requiring investment and skills development have been identified by the sector to enable it to meet the challenges and demands of the next three years. These include governance and leadership, skills for business, managing volunteers and measuring effectiveness and impact. Inequalities exist between training provision for paid staff and volunteers.

5.3.1.4 Implications for skills

- In both economy and workforce terms, the third sector remains important to the South East. Changes in its focus, partly due to a new Government, may provide additional responsibilities but this will coincide with a tougher financial and regulatory background.
- Almost a third of employers in the sector believe they do have staff that do not have the right skills to undertaken their role well.
- There are some staff and volunteer recruitment difficulties for specific occupations, caused in part by terms and conditions.
- Systemic issues in the sector relating to time and resourcing can limit access to training.
- There is evidence of specific skills shortage and skills gap areas such as financial management, fund-raising and legal knowledge, all having the potential to hold the sector back.

178 Skills Third Sector (2009), Sector Qualification Strategy
179 RAISE (2009), Hidden Asset 2009
180 UK Workforce Hub (2007) Voluntary Sector Skills Survey
181 CIPD (2010), Learning and Talent Development Annual Survey Report

Glossary

Accession States On 1 May 2004 Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia became Member States of the European Union.

The Accession Treaty gave nationals from these ten states the right to visit, live and study in any Member State, or to be self-employed Only nationals from Malta and Cyprus are able to work freely in any Member State, with Member States able to restrict access to the labour market for nationals of the other eight countries ("A8 nationals").

ALS Additional Learning Support – additional funding to support eligible learners to achieve their learning goals. The need for ALS could arise from learning difficulty and/or disability, literacy, numeracy or language support requirements, or support needed to access employment or progression opportunities.

BERR Department for Business, Enterprise and Regulatory Reform, incorporated into the Department for Business, Innovation and Skills from Jun 2009.

BTEC Business and Technology Education Council – awarding body for vocational qualifications commonly referred to as "BTECs".

CAD Computer-Aided Design – the use of computer software and systems for designing and modelling.

CAE Computer-Aided Engineering – the broad use of computing software for use in engineering tasks.

CLG Department for Communities and Local Government.

E2E Entry to Employment – a programme for 16-18 year olds not in education, including key skills, vocational development and personal and social development.

EEA European Economic Area – This was established to enable member states of the European Free Trade Association (EFTA), who were not in the European Union (EU) to participate in the EU's single market without full EU membership. The EEA thus currently comprises the 27 member states of the EU plus the 3 EFTA countries of Norway, Iceland and Liechtenstein.

EMA Education Maintenance Allowance – a cash payment for eligible 16-18 year olds to support them to remain in full time education.

ESA Employment and Support Allowance – For new claimants from October 2008, Employment and Support Allowance replaced Incapacity Benefit (IB) and Income Support paid because of an illness or disability. A work capability assessment is designed to identify what work may be possible, and encourage people to move into work if they are able to.

FE Further Education - FE colleges provide a mix of academic and vocational education. They are autonomous institutions incorporated by Act of Parliament and service the needs of individuals, business and communities.

GDP	Gross Domestic Product – a measure of a country's overall economic output.
GVA	Gross Value Added – Gross value added is the difference between output and intermediate consumption for any given sector/industry. That is the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used up in production.
HE/HEI	Higher Education/Higher Education Institutions – education beyond the level of secondary education, especially in universities and colleges.
HND	Higher National Diploma – a vocational higher education qualification at level 5.
HtfV	Hard to fill Vacancies – job vacancies which are difficult to find suitable candidates for. This could be because of a lack of the appropriate skills, but could also be due to any other reasons, including low pay, poor working conditions, unsociable hours or remote location
IB	Before the Employment and Support Allowance (ESA) was introduced in October 2008, Incapacity Benefit was paid to people unable to work because of illness or disability. Existing claimants continue to receive IB after October 2008, but all claims will be re-assessed between 2010 and 2014.
IES	Institute for Employment Studies, an independent centre for research and evidence-based consultancy in employment and labour market policy and practice.
IMD	Indices of Multiple Deprivation
JSA	Jobseeker's Allowance – JSA is the main benefit for people of working age who are out of work or work less than 16 hours a week on average.
LAA	Local Area Agreement – A Local Area Agreement is a three year contract between central and local government setting out the priorities for a local area and how these will be tackled in partnership.
Leitch	Lord Sandy Leitch, whose 2006 report "Prosperity for all in the global economy – world class skills" outlined the need to raise UK skills levels.
LLDD	Learners with learning difficulties and/or disabilities
LSOA	Lower Layer Super Output Area – the smallest level of Super Output Area (SOA), with a minimum population of 1,000 residents, and a mean population of 1,500.
MAA	Multi-Area Agreement – A multi-area agreement is designed to be a cross-boundary local area agreement, bringing together key players to tackle issues that are best addressed in partnership, at a regional and sub-regional level.
MKOB	Abbreviation for the area covering Milton Keynes, Oxfordshire and Buckinghamshire
NBS	National Business Survey – carried out by Ipsos MORI, reference made to the report published in November 2009.
NEET	Young people not education, employment or training.
NESS	National Employer Skills Survey

NET	Young people not in education or training.
ODA	Olympic Delivery Authority – the body responsible for developing and building the new venues and infrastructure for the London 2012 Olympic Games and their use after 2012.
ONS	The Office for National Statistics – the executive office of the UK Statistics Authority, a non-ministerial department which reports directly to Parliament. ONS is the UK Government's single largest statistical producer.
PMI	Purchasing Managers' Index – based on a monthly survey to track changes in output, new orders, stock levels, employment and prices across the manufacturing, construction, retail and service sectors. Produced by Markit Economics, a compiler of business surveys and economic indices.
RES	Regional Economic Strategy
SEN	Special Educational Needs – refers to children who have learning difficulties or disabilities that make it harder for them to learn or to access education than most children of the same age.
Skills Gap	Deficiencies in the skills of an employer's existing workforce which adversely affect the firm's achievement of its business objectives.
Skills Shortage	Recruitment difficulties caused specifically by a shortage of individuals with the required skills in the accessible labour market.
SME	Small and medium-sized enterprises – a way of defining companies and organisations by the size of their workforce and the size of their turnover and balance sheet total. There are several different definitions of the financial criteria, including the Companies Act 2006, and European Commission definitions, but workforce sizes are broadly the same, meaning that a small enterprise is one with up to 50 employees and a medium-sized enterprise is one with 50-249 employees.
SOA	Super Output Area – geographical areas specified for the collection and publication of small area statistics.
STEM	Science, Technology, Engineering and Mathematics.
SSV	Skills Shortage Vacancies – job vacancies where the available workforce does not have the appropriate skills, experience or qualifications to fill the positions.
UKCES	United Kingdom Commission for Employment and Skills – Author of the 2010 National Strategic Skills Audit for England: "Skills for Jobs: Today and Tomorrow"
VCO	Voluntary and Community Organisations

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Appendix One: Local Skills and Employment Priorities

We acknowledge the contributions of sub-regional Economic and Skills Boards, and of local authorities and other local contacts who contributed the majority of the qualitative content of this Appendix.

Employment and skills levels have been rated as green, amber or red compared to the averages for the South East, based on analysis of regional data sets.

Kent and Medway

	KENT	MEDWAY
Area (km^2)[182]	3,544	192
Total Population ('000)[185]	1,407	254
Economic Activity Rate (%)[183]	81.4	80.2
Economic Inactivity Rate (%)[186]	18.6	19.8
Self Employment (%)[186]	10.7	7.4
Unemployment (No)[186]	43,900	13,500
Unemployment (%)[186]	6.5	10.6
% Working age with no qualifications (%)[184]	11.4	9.6
% Working age with at least level 2 (%)[187]	68.9	68.1
% Working age with at least level 3 (%)[187]	48.4	43.9
% Working age with at least level 4 (%)[187]	27.3	24.5
% Employed In Elementary Occupations (%)[186]	11.5	13.2
% Employed in Professional/ Associate Professional/Mgr Roles (%)[186]	43.8	42.2
Top 5 Sectors (Employment) (%)[185]		
• Health	13%	14%
• Retail	13%	13%
• Education	11%	13%
• Public admin and other	10%	9%
• Manufacturing	8%	10%

Main economic, skills and employment characteristics

For skills and employability there are three broad priorities:

- Meeting the skills needs of existing or future employers:
  - A particular need to increase the numbers of people trained and educated for knowledge intensive jobs
  - Meet the skills needs of key growth sectors
  - Attracting and retaining more graduates through links with HE
  - Focusing on construction skills; engaging employers;
- Improving skills and supporting skills progression for residents in work or education
  - A focus on Apprenticeship schemes, using the new welfare to work programme that will replace Train to Gain and Skills Accounts, the latter of which is specified as an action to pilot further through the Multi-Area Agreement (MAA).

182 ONS (2009), Regional Trends
183 LFS, 2009
184 http://www.thedataservice.org.uk/NR/rdonlyres/AC4DC94B-54F2-4F31-A7FF-E4E08C2210C4/0/TABLESFORWEBAPSsupplementarytablesbrokendownbylocallevelrevised25Aug.xls
185 ONS (2008), ABI

- Reducing worklessness and economic inactivity:
  - Through improved information, advice and guidance
  - Greater personalisation and coherent integration of support.
- Relatively low proportion of people with skills at levels 2 to 4.

Major skills strengths and opportunities

- Opportunities still exist in renewable energy, with links to Thanet offshore, the London Array and the potential of attracting offshore wind manufacturers to the Medway estuary.
- Development of SusCon - a sustainable construction skills academy in North Kent - which will enable these skills to be developed amongst the workforce.
- Work is underway with Hadlow College to investigate the skills issues in the rural economy, which will feed into a Kent rural policy due in late 2010.
- A series of sector 'conversations' from September 2010 with low carbon environmental opportunities. These will be used to establish skills issues, critical business infrastructure and key public sector interventions that might help businesses grow.

Major skills challenges – current and anticipated

- Skills – jobs mismatch:
  - Too many people out of work lack the skills that employers are looking for, while the working population in general is under-qualified for the jobs available now and the jobs that are expected to be created through the area's regeneration.
  - Pre-work education and training needs to enhance people's general work readiness and provide the right skills at the right level.
  - Those with good basic qualifications need opportunities to progress to higher level skills and qualifications.
  - The skills offer needs to match what is actually needed by employers, building on accurate local intelligence.
- Times are hard:
  - The fiscal environment is unfriendly to increased Government investment in skills; Further Education budgets are under pressure and key Thames Gateway developments are being held up by the economic climate.
  - Additional monies are unlikely to be secured to address the area's work and skills issues. Instead, the best use has to be made of existing budgets, enabling employers and local residents to get the most out of 14-19 and adult education and vocational provision.
- Employers struggle with a confusing array of publicly funded skills services and eligibility requirements.
- At the same time businesses can struggle to get the training and skilled people that they need.
- Skills and employment services need to be better matched to employers' needs and easier for businesses to understand and engage with.
- It's hard for workless people to connect to the labour market, given the plethora of different providers, a lack of low-skilled jobs and the many needs that workless people themselves have. Better information, advice and guidance are needed to help people understand where there are jobs, and what they can do to get them. This will also help to stimulate the market for individual career related learning.
- Graduate retention levels need to grow to support growth sectors.

Skills and employment priorities

Kent and Medway has clearly articulated priority sectors, which have been identified with key partners based on evidence based assessments of economic opportunities. This sector focus should inform local education and skills provision, to help stimulate development and improve local people's employment prospects. The key sectors are:

- Existing sectors of regional importance (ports & logistics; advanced manufacturing; construction, health and care).
- Opportunity/policy driven sectors (environmental technologies, business & financial services, creative industries, tourism & leisure).
- Population driven sectors (public services and higher education).
- Thames Gateway priorities include environmental technologies, construction, finance, creative industries, advanced manufacturing and logistics.
- Ashford priorities include employability and enterprise skills, business and financial services, transport and logistics, advanced manufacturing, engineering, ICT, life sciences, creative industries and environmental technology.

East Sussex

	EAST SUSSEX
Area (km^2)	1,709
Total Population ('000)	510
Economic Activity Rate (%)	81.7
Economic Inactivity Rate (%)	18.3
Self Employment (%)	15.9
Unemployment (No)	13,900
Unemployment (%)	6.1
% Working age with no qualifications (%)	9.8
% Working age with at least level 2 (%)	70.6
% Working age with at least level 3 (%)	48.9
% Working age with at least level 4 (%)	28.3
% Employed In Elementary Occupations (%)	11.2
% Employed in Professional/ Associate Professional/Mgr Roles (%)	40.5
Top 5 Sectors (Employment) (%) • Health • Education • Public admin and other • Business, admin and support services • Professional, scientific and technical	 18% 11% 11% 5% 5%

Main economic, skills and employment characteristics

- Estimated GVA of £7.46 million in 2007, 4% of the South East total.
- In 2008, there were around 22,200 active businesses in East Sussex (registered for VAT and/or PAYE), an increase of 2% since 2004, below the regional rate of increase (5%).
- There is a high reliance on micro and small businesses; three quarters of businesses employ five or less people, with 88% having ten or fewer staff.
- 27% of East Sussex employees work for organisations that have over 100 employees, largely in the public sector.
- The average gross weekly wage for East Sussex employees was 14% below the average for the South East. Many people commute to better paid jobs outside East Sussex so on a residence basis, this average wage is 11% lower than the regional average.
- In 2007 East Sussex had the highest levels of deprivation in the South East, and was ranked 7th most deprived in England. Hastings is the most deprived area in the county.
- East Sussex has the highest percentage of elderly residents of any county in England (including those over 85 and over 90 years old). All parts of the county except Hastings have a lower percentage of 0 – 14 year olds than nationally.
- Migration has been an important driver of population change in East Sussex in recent years, but anecdotal evidence suggests that the level of migration from accession states may have fallen considerably since the recession started at the end of 2008.
- Population is projected to grow by 7% over the next twenty years, with the most of the rise amongst post-working age residents; this group is projected to increase by 43,000, with the numbers of people aged 85 and over rising by 61% to 30,200. Overall there is expected to be a reduction in total workforce of around 4,000 between 2006 and 2026.

- The employment rate in East Sussex is 77%, compared to 79% in the South East and 74% nationally. Within the county, rates vary from Wealden with 81% to Hastings with 69%.
- Service industries dominate East Sussex, with 85% of jobs in the service sector, 8% in manufacturing and 6% in construction. 34% of people who work in the county are employed in public administration, education or health; 27% work in distribution, hotels and restaurants. Combined, these sectors are particularly important sources of employment to the Hastings (68%) and Eastbourne (69%) economies.
- By contrast, the county has an under-developed business and financial services sector, compared with many parts of the South East region. In the South East, nearly one-quarter (24%) of people work in this sector, compared with 14% in East Sussex.
- By occupation, 17% of East Sussex residents are managers and senior officials, 14% are in skilled trades occupations, 13% are in associate professional and technical occupations and 12% in personal service occupations.
- Although the number of jobs in the county increased by nearly 15% in the ten years to 2008 (10% across the South East), the number of jobs per working age resident remains low, indicating insufficient jobs for all residents. There are around 29,500 workless residents in East Sussex (JSA claimants and those who would like a job), which is 11% of the working age population[186].
- Relatively low skills base with limited pathways to HE.
- Employer commitment to training is poor by national standards.
- Seven out of ten JSA claimants have been claiming for less than six months. By contrast, six out of ten IB/ESA claimants have been claiming out of work benefits for five years or more, with 77% claiming for over two years[187].
- Since 2006, the number of JSA claimants who were previously working in management positions has increased by 146%, a higher rate of increase than those who were previously working in any other occupational group apart from process, plant & machine operatives (+157%).
- Most employees in East Sussex have at least a level 2 qualification, but there is variation across the county; businesses in Rother report lower levels, and whilst residents in Wealden tend to be reasonably well qualified this is not reflected in the workplace. This may mean that many of the higher qualified residents in Wealden commute out of the district to work. Businesses in Lewes are most likely to report that their staff are well qualified.
- The East Sussex Business Survey 2010 found that the main reason for local companies not being able to recruit to hard-to-fill vacancies is a shortage of skilled applicants (identified as the main barrier by 35% of businesses). 23% of East Sussex employers have skills gaps in their existing workforce, and this applies to both existing members of the workforce (77%) and new staff members (36%).

Major skills strengths and opportunities

- Self employment is a key feature of the East Sussex economy with an estimated 49,200 self-employed people working in the county. No other county in England has a higher proportion of working age residents who are self employed than East Sussex (16%).

[186] Source: APS, ONS/NOMIS July 2008-June 2009
[187] Source: JSA claimant count October 2009, ESA/IB claimants May 2009

Major skills challenges – current and anticipated

- High potential exposure to public sector cuts, high unemployment and low forecast private sector employment growth are causes for concern in East Sussex.
- The East Sussex Annual Business Survey 2010 identified that over the next 12 months, the greatest skills shortages are expected to be sector specific ones (16%), particularly in manufacturing (21%), engineering (22%) and construction (23%). The hotels and restaurants sector reported the highest skills shortage levels in communication (14%) and customer service (15%).
- The demand for lower qualifications is projected to decline in the short term, reflecting further job losses in sectors such as agriculture, manufacturing and construction, while employment requiring level 3 qualifications remains stable. Employment requiring high level qualifications (level 4+) is set to increase in East Sussex in the short-term by 0.5% per annum as the financial and business services sector begins to recover.
- The East Sussex economy relies heavily on the public sector, has low job density and low expectations of private sector job growth, making it more exposed to public sector cuts than many other counties. A 10% cut would equate to 4,400 job losses in public administration alone, and this does not take account of the job losses that would accrue through the loss of public sector contracts or services provided to the public sector etc. Eastbourne and Hastings, which already suffer from deprivation, are particularly vulnerable to public sector cuts and have both been identified as at risk.
- Just under a third of working age residents in Eastbourne, Wealden and Lewes have level 4 qualifications, but the proportion of well qualified people in Hastings (24%) and Rother (24%) is below regional and national averages. Both these districts have a much higher proportion of working age residents that do not have a level 2 qualification, and are likely to find it difficult to compete in an increasingly competitive labour market.
- Increasing employer engagement in Apprenticeships and developing progression routes should be a priority as a route into work and acquiring skills for young people, as well as updating the skills of the older employees. However, there is a need to develop employability skills for many young people who have been unemployed or leaving education, before they are ready to access Apprenticeships.
- As functionality (English, Maths and ICT) is developed in the curriculum it is important that young people have excellent opportunities to practice and secure these skills in real work contexts so that they develop the transferable skills which employers demand.
- Developing and enterprise and entrepreneurial culture in schools and colleges.
- Lack of understanding of the training offer.

Skills and employment priorities

- Work readiness.
- Enterprise education needs to be improved to help young people to understand the demands of the workplace and the roles that they could play within it.
- Updating the skills of the workforce, particularly in the context of public sector spending cuts.
- Moving to a low carbon economy.

West Sussex

	WEST SUSSEX
Area (km^2)	1,991
Total Population ('000)	781
Economic Activity Rate (%)	82.8
Economic Inactivity Rate (%)	17.2
Self Employment (%)	11.3
Unemployment (No)	20,500
Unemployment (%)	5.5
% Working age with no qualifications (%)	9.2
% Working age with at least level 2 (%)	71.9
% Working age with at least level 3 (%)	51.1
% Working age with at least level 4 (%)	31.8
% Employed In Elementary Occupations (%)	11.3
% Employed in Professional/ Associate Professional/Mgr Roles (%)	45.1
Top 5 Sectors (Employment) (%) • Health • Retail • Education • Public admin and other • Manufacturing	 12% 12% 9% 9% 9%

Main economic, skills and employment characteristics

- Economically, the area is usually considered as rural West Sussex, Gatwick Diamond and coastal West Sussex.
- The make up of the business population is broadly similar to the South East as a whole.
- In West Sussex there are approximately 29,400 VAT registered businesses employing around 333,000 employees.
- The largest sectors by number of employees are public administration (25%), hotel and distribution (25%), financial services and business management (21%) and manufacturing (10%).
- There are also around 57,000 self-employed people, hence an enterprise culture.
- Over 100 international companies are located in West Sussex.
- Qualification levels for the county as a whole compare favourably with the regional and national picture but there are huge local variations.
- A modest knowledge based economy.
- The Gatwick Diamond area is regarded as a strong, robust economy.
- Rural West Sussex contains 30% of the county's businesses; manufacturing is important, although there is evidence to show that the economy overall is less productive than regional average.
- Rural West Sussex provides significant proportion of the county's jobs whilst urban areas are losing jobs. Rural areas have higher than average self employment rate.
- A polarised skills base.

Major skills strengths and opportunities

- Development of knowledge intensive sectors.
- The South Downs National Park and the opportunities this will bring to businesses in terms of visitors.
- Education and skills infrastructure, such as increased FE provision for adults in coastal towns.
- Strong third sector.
- Developing and strengthening Economic, Skills and Enterprise Board and plans for Local Enterprise Partnership to help adults into work.
- Generally good transport links, though some rural areas relatively isolated.
- There are strong links with the universities in Sussex.
- The retail, leisure and public sectors are important to the economy.
- The Gatwick Diamond has strengths around advanced manufacturing, pharmaceuticals, finance, professional services, aviation, retail and hotels and leisure.
- The workforce in rural districts is better qualified than county and regional averages.
- Rural districts have higher than average self-employment and business creation rates though discrepancies between male and female rates.

Major skills challenges – current and anticipated

- Rising unemployment. Although lower than the rest of the region, West Sussex has seen double the rise in unemployment. Districts with poor skills profiles are most at risk.
- Community cohesion. There is a need to develop a more cohesive society where citizens are motivated to learn and engage in social activities throughout life to prevent being further marginalised.
- Low skills and aspirations. Nearly one in ten people in West Sussex have no qualifications with significant numbers of these aged between 25 and 50.
- Although skills levels are generally high, the distribution of higher level skills is uneven and there are some districts with significantly lower skills levels which will hold back economic development in those areas.
- The county wide knowledge economy presence is variable and declining in some places.
- The West Sussex coastal strip, including Shoreham, suffers from low levels of educational attainment, poor skills levels, significant deprivation and low levels of innovation.
- Crawley has relatively poor school performance with low aspirations.
- HE participation levels are low in the Crawley area.
- Volume of SMEs means that employer engagement to offer Apprenticeships and work places is resource intensive and can be challenging.

Skills and employment priorities

- Business support.
- Ensuring young people receive excellent education in schools, training and skills development opportunities.
- Ensure adults in work continually update their skills.

- Develop the skills of those outside employment.
- Growing business and the demand for skills in West Sussex.
- Generate an enterprise culture in schools.
- Improve FE and HE progression, continuing professional development (CPD) and higher level skill provision.
- Coordinated approach to employer engagement.
- Review the accessibility of learning.
- Level 3 and 4 technical skills in the Gatwick Diamond to support sustainable construction.
- Support those facing redundancy to develop skills for employment and self-employment
- Ensure opportunities for work experience, work placement and voluntary work to develop employment skills.
- Ensure opportunities for young people to develop skills and experience through Apprenticeships and employment schemes.

Brighton & Hove

	BRIGHTON & HOVE
Area (km^2)	83
Total Population ('000)	257
Economic Activity Rate (%)	78.8
Economic Inactivity Rate (%)	21.2
Self Employment (%)	11.3
Unemployment (No)	10,900
Unemployment (%)	8.0
% Working age with no qualifications (%)	8.2
% Working age with at least level 2 (%)	78.9
% Working age with at least level 3 (%)	63.9
% Working age with at least level 4 (%)	42.0
% Employed In Elementary Occupations (%)	9.8
% Employed in Professional/ Associate Professional/Mgr Roles (%)	49.8
Top 5 Sectors (Employment) (%) • Health • Education • Retail • Public admin and other • Business, admin and support services	 14% 12% 11% 10% 10%

Main economic, skills and employment characteristics

- In Brighton and Hove there are approximately 9,600 VAT registered businesses employing around 119,700 employees.
- The largest sectors by number of employees are business and financial services (26%), public sector (16%), social care (13%), retail (10%) and hotel and tourism (10%).
- There are also around 8,100 self-employed people.
- Brighton and Hove has a high proportion of part-time workers: 65% of employees are full time and 35% part time. This reflects a need to address underemployment in the city.
- The top ten employers in Brighton and Hove employ 23% of all employees.
- Most people in employment in Brighton & Hove are qualified to level 2 or above.
- Brighton and Hove does not have enough high value jobs which results in people either having to commute (about 33,000 a day) or moving away to places where wages are higher. It also results in people with qualifications doing jobs that could be done by people with lesser qualifications.
- The cost of housing has risen faster than the national and regional averages which has priced some lower paid workers out of the city, resulting in a rise in in-commuting of around 28,000.

Major skills strengths and opportunities

- Location near Gatwick Diamond for Investment and Growth and London.
- Transport connections.
- The City Employment and Skills Steering Group (CESSG) and the resultant partnership working.

- A strong and growing creative and digital media sector recognised as a centre of creative excellence in Brighton & Hove and the Sussex coastal strip.
- The two universities supporting research and business development.
- Versatile business models and knowledge economy.
- One of the highest skill levels of any city in the UK with around 42% of residents qualified to at least level 4.
- Identified as one of the cities likely to help the UK out of recession (Centre for Cities 2009).
- Highest private sector growth figures in the UK over a decade (1998 – 2008).
- Development of the environmental industries sector.

Major skills challenges – current and anticipated

- Working age population is higher than regionally or nationally as a proportion, and is growing faster than the overall population.
- Working age population is predicted to increase by 11,220 by 2017. Achieving an employment rate of 80% would mean increasing the employment rate by 6 percentage points or the equivalent of finding work for 10,220 people.
- Increasing the number of high value jobs in the city.
- There is a need to provide higher value added employment for the graduates that remain in the city.
- Skills inflation is an increasing barrier to entering the labour market for low skilled workers.
- Lack of development space acts as a pressure to business expansion; there is a need to bring existing commercial premises up to standard and maximise the available development land.
- There is a need to address the level of NEETs which remains high and tackle the levels of educational attainment in schools.

Skills and employment priorities

The three year Skills and Employment Plan is due to be renewed this autumn and priorities likely to change, however at the time of writing the future challenges for 2010/11 are:

- Nurturing innovation from across the city.
- Manage and facilitate the transition of the Futures Job Fund activity into mainstream activity where possible or through income generation.
- Investigate and explore the potential employment gains generated by the Brighton & Hove Diamond for Growth.
- Promote the development of information, advice and guidance services.
- Continue to support business retention and inward investment through targeted intervention.
- Work with third sector and major providers to provide better transition routes from unemployment to work for those facing labour market disadvantages.
- Work within the CESSG group to identify additional resources and practical support for the rising number of unemployed residents with mental health needs.

- Ensure that the Skills Funding Agency and other public sector agencies are cognisant of CESSG priorities in the commissioning of local provision.
- Undertake more detailed work to establish a joint commissioning framework in the medium term and more joint working and bidding for funding in the short-term.
- Within the new three-year plan the partnership will seek to update the socio-economic data and provide a clearly articulated narrative that demonstrates the needs and challenges for the city and how these can be addressed within emerging new structures such as Local Enterprise Partnerships.

Hampshire and the Isle of Wight

(Note that this section is still in draft as it is being checked by local employment and skills colleagues.)

	HAMPSHIRE	PORTSMOUTH	SOUTHAMPTON	ISLE OF WIGHT
Area (km^2)	3,679	40	50	380
Total Population ('000)	1,286	200	235	140
Economic Activity Rate (%)	84.9	77.9	77.9	75.7
Economic Inactivity Rate (%)	15.7	22.1	22.1	24.3
Self Employment (%)	9.0	7.2	7.1	10.9
Unemployment (No)	32,800	8,100	8,800	4,800
Unemployment (%)	5.1	7.9	7.0	8.2
% Working age with no qualifications (%)	7.7	11.7	10.1	9.6
% Working age with at least level 2 (%)	74.0	70.4	68.7	70.6
% Working age with at least level 3 (%)	52.4	50.7	50.3	48.7
% Working age with at least level 4 (%)	32.8	27.5	28.5	25.1
% Employed In Elementary Occupations (%)	11.1	13.2	9.5	13.1
% Employed in Professional/ Associate Professional/Mgr Roles (%)	46.4	44.0	44.3	38.2
Top 5 Sectors (Employment) (%)				
• Health	10%	15%	16%	16%
• Retail	11%	11%	11%	13%
• Public admin and other	10%	14%	9%	12%
• Education		9%	12%	11%
• Manufacturing	10%	10%		
• Business, admin and support services	9%		11%	

Main economic, skills and employment characteristics

- Hampshire economic area is home to 1.7 million people, 69,000 businesses employing 780,000 people with an annual output around £35billion.
- Four functional economic areas based around South Hampshire, Portsmouth, and Southampton (the PUSH area), North Hampshire, Central Hampshire/New Forest and Isle of Wight .
- GVA measures per capita are below the South East and England averages but there are large sub-regional differences; North Hampshire performs well, the South Hampshire area is around the regional average but Central Hampshire/New Forest is the least successful.
- South Hampshire, Portsmouth and Southampton area performs relatively poorly in terms of GVA per head, productivity, employment change and business density.
- There are employment black spots, particularly in the Isle of Wight and key wards in Southampton, Portsmouth, Basingstoke and to a lesser extent, Aldershot and Farnborough.
- South Hampshire, Portsmouth and Southampton areas in particular have significant regeneration issues hindering growth potential.
- Hampshire has large number of back office functions which may be vulnerable to off-shoring.
- North Hampshire has a relatively tight labour market – future employment growth is likely to lead to increased in-commuting.

- The South Hampshire, Portsmouth and Southampton areas are unusually self-contained labour markets with 90% of working age residents also working those areas.
- Across the Hampshire Economic Area, the finance and business services, public administration, education, health, retail and hospitality sectors dominate the economy.
- North Hampshire is important in terms of life sciences, ICT and digital media, aerospace and defence.
- Central Hampshire marine sector is important.
- The South Hampshire economic area is important in terms of the advanced engineering, aerospace and defence and marine sectors; the Solent area has 1,750 marine related businesses, representing 18% of the Solent economy.
- The South Hampshire, Portsmouth and Southampton area has one of the highest proportions of knowledge based industries in South East.
- The Isle of Wight is constrained because of the small size of the economy, low aspirations and a relative lack of a commercial focus.
- The economic activity rate on the Isle of Wight is 5 percentage points below the regional average.
- The Isle of Wight is a centre for renewable energy activities and a composite material technology hub; tourism supports 20% of the island's economy.
- Transport and logistics is growing faster in the Solent area than anywhere else in the UK.
- The South Hampshire, Portsmouth and Southampton area is less dependent on the public sector.

Major skills strengths and opportunities

- The skills profile of the Hampshire economic area is similar to the South East average. Within this, districts in Central Hampshire/New Forest perform well, but the profile across the South Hampshire/Southampton/Portsmouth area is weaker.
- Growth in environmental technologies, wind farm technologies and support industries.
- North Hampshire has one of the strongest labour markets in the South East in terms of growing high level employment opportunities; it has the highest employment rate of the South East Diamonds and a favourable skills profile.
- There is evidence of skills shortages associated with intermediate technical skills in North Hampshire.
- The South Hampshire, Portsmouth and Southampton area has identified skills needs to support its advanced manufacturing, marine, environmental technologies, transport and logistics businesses.

Major skills challenges – current and anticipated

- Districts in Central/New Forest have the strongest skills base (amongst resident population) and the weakest GVA performance, pointing to the impact of commuting patterns.
- There is a surplus of graduates looking for relevant employment.
- The South Hampshire, Portsmouth and Southampton area has developed formal structures to support joint initiatives to support employment and training.

- The South Hampshire, Portsmouth and Southampton area intends to invest in skills to reduce need for in-migration and in-commuting boosting the employment rate.
- The South Hampshire, Portsmouth and Southampton area has low business start up rates and low business density plus relatively low levels of private investment.
- Population growth in the South Hampshire, Portsmouth and Southampton area is unlikely to be matched by employment growth.
- There is a trend of losing highly skilled people from the Isle of Wight.
- There are concerns in North Hampshire that the skills profile is lower than competitor countries, particularly for larger employers.

Skills and employment priorities

- Priorities identified by providers and partnerships for Hampshire include raising higher level skills, addressing specific sectoral skills issues and targeting specific identified groups. Solutions include 'Future Jobs Future People', a virtual placing agency for unemployed people on the Isle of Wight.
- Develop incentives for Apprenticeship take-up.
- Retention of graduates within the Hampshire economy.
- Skills policy to help reduce in-migration and in-commuting levels in the Solent economy.
- Skills required in the Solent area to enable higher levels of employment and to deliver a more balanced and sustainable pattern of growth to ensure local residents are equipped to take up jobs created.
- Business barometer surveys with employers to keep labour market intelligence up to date.
- The South Hampshire, Portsmouth and Southampton area is forecast to see growth in utilities, construction and financial and business services in the medium term.
- The South Hampshire, Portsmouth and Southampton area has an outline employment and skills action plan based around:
    - Establishing an advanced manufacturing and training function
    - Establishing an employer-led Apprenticeship Training Agency
    - Strengthening local business partnerships between employers and HEIs, FE and schools
    - Extending the Skills Development Zone currently operating from universities in Southampton
    - Promoting graduate retention from local universities
    - Aligning single work programmes
    - Creating opportunities for residents to access jobs in sectors that underpin employment growth
- North Hampshire has an economic board exploring skills priorities.
    - North Hampshire is exploring how to create links to universities and how to work with HE/FE to support increased provision to businesses for workforce development.
    - North Hampshire has two key issues – basic skills needs for adults and young people, and higher level skills, particularly high quality graduates with business acumen.

- Stronger university links are needed for the Isle of Wight with the aim to stimulate local businesses and help provide a higher level skills base.
- Enhancing skills levels on the Isle of Wight is crucial for its future competitiveness, particularly at level 4, where it is a 9 percentage points lower than the regional average.

Surrey

	SURREY
Area (km^2)	1,663
Total Population ('000)	1,110
Economic Activity Rate (%)	82.0
Economic Inactivity Rate (%)	18.0
Self Employment (%)	11.8
Unemployment (No)	19,600
Unemployment (%)	3.5
% Working age with no qualifications (%)	6.5
% Working age with at least level 2 (%)	78.6
% Working age with at least level 3 (%)	62.1
% Working age with at least level 4 (%)	42.5
% Employed In Elementary Occupations (%)	6.6
% Employed in Professional/ Associate Professional/Mgr Roles (%)	56.6
Top 5 Sectors (Employment) (%) • Health • Professional, scientific and technical • Education • Retail • Business, admin and support services	 11% 11% 10% 10% 9%

Main economic, skills and employment characteristics

- With a resident population of 1.1 million, Surrey is the third most populated and the most densely populated shire county in the South East. Surrey has a high proportion of jobs in knowledge based industries, of business start-up rates and of residents with high level qualifications, all of which are important drivers of productivity. Statistically it is rated as one of the wealthiest, healthiest and safest parts of the country although underlying this as some real issues that affect the labour market and the economy.
- Guildford was rated the most competitive place in the country in 2010[188], reflecting its workforce having higher than average skills, education and pay. Guildford has high levels of people working in high-tech, research and development, business services and public services. Experian reported in September 2010 that their analysis showed Camberley to be the place growing fastest out of recession.
- Surrey continues to benefit from its connectivity and strategic location close to two international airports, three universities and a high quality natural environment. It is an ideal location for multination global headquarters, sales and marketing and research and development business units. The County has amassed the largest concentration of multinationals over the last couple of decades outside London, although labour and skills shortages among other geographic issues have led to a decline in the number of foreign direct investments in the county, with more now favouring M4, M3 and Thames Valley locations.
- Surrey's GVA stood at £26.5bn in 2007, accounting for 15% of regional GVA. This is the highest in the South East making Surrey a power house of the UK economy returning the highest net level of business taxation to the exchequer outside London (£5bn) Although the GVA grew by 32% between 2000 and 2007, GVA per capita failed to grow.
- Surrey is home to an estimated 61,000 workplaces, of which around 53,000 are VAT or PAYE registered enterprises. 88% of businesses employ less than 10 people, with 81%

[188] Centre for International Competitiveness (2010), The UK Competitiveness Index 2010

employing fewer than 5 staff. There are around 300 businesses in the county which employ 200+ staff.

- 19% of Surrey's population is aged between 0-15 years, 62% are working age and 19% are of pensionable age. The population is projected to grow by 19.5% (around 195,000) between 2006 and 2031 (a rate of about 0.75% per year).
- The relationship between Surrey and London has been strong for many decades and has been growing in importance in recent years. There is considerable dependency on the capital for employment, with 23% of Surrey's residents working within the Greater London area (9% in Inner London and 14% in Outer London).
- 30% of Surrey employment is in the banking, finance and insurance sector, with a further 24% in public administration, education and health. While forecasts suggest the latter will contract in the future, with public sector jobs cuts having a knock on effect for the private sector, finance and banking as part of a wider business services sector is predicted to grow as a result of the international knowledge economy and dependence on business services There is concern over the vulnerability of the Surrey economy to outside pressures and economic shocks given the influence external to its borders.
- Since the beginning of the recession, unemployment (especially for young people) has grown significantly from an initially low base. There were 13,900 JSA claimants in Surrey in April 2010 (2% of the resident working age population). The number of claimants aged 18-24 increased from 1,600 to 3,700 in the year to August 2009, a rise of 131%, and is of major concern to the areas public sector decision makers.
- The high cost of living in Surrey might inhibit the functioning of the labour market. This is a particular issue in rural areas of Surrey where there are accessibility barriers such as expensive and less flexible public transport, which may outweigh the marginal benefit of work relative to benefits. Anecdotal evidence from employers suggests that high house prices cause recruitment and retention difficulties; a significant number of workers in lower paid employment are known to commute into Surrey because they cannot afford to live more locally.

Major skills strengths and opportunities

- Surrey has a relatively well qualified workforce, with 40% of the working age population qualified to at least level 4, and 74% are qualified to at least level 2. This is considerably above the average rates for both the South East the country as a whole. 7% of the working age population in Surrey have no qualifications, which is again lower than the regional and national averages. This is a challenge to the diversity of employment creating gaps in labour supply in lower skilled jobs and a step on the ladder for those with no qualifications or job.
- Surrey's GVA per capita is £24,103 (2007) which is 21% above the national average representing a significantly high productivity rate. The major employment sectors are financial and business services and the public sector.
- Surrey pupils are typically high achievers, with 59% of pupils achieving 5 or more A* to C grades in GCSEs (including English and Maths) in 2009, 2% higher than 2008. All local authorities had rates greater than the English average of 50%.
- Surrey has a high proportion of jobs in managerial/senior official and professional occupations. Around 40% of jobs are in knowledge based industries, servicing the high concentration of multinational company headquarters, sales and marketing and research and development business units (approx 250) located in the county. In the future, there are likely to be more jobs in professional occupations compared to lower end occupations.

- In the 2009 National Employers Skills Survey (NESS), employers within Surrey classed 12% of all vacancies as skills shortage vacancies, which was one of the lowest rates in the region and 3 percentage points below the overall South East average.

Major skills challenges – current and anticipated

- Surrey has a declining population of working age residents. The county's population grew by 5% between 2000 and 2008, but the working age population grew by only 4%, indicating a shortfall in working population, meaning increasing difficulty in recruiting locally.
- Certain areas such as Old Dean (Surrey Heath) and Maybury and Sheerwater (Woking), have a significantly higher rate of worklessness than the average rate for the county.
- The current reliance on the banking, finance and public sectors for employment, as well as large numbers of commuters into London, means that much of the county's wealth is earned outside its boundaries.
- The 2009 NESS report indicated that only 68% of Surrey employers provided or commissioned training over the previous year. This figure is below the South East average of 70%, suggesting that some employers within the county are showing less involvement and potentially less commitment to training their staff.
- Forecasts predict reductions in engineering and construction industries within Surrey but there is still significant replacement demand expected in both.
- Anecdotal evidence suggests that some employers are having difficulties recruiting locally in Surrey; young people are moving away, the local population is ageing and many commute to London.
- A report by Deloitte indicated that Surrey and Berkshire could be near an economic 'tipping point' with declining levels of productivity growth, limited prospects for employment growth, high costs and an inadequate infrastructure. This further emphasises the need to increase skill and employability levels across the area.
- In an employer survey undertaken by the Surrey Skills for Business Alliance in 2009 the following were the most registered skills issues
    - Leadership and management: developing skills among staff earlier, especially in strategic thinking
    - Personal, attitudinal and interpersonal skills: well rounded work skills
    - Creativity, enterprise and innovation: thinking outside the box, collaborating across silos
    - Science and technology related knowledge: ICT development, ICT skills, technical skills
    - Specific knowledge: good economic knowledge (national and local), industry skills and knowledge, sector specific knowledge such as charity law or languages

Skills and employment priorities

- Within Surrey there is an increasing need for an appropriately skilled workforce. 40% of the working age population is qualified to degree level, whilst 7% have no qualifications. To encourage prosperity Surrey will need workers skilled at a range of different levels.
- Unemployment has doubled albeit from a low starting level especially among young people; meeting future skills need of businesses and addressing labour shortages is a priority.

- The Surrey Strategic Partnership has identified four ‘Priority Places’ as among the most deprived areas nationally: Maybury and Sheerwater, Stanwell, Westborough and Merstham, based on the 2007 Index of Multiple Deprivation. All these localities have JSA claimant rates above the county and regional averages. In Old Dean, the percentage of the working age population claiming JSA is nearly three times the rate for the county as a whole.
- Rebalancing the economy and supporting public sector workers into private sector occupations using transferable skills.
- Regaining Surrey’s competitiveness as a global business location and centre of niche high tech research and development sectors and business, by ensuring the infrastructure is in place to be able to recruit, retain and employ the highly skilled people that are needed.
- Preparing young people for the world of work, especially in the context of strong local demand from knowledge sectors, where graduates also compete for jobs.
- The knowledge based sector, including SMEs, requires graduates with commercial as well as technical skills.

Berkshire

	READING	SLOUGH	WEST BERKSHIRE
Area (km^2)	40	33	704
Total Population ('000)	146	121	153
Economic Activity Rate (%)	82.6	78.3	85.9
Economic Inactivity Rate (%)	17.4	21.7	14.1
Self Employment (%)	6.6	7.6	10.5
Unemployment (No)	5,700	4,100	3,800
Unemployment (%)	7.0	6.7	4.6
% Working age with no qualifications (%)	9.8	10.2	5.5
% Working age with at least level 2 (%)	67.9	67.1	77.7
% Working age with at least level 3 (%)	51.6	44.5	59.8
% Working age with at least level 4 (%)	34.7	26.4	38.6
% Employed In Elementary Occupations (%)	12.5	13.2	7.1
% Employed in Professional/ Associate Professional/Mgr Roles (%)	49.7	42.0	50.7
Top 5 Sectors (Employment) (%)			
• ICT	11%	10%	13%
• Manufacturing		12%	12%
• Business, admin and support services	10%	12%	
• Public admin and other	10%		9%
• Retail	11%		9%
• Professional, scientific and technical		8%	9%
• Health	11%		
• Transport and storage		10%	

	BRACKNELL	WINDSOR AND MAIDENHEAD	WOKINGHAM
Area (km^2)	109	197	179
Total Population ('000)	115	143	159
Economic Activity Rate (%)	85.6	83.4	82.8
Economic Inactivity Rate (%)	14.4	16.6	17.2
Self Employment (%)	9.2	10.2	8.4
Unemployment (No)	3,300	3,500	4,900
Unemployment (%)	5.1	4.8	5.8
% Working age with no qualifications (%)	6.0	6.7	5.0
% Working age with at least level 2 (%)	75.0	77.3	82.5
% Working age with at least level 3 (%)	55.9	60.2	66.9
% Working age with at least level 4 (%)	33.3	41.6	47.2
% Employed In Elementary Occupations (%)	9.3	6.0	5.9
% Employed in Professional/ Associate Professional/Mgr Roles (%)	47.9	61.6	62.3
Top 5 Sectors (Employment) (%)			
• ICT	11%	10%	16%
• Professional, scientific and technical	18%	12%	11%
• Education		9%	16%
• Wholesale	16%		
• Public admin and other		9%	8%
• Retail	9%	10%	
• Business, admin and support services	8%		9%

Main economic, skills and employment characteristics

- Highest GVA per capita in England, outside inner London – the engine room of the UK economy
- Concentrated, 'knowledge' intensive business sectors
- Strengths in business services, ICT, finance

- Good transport links
- Access to highly skilled workforce
- Centre of multi-national business community, the location of choice for many businesses

Berkshire is a leading commercial centre with an enviable reputation for its high-tech, ICT, financial and insurance services sectors that attract a number of leading organisations to the area, not least because of its close proximity to London.

Based on 2007 GVA measures, Berkshire had the second highest productivity output in the South East (after Surrey), at £25.6 billion; this equates to 14.5% of the South East total of £176.5 billion. The GVA per head in Berkshire is the highest in the region, being 50% higher than the average for the South East and 65% higher than the UK figure. Earnings in Berkshire are also the highest in the South East.

There are, however, hot spots of deprivation, with some communities characterised by low incomes, low aspirations, low skills, poor living environments, high unemployment, high crime levels and poor health.

The skills and learning focus, including attitudes towards learning and aspirations, will be critical for improving access to opportunities for the most disadvantaged, as well as supporting the direction, strength and form of economic growth. This is a particular issue for those with low skills and attainment levels.

Overall, the population in Berkshire over the last decade grew by 4.3% (33,400 individuals), which was 0.9 percentage points below the South East rate, giving a total figure of 812,000. This is mainly due to a 2.4% decrease in the population of children (less than 14 years of age) and lower rates of increase in the population aged 15 to 64.

Over 38,000 businesses are based in the area and total employment stands at 510,000. Of these, 300 businesses employ more than 200 individuals, representing a third of the workforce. Almost nine out of 10 jobs (88%) are in the service industry, one of the highest percentages in the South East. Compared to other parts of the region, Berkshire has a higher proportion of employment in banking, finance, insurance, real estate and other business activities (31% compared to 23%) and transport and communication (8% compared to 6%). It has lower proportions in public administration, education and health (18% compared to 25%) and manufacturing (8% compared to 10%).

At the occupational level, 51% of employees in Berkshire are engaged in management and professional occupations (above the South East total of 46%). By contrast, the area has a lower proportion of employees in elementary and process/plant occupations (14% compared with the South East figure of 16%). Across Berkshire, the occupational mix of the workforce is predicted to shift over the course of the next five years towards even more professional and managerial occupations. Thus managers and senior officials are predicted to grow by 7,000 jobs (7%) and professional occupations by 4,500 (7%) jobs; in contrast, elementary occupations will decline by 2,000 jobs (4%) and clerical and administrative occupations by 4,000 (6%). Within this shift employers are increasingly demanding higher level skills, especially in knowledge based sectors; almost 30% of employees work in knowledge intensive service sector employment, compared with 21% in the region.

Reading is a thriving town with a sizeable population to match and since the 1980s, it has consistently outperformed many other towns in UK, boasting the second highest employment rate in the country. It is often referred to as part of the new wave of ‘mini-cities’ which are proving more attractive than the sprawling urban giants of London, Manchester and Birmingham. Experian has assessed that Reading’s economy will expand by around

3.4% year on year until 2020, making it Britain's fastest growing place, with much of this due to the town's ICT sector. Reading's early transition from a traditional manufacturing base to a major centre for service and high technology industries has placed it at the forefront of the high technology revolution.

Skills gaps in the existing workforce in Greater Reading affect almost one in five employers and are more common than in other parts of Berkshire, the South East and England. They are most common amongst sales and customer service staff, professionals, highly skilled specialists and clerical/administrative roles.

The skills that employers in Greater Reading feel that their workforce most need to develop are customer service, communications, sales and marketing, ICT user and ICT professional skills.

There is a mismatch between the very specific employment and skills needs in Slough. The borough has a relatively strong business base in terms of business stock, job density and unfilled vacancies, and is home to a wide range of businesses (including high technology industries) a wide diversity of employers and a culturally diverse labour market. However, residents' levels of employment and qualifications are relatively low, especially in terms of self employment and level 4 qualifications, and they do not possess the skills required by employers; they have, therefore, been unable to access local jobs and benefit from local prosperity. Employers have often had to recruit outside of Slough and in some cases have been unable to recruit at all. The challenge for Slough is to narrow this skills gap by working closely with residents, providers and employers to ensure that the skills and employment system is fit for purpose and that residents and businesses in Slough benefit from local economic success.

One in ten Slough residents has no qualifications, and also has low levels of basic skills in English, Maths and ICT. ESOL is an important priority in Slough and requires specific actions to ensure that priority groups are able to access provision. Reported employer demand for skills is high, but most employers offer low levels of job related training compared with the rest of the region and the UK, and tend to run in-house training courses rather than access public provision. There is great concern is that there will be no academic institution offering HE qualifications in Slough, following the closure of the TVU Campus.

Over the last twenty years, Slough has experienced a major shift from a manufacturing to an information based economy which has seen the closure of many factories that were fundamental to the town's economic success; these have been replaced by office buildings to accommodate the increasing number of service sector industries drawn to the area.

With over 60 companies employing more than 100 employees, Slough has twice as many large companies than anywhere else in the UK, and its economy, with around 80,000 employees, accounts for almost 16% of Berkshire's overall employment and over £2.5 billion for the regional economy.

Since the 1990s Slough has become a leading hub for the rapidly developing creative industries that have seen the town play a significant role in the fast-developing 'silicon strip' that runs along the M4 corridor. A number of leading IT organisations are based in Slough, including Network Associates, Computer Associates, PictureTel and Compusys. O2 also has its headquarters in Slough.

Major skills strengths and opportunities

- Location and proximity to London and good transportation
- Diversity of employment

- Strength of private sector – Berkshire has become the headquarters of major British companies and the UK offices of major foreign multinationals, including Microsoft, Oracle, Vodafone, O2
- Highest GVA per capita in England, outside Inner London – the engine room of the UK economy
- Concentrated, 'knowledge' intensive business sectors
- Strengths in Business Services, ICT, Finance

Berkshire's workforce has proportionately higher skill levels than regionally. 53% of working age residents in Berkshire are qualified to NVQ level 3 (above the South East rate of 51%), and 33% are qualified to level 4. However, 9% (47,300 people) of the working age population has no qualifications, compared to 10% regionally. The highest qualified workforce is in Wokingham where 60% of the working age population is qualified to level 3 and above, and only 6% have no qualifications. Slough is the least qualified area, with 36,300 people (46%) not having a level 2 or above qualification compared with Wokingham at 25% (25,000 people).

Major skills challenges – current and anticipated

- Berkshire's population is characterised by extremes, which could undermine the economic advantage of the area. There is a mismatch in skills, income and occupation between the workforce and resident population in some areas (Slough in particular), causing poor work-life balance, increased congestion and pressure on infrastructure, as employees travel further to work.
- There is shortfall in the size and quality of workforce required to meet the current and future needs of employers across all sectors. When compared to competing economies across Europe and the emerging economies of China, India and Brazil, the shortfall poses a serious threat to continued economic prosperity across the sub-region. The lack of skills, particularly basic skills, is also a major contributing factor to the levels of poverty and deprivation within local communities across the area.
- A report by Deloitte indicated that Berkshire and Surrey could be near an economic 'tipping point' with declining levels of productivity growth, limited prospects for employment growth, high costs and an inadequate infrastructure. This further emphasises the need to increase skills and employability levels across the area.
- There were an estimated 7% of adults with low level literacy skills (defined as below a low level GCSE), ranging from 17% in Slough to 4% in Wokingham. For low level numeracy skills the figure averages 40% for Berkshire, ranging from Slough at 61% to Wokingham at 23%.

Skills and employment priorities

- Developing and improving the skills for work, providing employers with the skills they need for the future
- Increasing the level of sustainable employment
- Supporting the retention and development of business and enterprise
- Building Berkshire's future labour market
- Raising employability and reducing worklessness
- More employer engagement with the education and skills system

Buckinghamshire

	BUCKINGHAMSHIRE
Area (km^2)	1,565
Total Population ('000)	493
Economic Activity Rate (%)	83.9
Economic Inactivity Rate (%)	16.1
Self Employment (%)	14.7
Unemployment (No)	11,700
Unemployment (%)	4.7
% Working age with no qualifications (%)	8.7
% Working age with at least level 2 (%)	71.9
% Working age with at least level 3 (%)	52.8
% Working age with at least level 4 (%)	35.6
% Employed In Elementary Occupations (%)	6.4
% Employed in Professional/ Associate Professional/Mgr Roles (%)	53.1
Top 5 Sectors (Employment) (%) • Health • Retail • Public admin and other • Professional, scientific and technical • Education	 11% 10% 10% 9% 9%

Main economic, skills and employment characteristics

- Primarily small business economy - 28,700 VAT registered businesses, 27,600 of which employ fewer than 20 people
- 255,000 people in employment, including 43,200 self-employed
- 19% of jobs are in large firms (200+ employees)
- Largest employment sectors by number of employees:
  - (1) 55,000 in distribution, hotel & restaurants
  - (2) 52,000 in banking, finance & insurance
  - (3) 48,000 in public sector
  - (4) 18,000 in manufacturing
- Highest business start up rate of all county council areas with 80 new firms created per 10,000 residents
- Three-quarters of residents qualified to level 2 or above
- 53% people employed in SOCs 1-3 which is second highest in GB (managers and senior officials; professional occupations; associate professional and technical occupations)
- 63,000 (27%) part-time workers, broadly in line with South East average
- Cost of housing is high with average house prices running at over 8 times median gross full time earnings
- Predominantly rural county (82% of land area)

Major skills strengths and opportunities

- Attractive place to live – rural environment, Chilterns AONB and selective school system

- Rail connections – excellent links to London, south of the county connected to London Underground network and proposed Crossrail link
- Road network – M40, M25 and M4 pass through the county, M1 close by
- Excellent education system – selective schools, high levels of level 2 attainment at age 16, strong FE and HE structures
- Over 75% of working age population hold qualifications at NVQ2 and above
- Almost 39% of working age population are qualified to NVQ4 and above
- Significant development opportunities in the north of the county
- Tradition of entrepreneurship and enterprise
- Developing clusters and supply chain partnerships in creative & media (Pinewood), assistive technology (Stoke Mandeville) and advanced engineering (Silverstone).
- Strong creative and media sector: 12% of jobs; National Film & Television School; Amersham & Wycombe College founder college of Creative & Cultural NSA; local FE and HE level provision well regarded.
- Developing assistive technology sector: 7.4% of jobs (highest of all county council areas, led by Aylesbury Vale), ICE-T project.
- Developing advanced engineering sector: 12% of jobs in high technology industries, 3% of jobs in space technology.
- National Skills Academy for Retail developing
- National Enterprise Academy – currently based out of Amersham & Wycombe College, planning new headquarters in Aylesbury
- Project Pinewood development (subject to planning permission), including creation of Pinewood Screen Crafts Academy
- Environmental technologies/construction – linked to housing growth, potential infrastructure projects, opportunity to build on Amersham & Wycombe College environmental technology centre
- Development of mobile learning technology for training – build on Aylesbury College status as MoLeNET Academy

Major skills challenges – current and anticipated

- Growth agenda – planning permission for 10,000 new homes granted in Aylesbury Vale, ONS predict population growth of 10,000 20-60 year olds and 40,000 60+ year olds by 2031
- Ageing population – need to engage people in learning and employment for longer, care needs
- Large number of young people leave county to go to university each year – proportionately few return to live or work, need more higher level jobs to attract them back
- Uneven distribution of skill levels across the county
- Underemployment – rise in part time employment, rise in number of people taking lower skilled / paid jobs (anecdotal evidence)
- Uneven distribution of unemployment across the county – some skills gaps associated with sales, technical and admin services.

- High proportion (approximately 25%) of unemployment amongst SOC codes 1-3
- Grow intermediate/technician class workforce – increase number of Apprenticeships/ advanced Apprenticeships
- Developing higher level qualification provision as an alternative to university – more higher Apprenticeships
- Develop culture of investment in lifelong learning both by employers and working age population
- Coordinated approach to employability funding and support

Skills and employment priorities

- Business support for start up and immature businesses
- Reduce business failure rate – no Bucks business should unnecessarily fail
- Grow number of employees in micro/small businesses
- Need for graduate level employment opportunities to attract graduates back to the county
- Grow intermediate/technician class workforce
- Careers guidance – linked to local employment opportunities, alternative routes to advanced and higher level qualifications
- Further develop enterprise education culture
- Increase qualification/skill levels in underperforming areas of county
- Support learning providers in matching delivery to emerging business needs – flexible, responsive
- Better awareness of tomorrow's jobs for young people.

Oxfordshire

	OXFORDSHIRE
Area (km^2)	2,605
Total Population ('000)	640
Economic Activity Rate (%)	82.9
Economic Inactivity Rate (%)	17.1
Self Employment (%)	10.2
Unemployment (No)	16,400
Unemployment (%)	5.0
% Working age with no qualifications (%)	5.0
% Working age with at least level 2 (%)	76.1
% Working age with at least level 3 (%)	60.3
% Working age with at least level 4 (%)	38.6
% Employed In Elementary Occupations (%)	9.5
% Employed in Professional/ Associate Professional/Mgr Roles (%)	50.0
Top 5 Sectors (Employment) (%) • Education • Health • Public admin and other • Professional, scientific and technical • Retail	 14% 11% 10% 10% 10%

Main economic, skills and employment characteristics

- 31% of employees in Oxfordshire are employed in large businesses with over 200 staff, who make up 1% of all employers.
- 86% of the county's 32,000 businesses employ 10 or fewer people.
- 46% of employees are in highly skilled industries with more than 40% of the workforce qualified to level 4 or higher; 29% of businesses are high level skills dependent.
- Major sectors include:
  - The public sector – this is the largest employer, particularly within health and education, accounting for 30% of Oxfordshire's employment. 46% of Oxford city employees work in the public sector;
  - Knowledge intensive industries employ 48,600 people (15% of total employment);
  - Hi-tech manufacturing, including motor vehicles, employs 43,000 people (13%);
  - Education employs 41,200 people (13%);
  - Retail employs 37,700 people (12%)
  - Health employs 34,000 people (11%)
  - Creative industries employs 30,100 people (9.5%), with most employed in computer games, software and electronic publishing
- 25% of businesses are in business and financial services.
- 25% of businesses are in distribution, hotels and restaurants, reflecting tourism.
- There are several geographic/sector clusters: Science Vale UK in the South/West includes Culham, Harwell, Grove and Milton Park covering research and development, science and technology.
- Education, publishing, health are based mainly around Oxford city.
- Manufacturing is mostly in the north, round the Cherwell district, especially the motor sports industry.

Major skills strengths and opportunities

- Central geographic location with good motorway links to London and Birmingham, and good rail, bus and air links.
- Proximity to customers, suppliers and businesses networks.
- Focus on the green economy/businesses including development of Bicester Eco-town
- High level of people with level 4 qualifications and above living and working in Oxfordshire.
- 85% of businesses have undertaken some form of innovation activity in past 12 months.
- Half to three quarters of business expect to derive some of their turnover from new products/services in the next 12 months.
- Strong clusters promoting co-working and innovation cross-fertilisation.
- Oxford is ranked as the top university in Europe, with Oxford Brookes voted best new university.
- More publishing firms than in London.
- Tradition of entrepreneurship.
- Good mix of academic, public sector, high tech and manufacturing industries.

Major skills challenges – current and anticipated

- Transport and infrastructure, high cost of living, high property prices for homes and business accommodation, traffic congestion.
- Recruitment challenges for employers needing professionals, highly skilled staff, technicians and skilled support staff especially in Science Vale UK.
- Skills gaps affecting both recruitment and existing staff, particularly motivation.
- For existing staff, fewer workers means diversifying and trying new things/approaches.
- Behaviours, attitudes and mindsets/motivation are seen as a barrier by employers among those newly recruited from school or college as well as those in work already.
- Low educational attainment compared with statistical neighbours.
- High number of NEETS in Oxford City and Banbury.
- Sector specialist or high level training not always available in the county.
- Dependence on the public sector for employees is leading to job anxieties.
- Lack of public/private funding – 51% of employers had arranged training for their staff compared with 64% in 2008.
- Fewer employers have hard to fill vacancies than in 2008 but the numbers are higher than the UK as a whole, even though redundancies have increased the labour supply.
- Problem with young people not having enough information about their career choices.
- Barriers to workplace learning include lack of funding, reluctance to release key staff away from the workplace and staff being too busy to undertake or deliver training.
- Unemployment levels are low, but there has been an increase in temporary contracts and part time working.

Skills and employment priorities

- High level skills demand is likely to be in four sectors: ICT and telecommunications, health, Government departments and agencies, and care and development.
- Demand for skills is likely to be greatest among people employed as associate professionals in business and public services, health, social welfare and protective services plus professionals in teaching and research, science and technology.
- Skills are also needed in the following three generic areas:
  - Sector specific and technical skills – by type of business and activity
  - Leadership and management skills – for managers and supervisors
  - Customer service skills – 'soft' or 'job-readiness' skills such as communication, self management, team working, problem solving etc.
- Motivators include 'compliance' (e.g. health and safety) and 'raising the bar' (sector specific training and leadership and management).
- Redirect public expenditure towards strategic business sectors with a propensity for high growth.
- Commercial opportunities for graduates.
- Improved aspirations and guidance for young people.
- Some key areas of potential for skills development, such as the Bicester ecotown development and the space industry around Harwell.

Milton Keynes

	MILTON KEYNES
Area (km^2)	309
Total Population ('000)	232
Economic Activity Rate (%)	83.7
Economic Inactivity Rate (%)	16.3
Self Employment (%)	6.1
Unemployment (No)	9,600
Unemployment (%)	7.6
% Working age with no qualifications (%)	9.7
% Working age with at least level 2 (%)	69.3
% Working age with at least level 3 (%)	49.2
% Working age with at least level 4 (%)	31.7
% Employed In Elementary Occupations (%)	12.2
% Employed in Professional/ Associate Professional/Mgr Roles (%)	46.6
Top 5 Sectors (Employment) (%) • Retail • Professional, scientific and technical • Business, admin and support services • Education • Transport and storage	 12% 10% 9% 8% 8%

Main economic, skills and employment characteristics

- 68% of people employed are in senior management, professional and technical, skilled trades and administrative roles.
- The remaining 32% are in service and sales, process plant and machine operation and elementary occupations.
- These broad categories do not reflect the breadth of the Milton Keynes economy (ref Centre for Cities), the strength of private sector and niche engineering, creative etc.
- There is an emphasis on higher level jobs such as finance, education and health, which are partly filled by 53,000 in-commuters.
- There are also a significant number of low skilled jobs in retail, logistics etc, but the nature of these jobs is changing due to new technology and the recession.
- Over 60% of employees in work for organisations with over 50 employees although 80% of businesses have less than 10 staff.
- Traditionally Milton Keynes has less part-time work than the South East or national averages although the recession appears to be shifting this a little.
- Qualification levels have tended to lag behind statistical neighbours; for adults there is evidence of closing the gap at level 4, catching up slowly at levels 2 and 3 and numbers with no qualifications are reducing.
- Work with Cranfield University, the Open University and Milton Keynes council has led to successful bids to develop electric vehicles and potentially Smart Grid technology.
- The town needs more graduates and the opening of the University centre for Milton Keynes in 2008 is a start.

Major skills strengths and opportunities

- Strong location between London and Birmingham with good transport connections.
- Diversity of employment and strength of the private sector.
- Presence of national organisations such as Zero Carbon Hub, Carbon Trust, Amazon, John Lewis distribution, Santander, Network Rail coming, various VCS etc.
- Milton Keynes South Midlands growth area (MKSM), including partnerships with other local authorities
- Knowledge based industries: Milton Keynes is ranked 38 out of 380 localities for economy that is knowledge based (UK Competitiveness Index 2010)
- Low carbon opportunities such as the Foundation Degree in Sustainable Communities and low carbon prospectus to be launched in late summer 2010 (ref Smart Grid etc).
- Focus on low carbon living and support for low carbon business, especially using the MKSM context.
- National Skills Academies in Retail and Skills for Logistics.
- Cranfield University and the Open University provide unique knowledge transfer opportunities from which Milton Keynes is looking to extract more value.
- Tradition of entrepreneurship.
- Partnership working including Milton Keynes College, Milton Keynes Chamber of Commerce, Business Links, local authorities etc.
- Growth context
- Milton Keynes is a popular place to work: companies can recruit but can go far afield to do so, although SMEs struggle more.

Major skills challenges – current and anticipated

- The qualifications base lags behind statistical neighbours.
- Aspiration of local population means there is a need for a learning culture.
- Local skill levels.
- Local unemployment.
- Change economic balance by growing technical workforce at levels 3-8 to support low carbon (across MKSM), aspects of low carbon living and working.
- Need to improve employability and recruitment support.
- Growing role of Milton Keynes Council in economic development

There are 5 strategic actions in the draft Skills Strategy:

- Learning culture
- Higher level skills
- Whole population skills profile
- Progress into and in work
- Means to predict/plan for future skills needs

More on the challenges is included in the draft strategy.

Skills and employment priorities

As above plus:

- Knowledge Based Economy: creative and digital media, assisted living, aspects of advanced engineering and sustainable construction, high end logistics, financial services, low carbon.
- Regeneration and skills – geographies in Milton Keynes.
- Graduate culture.
- Support for recruitment for small employers and closer work with employers on training.
- Young people's opportunities, particularly for NEETs and graduates, building on the success of the Future Jobs Fund.
- Employability/workability.
- Leadership and management.
- Place – community development, planning etc.
- Logistics Apprenticeships.

Appendix Two: Qualification Levels

Level	Examples of qualifications
Entry	Skills for Life Entry level certificates Functional Skills at entry level (English, maths and ICT) English for Speakers of Other Languages (ESOL)
1	GCSEs grades D-G BTEC Introductory Diplomas and Certificates OCR Nationals Key Skills or Skills for Life level 1 NVQs at level 1
2	GCSEs grades A*-C BTEC First Diplomas and Certificates OCR Nationals Key Skills or Skills for Life level 2 NVQs at level 2
3	A levels GCE in applied subjects International Baccalaureate BTEC Nationals, Diplomas, Certificates and Awards Key Skills level 3 NVQs at level 3
4	BTEC Professional Diplomas, Certificates and Awards Certificates of Higher Education Higher National Certificates NVQs at level 4
5	BTEC Professional Diplomas, Certificates and Awards Diplomas of Higher Education Foundation Degrees NVQs at level 5 HNCs and HNDs
6	Bachelors Degrees Bachelors Degrees with Honours Graduate Certificates and Diplomas National Diploma in Professional Production Skills BTEC Advanced Professional Diplomas, Certificates and Awards
7	Masters Degrees Integrated Masters Degrees Postgraduate Certificates Postgraduate Diplomas BTEC Advanced Professional Diplomas, Certificates and Awards Diploma in Translation
8	Doctoral Degrees Specialist Awards

Appendix Three: Sector Skills Councils

SECTOR SKILLS COUNCIL	SECTORS COVERED
Asset Skills	Property, Facilities Management, Housing and Cleaning
Cogent	Chemical and Pharmaceutical, Oil, Gas, Nuclear, Petroleum and Polymers
ConstructionSkills	Construction
Creative and Cultural Skills	Advertising, Crafts, Music, Performing, Heritage, Design and Arts
e-skills UK	Business and Information Technology, including Software, Internet &Web, IT Services, Telecommunications and Business Change
Energy and Utility Skills	Gas, Power, Waste Management and Water Industries
Financial Services Skills Council	Financial Services, Accountancy and Finance
GoSkills	Passenger Transport
Government Skills	Central Government
IMI	Retail Motor Industries
Improve	Food and Drinks Manufacturing and Processing
Lantra	Environment and Land-based
Lifelong Learning UK	Community Learning, Education, FE, HE, Libraries, Work-based Learning and Training Providers
People 1st	Hospitality, Leisure, Travel and Tourism
Proskills	Building Products, Coatings, Extractive and Mineral Processing, Furniture, Furnishings and Interiors, Glass and Glazing, Glazed Ceramics, Paper and Pulp and Printing
SEMTA	Science, Engineering and Manufacturing Technologies
Skillfast-UK	Fashion and Textiles
SkillsActive	Sport and Recreation, Health and Fitness, Outdoors, Playwork and Caravanning Industry
Skills for Care and Development	Social Care, Children, Early Years and Young People's Workforces in the UK
Skillset	TV, Film, Radio, Interactive Media, Animation, Computer Games, Facilities, Photo Imaging and Publishing
Skills for Health	UK Health
Skills for Justice	Policing and Law Enforcement, Youth Justice, Custodial Care, Community Justice, Courts Service, Prosecution Services and Forensic Science
Skills for Logistics	Freight Logistics and Wholesaling Industry
Skillsmart Retail	Retail
SummitSkills	Building Services Engineering

Appendix Four: Learning and Skills Provision

The South East Skills Priorities Statement includes a section setting out the major patterns and trends in publicly funded learning and skills provision for those aged 16 and over.

The analysis within the Statement is based on quantitative data taken primarily from the Statistical First Release (SFR)[189], which covers post-16 education and skills, showing learner participation, outcomes and the highest level of qualification held. Its aim is to present the performance of the FE system and to hold the Government to account over delivery of policy. The SFR is produced by The Data Service on behalf of the DBIS

This Appendix provides an evaluation of key data from the SFR and highlights information relevant to the South East. The data from the SFR was used to develop the section of the Skills Priorities Statement entitled 'Distribution of Current Investment' and enabled an analysis of trends and anomalies across programmes, years and levels. This data was supplemented by qualitative information from funding agencies and provider networks.

The SFR contains more data than is referenced in the statement much of which is at a national level. The specific SFR data referenced is shown in Table A4.1 below:

1.	**Learner Responsive Participation**
Table S3.1:	Overall FE and Skills Participation **(All Ages)** by Level, Age and Government Office Region – Learner Volumes
Table S3.1:	Overall FE and Skills Participation **(Aged 16-18)** by Level, Age and Government Office Region – Learner Volumes
Table S3.1:	Overall FE and Skills Participation **(Aged 19 and over)** by Level, Age and Government Office Region – Learner Volumes
2.	**Skills for Life**
Table S5.1:	FE and Skills - Learners **(Aged 16+)** Skills for Life Participation by Level and Government Office Region – Learner Volumes
Table S5.1:	FE and Skills - Learners **(Aged 16-18)** Skills for Life Participation by Level and Government Office Region – Learner Volumes
Table S5.1:	FE and Skills - Learners **(Aged 19+)** Skills for Life Participation by Level and Government Office Region – Learner Volumes
3.	**Apprenticeships**
Table S6.1:	Apprenticeship Programme Starts by Government Office Region (2003/04 to 2009/10 mid-year estimates)
Table S6.1:	Apprenticeship Programme Starts by Region, Level and Age **2006/07**
Table S6.1:	Apprenticeship Programme Starts by Region, Level and Age **2007/08**
Table S6.1:	Apprenticeship Programme Starts by Region, Level and Age **2008/09**
4.	**Train to Gain**
Table S7.1:	Train to Gain Starts by Government Office Region (2005/06 to 2009/10 mid year estimates)

Table A4.1: Statistical First Release tables used in supply side analysis

[189] The Data Service (2010), Statistical First Release

This data was supplemented by data supplied by the Skills Funding Agency[190] and research on Higher Education commissioned from the Higher Education Statistics Agency (HESA), as shown in Table A4.2 below.

5. Higher Education
Students by subject and year in the South East (OU excluded)
Students by age and year in the South East – changes in student numbers (OU excluded)
Students by level and year in the South East (OU excluded)
Subjects by level (2008/09 only - OU excluded)
Mode of study by age and year – South East (OU excluded)

Table A4.2: Higher Education data used in the SE Skills Priorities Statement
Source: Higher Education Statistics Agency (2010)

[190] Underpinning the South East Skills Priorities Statement is a detailed set of data and information on the take up of skills training by industry sector (by both the sector qualification and SIC footprints) in the region, produced by the Data Service from Skills Funding Agency learner data. This sectoral analysis is not currently available as part of the Government's published Statistical First Release, and therefore cannot be referenced or included within the Statement. This data is, however, being used to inform internal discussions within funding agencies.

Table S3.1: Overall FE and Skills **Participation** by Level, Age and Government Office Region – Learner Volumes

Region	ALL AGES											
	Total			Full Level 2			Full Level 3			Skills for Life		
	2006/07	2007/08	2008/09[5]	2006/07	2007/08	2008/09[5]	2006/07	2007/08	2008/09[5]	2006/07	2007/08	2008/09[5]
North East	255,500	262,700	314,100	54,200	66,300	84,600	36,800	42,200	48,300	74,500	76,200	92,300
North West	596,200	615,500	686,600	122,200	160,400	191,300	102,100	114,400	134,000	182,200	185,000	206,800
Yorkshire/Humber	435,700	458,200	506,000	96,500	122,200	147,700	65,900	73,400	80,900	137,100	141,900	154,300
East Midlands	350,900	369,500	409,300	75,800	100,200	122,600	48,600	55,700	66,200	105,700	109,700	120,800
West Midlands	484,400	499,100	558,600	96,400	124,700	156,200	72,300	80,000	95,700	151,300	153,600	163,100
East of England	392,300	417,800	462,100	75,500	99,400	117,500	56,700	64,000	75,000	118,400	118,300	136,200
London	627,200	639,200	688,800	81,800	122,300	148,800	66,900	78,900	91,000	220,900	219,100	236,200
South East	**567,200**	**593,100**	**647,800**	**101,900**	**128,700**	**155,800**	**92,700**	**102,000**	**117,500**	**171,800**	**175,000**	**192,400**
South West	411,900	431,700	464,400	77,800	101,100	121,100	63,400	67,800	78,900	108,000	113,800	127,800
England	**4,121,200**	**4,286,800**	**4,737,700**	**782,000**	**1,025,200**	**1,245,700**	**605,300**	**678,400**	**787,500**	**1,269,900**	**1,292,800**	**1,429,800**
Other	81,600	73,900	99,000	10,500	17,000	18,200	6,000	7,500	7,800	23,900	19,300	20,000
Grand Total	**4,231,900**	**4,360,700**	**4,836,700**	**817,200**	**1,042,300**	**1,263,900**	**611,400**	**685,900**	**795,300**	**1,297,800**	**1,312,100**	**1,449,800**

1) The following data sources have been used; FE - 2007/08 and earlier years (F05 final), 2008/09 (L05 Final); WBL - 2007/08 and earlier years (W13 final), 2008/09 (E13 Final); ACL - 2006/07 and earlier years (C03), 2007/08 (C03 final, C02 final), 2008/09
2) Further Education Provision includes General Further Education Colleges including Tertiary, Sixth Form Colleges, Special College - Agricultural and Horticultural Colleges and Art and Design Colleges, Specialist Colleges and External Institutions.
3) Volumes are rounded to the nearest hundred.
4) '-' Indicates a base value of less than fifty.
5) Figures for 2008/09 are not directly comparable to earlier years as the introduction of demand led funding has changed how data is collected and how funded learners are defined from 2008/09 onwards. More information on demand led funding is available at http://skillsfundingagency.bis.gov.uk/funding/policyandfunding/fundingpolicy/dlf/.
6) To allow for comparison between different data sources, tables use age as at 31 August of the academic year for all provision. These tables include learners under 19, including a small number of under 16 year olds.
7) Full-year numbers are a count of the number of learners that participated at any point during the year. Learners undertaking more than one course will appear only once in the 'total learners' category for each data collection. However, learners that are included in different data collections, whether that relates to different years or different funding streams, will be counted more than once. All learners undertaking a full level 2 or 3 qualification will also appear in the level 2 or level 3 category, respectively.
8) Employer Training Pilot (ETP) data is not available by region and has only been included in the Grand Total for total number of learners, full level 2 and skills for life. There were 16,100 ETP learners in 2002/03, 80,700 in 2003/04, 149,300 in 2004/05, 128,500 in 2005/06 and 29,100 in 2006/07.
9) Government Office Region is based upon the home postcode of the learner. Where the postcode is outside of England or unknown, learners are included in the 'Other' category.
10) Prior to 2004/05 Apprenticeship providers were only required to return information on the main aim of the framework. Skills for life is a component of an Apprenticeship, this means that skills for life data for 2002/03 and 2003/04 contains limited Apprenticeship data.

Table S3.1: Overall FE and Skills **Participation** by Level, Age and Government Office Region – Learner Volumes

Region	AGED 16-18											
	Total			Full Level 2			Full Level 3			Skills for Life		
	2006/07	2007/08	2008/09[5]	2006/07	2007/08	2008/09[5]	2006/07	2007/08	2008/09[5]	2006/07	2007/08	2008/09[5]
North East	63,000	63,500	64,000	19,600	19,200	18,900	18,800	19,500	20,600	31,000	30,300	30,100
North West	169,200	173,900	173,400	49,200	49,400	47,200	60,100	62,900	66,700	78,800	78,200	80,100
Yorkshire/Humber	114,600	118,600	119,500	38,000	37,400	37,400	37,700	39,600	39,000	55,900	56,000	56,800
East Midlands	83,100	86,500	87,500	27,200	28,000	27,600	24,800	26,300	27,400	41,800	41,100	43,600
West Midlands	117,400	121,400	123,400	33,100	33,200	32,400	38,700	40,100	43,200	59,100	59,000	57,900
East of England	99,300	103,600	106,900	29,700	30,200	29,800	34,700	36,400	37,400	47,000	47,300	52,400
London	124,800	125,900	124,000	29,300	30,400	29,700	36,500	38,800	39,600	56,500	56,000	60,700
South East	**147,600**	**152,100**	**155,400**	**42,300**	**41,700**	**40,300**	**55,000**	**57,400**	**59,500**	**69,800**	**70,200**	**73,700**
South West	96,500	99,700	102,100	29,600	29,700	29,900	34,800	33,700	35,500	43,400	44,300	45,300
England	1,015,500	1,045,100	1,056,200	298,000	299,100	293,200	341,100	354,800	368,800	483,400	482,300	500,500
Other	10,700	11,200	9,600	2,900	3,100	2,200	2,600	3,000	2,500	5,100	5,000	4,200
Grand Total	**1,026,200**	**1,056,400**	**1,065,900**	**300,900**	**302,200**	**295,400**	**343,800**	**357,800**	**371,300**	**488,500**	**487,200**	**504,700**

1) The following data sources have been used; FE - 2007/08 and earlier years (F05 final), 2008/09 (L05 Final); WBL - 2007/08 and earlier years (W13 final), 2008/09 (E13 Final); ACL - 2006/07 and earlier years (C03), 2007/08 (C03 final, C02 final), 2008/09
2) Further Education Provision includes General Further Education Colleges including Tertiary, Sixth Form Colleges, Special College - Agricultural and Horticultural Colleges and Art and Design Colleges, Specialist Colleges and External Institutions.
3) Volumes are rounded to the nearest hundred.
4) '-' Indicates a base value of less than fifty.
5) Figures for 2008/09 are not directly comparable to earlier years as the introduction of demand led funding has changed how data is collected and how funded learners are defined from 2008/09 onwards. More information on demand led funding is available at http://skillsfundingagency.bis.gov.uk/funding/policyandfunding/fundingpolicy/dlf/.
6) To allow for comparison between different data sources, tables use age as at 31 August of the academic year for all provision. These tables include learners under 19, including a small number of under 16 year olds.
7) Full-year numbers are a count of the number of learners that participated at any point during the year. Learners undertaking more than one course will appear only once in the 'total learners' category for each data collection. However, learners that are included in different data collections, whether that relates to different years or different funding streams, will be counted more than once. All learners undertaking a full level 2 or 3 qualification will also appear in the level 2 or level 3 category, respectively.
8) Employer Training Pilot (ETP) data is not available by region and has only been included in the Grand Total for total number of learners, full level 2 and skills for life. There were 16,100 ETP learners in 2002/03, 80,700 in 2003/04, 149,300 in 2004/05, 128,500 in 2005/06 and 29,100 in 2006/07.
9) Government Office Region is based upon the home postcode of the learner. Where the postcode is outside of England or unknown, learners are included in the 'Other' category.
10) Prior to 2004/05 Apprenticeship providers were only required to return information on the main aim of the framework. Skills for life is a component of an Apprenticeship, this means that skills for life data for 2002/03 and 2003/04 contains limited Apprenticeship data.

Table S3.1: Overall FE and Skills **Participation** by Level, Age and Government Office Region – Learner Volumes

Region	AGED 19 AND OVER											
	Total			Full Level 2			Full Level 3			Skills for Life		
	2006/07	2007/08	2008/09[5]	2006/07	2007/08	2008/09[5]	2006/07	2007/08	2008/09[5]	2006/07	2007/08	2008/09[5]
North East	192,500	199,200	250,100	34,600	47,000	65,800	18,000	22,700	27,700	43,500	46,000	62,200
North West	427,000	441,600	513,200	73,000	111,100	144,100	42,000	51,500	67,400	103,400	106,800	126,700
Yorkshire/Humber	321,100	339,700	386,600	58,500	84,800	110,300	28,200	33,800	41,900	81,200	85,900	97,400
East Midlands	267,700	282,900	321,700	48,500	72,200	95,000	23,800	29,300	38,800	63,900	68,700	77,200
West Midlands	367,000	377,700	435,200	63,300	91,400	123,800	33,600	39,800	52,500	92,200	94,600	105,200
East of England	293,000	314,200	355,200	45,800	69,300	87,700	22,000	27,600	37,600	71,400	71,000	83,800
London	502,400	513,300	564,800	52,400	91,900	119,000	30,400	40,100	51,300	164,400	163,100	175,500
South East	**419,600**	**441,100**	**492,500**	**59,600**	**87,000**	**115,500**	**37,700**	**44,700**	**58,000**	**102,000**	**104,800**	**118,600**
South West	315,400	332,000	362,300	48,100	71,300	91,200	28,600	34,000	43,400	64,500	69,500	82,500
England	**3,105,700**	**3,241,700**	**3,681,500**	**484,000**	**726,100**	**952,500**	**264,200**	**323,600**	**418,600**	**786,500**	**810,500**	**929,200**
Other	70,900	62,700	89,400	7,600	13,900	16,000	3,400	4,600	5,300	18,800	14,400	15,900
Grand Total	**3,205,700**	**3,304,400**	**3,770,900**	**516,300**	**740,000**	**968,600**	**267,600**	**328,100**	**423,900**	**809,300**	**824,800**	**945,100**

1) The following data sources have been used; FE - 2007/08 and earlier years (F05 final), 2008/09 (L05 Final); WBL - 2007/08 and earlier years (W13 final), 2008/09 (E13 Final); ACL - 2006/07 and earlier years (C03), 2007/08 (C03 final, C02 final), 2008/09
2) Further Education Provision includes General Further Education Colleges including Tertiary, Sixth Form Colleges, Special College - Agricultural and Horticultural Colleges and Art and Design Colleges, Specialist Colleges and External Institutions.
3) Volumes are rounded to the nearest hundred.
4) '-' Indicates a base value of less than fifty.
5) Figures for 2008/09 are not directly comparable to earlier years as the introduction of demand led funding has changed how data is collected and how funded learners are defined from 2008/09 onwards. More information on demand led funding is available at http://skillsfundingagency.bis.gov.uk/funding/policyandfunding/fundingpolicy/dlf/.
6) To allow for comparison between different data sources, tables use age as at 31 August of the academic year for all provision. These tables include learners under 19, including a small number of under 16 year olds.
7) Full-year numbers are a count of the number of learners that participated at any point during the year. Learners undertaking more than one course will appear only once in the 'total learners' category for each data collection. However, learners that are included in different data collections, whether that relates to different years or different funding streams, will be counted more than once. All learners undertaking a full level 2 or 3 qualification will also appear in the level 2 or level 3 category, respectively.
8) Employer Training Pilot (ETP) data is not available by region and has only been included in the Grand Total for total number of learners, full level 2 and skills for life. There were 16,100 ETP learners in 2002/03, 80,700 in 2003/04, 149,300 in 2004/05, 128,500 in 2005/06 and 29,100 in 2006/07.
9) Government Office Region is based upon the home postcode of the learner. Where the postcode is outside of England or unknown, learners are included in the 'Other' category.
10) Prior to 2004/05 Apprenticeship providers were only required to return information on the main aim of the framework. Skills for life is a component of an Apprenticeship, this means that skills for life data for 2002/03 and 2003/04 contains limited Apprenticeship data.

Table S5.1: FE and Skills - Learners (Aged 16+) Skills for Life **Participation** by Level and by Government Office Region – Learner Volumes

Region	AGED 16+											
	Total Skills for Life participation			of which Literacy			of which Numeracy			of which ESOL		
	2006/07	2007/08	2008/09[4]	2006/07	2007/08	2008/09[4]	2006/07	2007/08	2008/09[4]	2006/07	2007/08	2008/09[4]
North East	74,000	75,900	92,000	55,800	57,200	69,700	48,300	51,200	61,800	7,100	5,300	4,700
North West	181,100	184,100	206,200	130,400	132,200	147,400	111,900	116,900	137,300	24,000	18,300	18,700
Yorkshire/Humber	136,500	141,200	153,600	97,300	100,000	108,800	86,000	92,500	105,300	23,300	18,500	17,900
East Midlands	105,300	109,300	120,400	73,300	78,800	86,800	62,600	68,100	80,900	16,400	14,900	13,700
West Midlands	150,600	152,800	162,500	105,900	109,200	115,600	85,200	90,700	102,400	25,600	23,600	22,700
East of England	118,000	117,800	135,700	85,400	87,400	101,500	65,300	72,500	86,200	17,400	12,700	13,400
London	220,600	218,700	235,900	115,200	123,600	136,700	80,100	89,800	110,700	76,900	83,600	79,100
South East	**170,900**	**174,300**	**191,900**	**121,900**	**128,100**	**140,900**	**96,800**	**102,300**	**120,400**	**27,800**	**23,800**	**25,200**
South West	107,700	113,500	127,600	80,300	85,300	95,500	66,500	71,900	84,500	14,400	10,300	9,700
England	**1,264,600**	**1,287,600**	**1,425,800**	**865,400**	**901,800**	**1,002,900**	**702,800**	**755,900**	**889,500**	**233,000**	**211,000**	**205,000**
Other	23,800	19,200	19,900	11,200	11,100	11,700	8,200	8,300	9,100	10,900	6,800	6,600
Grand Total[7]	**1,292,400**	**1,306,800**	**1,445,800**	**876,600**	**912,900**	**1,014,600**	**711,000**	**764,100**	**898,600**	**243,900**	**217,800**	**211,600**

1) The following data sources have been used; FE - 2007/08 and earlier years (F05 Final), 2008/09 (L05 Final); WBL - 2007/08 and earlier years (W13 Final), 2008/09 (E13 Final); ACL - 2006/07 and earlier years (C03), 2007/08 (C03 Final, C02 Final), 2008/09 (C05 22/02/2010, C04 Final); UFI - 2007/08 and earlier years (U05 Final), 2008/09 (U05 08/02/10).
2) Volumes are rounded to the nearest hundred.
3) '-' Indicates a base value of less than fifty.
4) Figures for 2008/09 onwards are not directly comparable to earlier years as the introduction of demand led funding has changed how data is collected and how funded learners are defined from 2008/09 onwards. More information on demand led funding is available at http://www.lsc.gov.uk/providers/funding-policy/demand-led-funding.htm.
5) To allow for comparison between different data sources, tables use age as at 31 August of the academic year for all provision.
6) Full-year numbers are a count of the number of learners that participated/achieved at any point during the year. Learners undertaking/achieving more than one course will appear only once in the 'total learners' category for each data collection. However, learners that are included in different data collections, whether that relates to different years or different funding streams, will be counted more than once.
7) Employer Training Pilot (ETP) data is not available by region and has only been included in the Grand Total. There were 22,900 ETP learners in 2005/06 and 4,000 ETP learners in 2006/07.
8) Government Office Region are based upon the home postcode of the learner. Where the postcode is outside of England, learners are included in the 'Other' category. Where postcode is not known this is also included in the 'Other' category.

Table S5.1: FE and Skills - Learners (Aged 16-18) Skills for Life **Participation** by Level and by Government Office Region – Learner Volumes

Region	AGED 16-18											
	Total Skills for Life participation			of which Literacy			of which Numeracy			of which ESOL		
	2006/07	2007/08	2008/09[4]	2006/07	2007/08	2008/09[4]	2006/07	2007/08	2008/09[4]	2006/07	2007/08	2008/09[4]
North East	30,600	29,900	30,000	24,600	22,800	22,600	24,000	22,400	21,100	400	400	300
North West	77,800	77,300	79,700	60,400	58,300	60,400	55,100	51,900	55,400	1,500	1,500	1,300
Yorkshire/Humber	55,200	55,400	56,500	44,600	43,400	44,100	43,200	41,600	40,300	1,000	900	1,200
East Midlands	41,400	40,700	43,300	32,600	31,800	33,600	30,200	29,200	30,300	800	800	900
West Midlands	58,400	58,200	57,600	47,400	46,200	44,700	41,200	39,400	38,300	1,400	1,700	1,500
East of England	46,500	46,800	52,000	37,900	36,400	41,000	30,300	30,600	32,700	900	900	1,000
London	56,100	55,600	60,500	41,200	40,000	43,600	35,300	33,000	35,900	5,200	5,800	5,500
South East	**68,900**	**69,400**	**73,500**	**56,200**	**55,600**	**58,400**	**46,300**	**43,700**	**46,600**	**1,400**	**1,600**	**1,800**
South West	43,100	44,000	45,200	35,300	35,600	35,000	32,300	30,000	28,400	600	600	600
England	**478,100**	**477,100**	**498,300**	**380,100**	**370,200**	**383,400**	**338,000**	**322,000**	**329,000**	**13,200**	**14,200**	**14,100**
Other	5,000	4,900	4,100	3,800	3,600	3,000	3,400	3,200	2,700	500	400	400
Grand Total[7]	**483,100**	**482,000**	**502,400**	**383,900**	**373,900**	**386,400**	**341,400**	**325,200**	**331,700**	**13,700**	**14,600**	**14,500**

1) The following data sources have been used; FE - 2007/08 and earlier years (F05 Final), 2008/09 (L05 Final); WBL - 2007/08 and earlier years (W13 Final), 2008/09 (E13 Final); ACL - 2006/07 and earlier years (C03), 2007/08 (C03 Final, C02 Final), 2008/09 (C05 22/02/2010, C04 Final); UFI - 2007/08 and earlier years (U05 Final), 2008/09 (U05 08/02/10).

2) Volumes are rounded to the nearest hundred.

3) '-' Indicates a base value of less than fifty.

4) Figures for 2008/09 onwards are not directly comparable to earlier years as the introduction of demand led funding has changed how data is collected and how funded learners are defined from 2008/09 onwards. More information on demand led funding is available at http://www.lsc.gov.uk/providers/funding-policy/demand-led-funding.htm.

5) To allow for comparison between different data sources, tables use age as at 31 August of the academic year for all provision.

6) Full-year numbers are a count of the number of learners that participated/achieved at any point during the year. Learners undertaking/achieving more than one course will appear only once in the 'total learners' category for each data collection. However, learners that are included in different data collections, whether that relates to different years or different funding streams, will be counted more than once.

7) Employer Training Pilot (ETP) data is not available by region and has only been included in the Grand Total. There were 22,900 ETP learners in 2005/06 and 4,000 ETP learners in 2006/07.

8) Government Office Region are based upon the home postcode of the learner. Where the postcode is outside of England, learners are included in the 'Other' category. Where postcode is not known this is also included in the 'Other' category.

Table S5.1: FE and Skills - Learners (Aged 19+) Skills for Life **Participation** by Level and by Government Office Region – Learner Volumes

Region	AGED 19+											
	Total Skills for Life participation			of which Literacy			of which Numeracy			of which ESOL		
	2006/07	2007/08	2008/09[4]	2006/07	2007/08	2008/09[4]	2006/07	2007/08	2008/09[4]	2006/07	2007/08	2008/09[4]
North East	43,500	46,000	62,000	31,300	34,400	47,100	24,300	28,800	40,700	6,700	4,900	4,400
North West	103,400	106,800	126,400	70,000	73,900	87,000	56,800	65,000	82,000	22,500	16,900	17,300
Yorkshire/Humber	81,200	85,900	97,200	52,800	56,600	64,800	42,800	50,900	65,000	22,300	17,600	16,700
East Midlands	63,900	68,700	77,100	40,700	47,000	53,200	32,400	38,800	50,600	15,600	14,100	12,800
West Midlands	92,200	94,600	104,900	58,500	62,900	70,900	44,000	51,200	64,200	24,300	21,900	21,200
East of England	71,400	71,000	83,700	47,400	51,000	60,500	35,000	41,800	53,400	16,500	11,800	12,500
London	164,400	163,100	175,400	74,000	83,500	93,000	44,800	56,800	74,800	71,700	77,900	73,600
South East	**102,000**	**104,800**	**118,400**	**65,700**	**72,500**	**82,600**	**50,500**	**58,600**	**73,800**	**26,400**	**22,200**	**23,300**
South West	64,500	69,500	82,400	45,000	49,700	60,600	34,200	41,900	56,100	13,800	9,700	9,100
England	**786,500**	**810,500**	**927,500**	**485,300**	**531,600**	**619,600**	**364,800**	**433,800**	**560,500**	**219,800**	**196,900**	**190,900**
Other	18,800	14,400	15,800	7,300	7,400	8,700	4,800	5,100	6,400	10,400	6,400	6,200
Grand Total[7]	**809,300**	**824,800**	**943,400**	**492,700**	**539,000**	**628,300**	**369,600**	**438,900**	**567,000**	**230,200**	**203,200**	**197,000**

1) The following data sources have been used; FE - 2007/08 and earlier years (F05 Final), 2008/09 (L05 Final); WBL - 2007/08 and earlier years (W13 Final), 2008/09 (E13 Final); ACL - 2006/07 and earlier years (C03), 2007/08 (C03 Final, C02 Final), 2008/09 (C05 22/02/2010, C04 Final); UFI - 2007/08 and earlier years (U05 Final), 2008/09 (U05 08/02/10).
2) Volumes are rounded to the nearest hundred.
3) '-' Indicates a base value of less than fifty.
4) Figures for 2008/09 onwards are not directly comparable to earlier years as the introduction of demand led funding has changed how data is collected and how funded learners are defined from 2008/09 onwards. More information on demand led funding is available at http://www.lsc.gov.uk/providers/funding-policy/demand-led-funding.htm.
5) To allow for comparison between different data sources, tables use age as at 31 August of the academic year for all provision.
6) Full-year numbers are a count of the number of learners that participated/achieved at any point during the year. Learners undertaking/achieving more than one course will appear only once in the 'total learners' category for each data collection. However, learners that are included in different data collections, whether that relates to different years or different funding streams, will be counted more than once.
7) Employer Training Pilot (ETP) data is not available by region and has only been included in the Grand Total. There were 22,900 ETP learners in 2005/06 and 4,000 ETP learners in 2006/07.
8) Government Office Region are based upon the home postcode of the learner. Where the postcode is outside of England, learners are included in the 'Other' category. Where postcode is not known this is also included in the 'Other' category.

Table S6.1: Apprenticeship Programme **Starts** by Government Office Region (2003/04 to 2009/10 mid-year estimates)

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
	Full Year (final)	Full Year (final)	Full Year (final)	Full Year (final)	Full Year (final)	Full Year (final)	1 August to 31 January (provisional)
North East	13,800	14,000	13,500	12,600	16,700	17,200	9,500
North West	32,500	33,300	29,600	32,200	35,500	36,500	24,800
Yorkshire/Humber	24,300	24,600	22,400	24,100	29,300	32,200	19,000
East Midlands	18,700	18,400	16,900	17,400	21,700	22,200	13,000
West Midlands	22,200	22,100	20,800	20,200	25,400	27,900	15,800
East of England	18,300	17,100	15,900	16,800	21,000	21,200	12,300
London	11,900	12,400	11,000	11,100	14,500	17,200	10,100
South East	**27,500**	**25,300**	**23,400**	**26,500**	**32,200**	**35,000**	**20,400**
South West	21,100	19,000	19,000	20,800	25,300	27,800	19,500
England	**190,300**	**186,100**	**172,600**	**181,800**	**221,500**	**237,100**	**144,400**
Other	3,300	2,900	2,400	2,700	3,200	2,800	1,800
Grand Total	**193,600**	**189,000**	**175,000**	**184,400**	**224,800**	**239,900**	**146,100**

1) Provisional numbers for 2009/10 are not comparable with previous years. There can be significant variation between provisional and final estimates and typically these numbers can be expected to be revised upwards. While subsequent revisions to 2009/10 data may be different from previous years, in 2008/09 the final number of starts was up to approximately 5% higher than the provisional number at a similar point.
2) The following data sources have been used; Work-based learning (WBL) – 2007/08 and earlier years (W13 final), 2008/09 (E13 final), 2009/10 (E07 05/03/10).
3) Volumes are rounded to the nearest hundred.
4) '-' Indicates a base value of less than fifty.
5) Unlike participation figures, figures for 2008/09 and 2009/10 are comparable with earlier years as demand led funding rules are not applied to starts.
6) Full-year numbers are a count of the number of starts at any point during the year. Learners starting more than one framework will appear more than once.
7) Higher Level Apprenticeships are included with Advanced Apprenticeships. Programme-Led Apprenticeships recorded in WBL ILR returns are included in the above figures.
8) Government Office Region is based upon the home postcode of the learner. Where the postcode is outside of England, learners are included in the 'Other' category. Where postcode is not known this is also included in the 'Other' category.
9) Figures for 2008/09 have been updated using the final postcode matching file for 2008/09.

Table S6.1: Apprenticeship Programme **Starts** by Region, Level and Age 2006/07

Region	2006/07											
	Apprenticeship (level 2)				Advanced Apprenticeship (level 3)				All Apprenticeships			
	Under 19	19-24	25+	All Ages	Under 19	19-24	25+	All Ages	Under 19	19-24	25+	All Ages
North East	6,200	2,300	-	8,500	2,200	1,900	-	4,100	8,400	4,200	-	12,600
North West	14,000	7,700	-	21,700	4,700	5,800	-	10,500	18,700	13,500	100	32,200
Yorkshire/Humber	11,500	5,500	-	17,000	3,300	3,800	-	7,100	14,800	9,300	-	24,100
East Midlands	7,700	4,200	-	11,800	2,400	3,200	-	5,600	10,000	7,400	-	17,400
West Midlands	8,800	5,000	-	13,800	2,600	3,800	-	6,400	11,400	8,800	-	20,200
East of England	7,200	4,900	-	12,200	1,900	2,700	-	4,600	9,100	7,600	-	16,800
London	4,600	3,100	-	7,700	1,300	2,000	-	3,400	6,000	5,100	-	11,100
South East	**10,900**	**7,500**	**-**	**18,400**	**3,200**	**4,900**	**-**	**8,100**	**14,100**	**12,400**	**-**	**26,500**
South West	8,900	5,600	-	14,500	2,800	3,500	-	6,300	11,700	9,100	-	20,800
England	**79,700**	**45,700**	**100**	**125,600**	**24,500**	**31,600**	**100**	**56,200**	**104,200**	**77,300**	**300**	**181,800**
Other	1,000	800	-	1,800	400	400	-	800	1,400	1,200	-	2,700
Grand Total	**80,800**	**46,500**	**100**	**127,400**	**24,800**	**32,100**	**100**	**57,000**	**105,600**	**78,600**	**300**	**184,400**

1) The following data sources have been used; Work-based learning (WBL) – 2007/08 and earlier years (W13 final), 2008/09 (E13 final).
2) Volumes are rounded to the nearest hundred.
3) '-' Indicates a base value of less than fifty.
4) Unlike participation figures, figures for 2008/09 are comparable with earlier years as demand led funding rules are not applied to starts.
5) Full-year numbers are a count of the number of starts at any point during the year. Learners starting more than one framework will appear more than once.
6) Higher Level Apprenticeships are included with Advanced Apprenticeships. Programme-Led Apprenticeships recorded in WBL ILR returns are included in the above figures.
7) Government Office Region is based upon the home postcode of the learner. Where the postcode is outside of England, learners are included in the 'Other' category. Where postcode is not known this is also included in the 'Other' category. Age is calculated based on age at start of the programme.

Table S6.1: Apprenticeship Programme **Starts** by Region, Level and Age 2007/08

Region	2007/08											
	Apprenticeship (level 2)				Advanced Apprenticeship (level 3)				All Apprenticeships			
	Under 19	19-24	25+	All Ages	Under 19	19-24	25+	All Ages	Under 19	19-24	25+	All Ages
North East	6,000	3,200	1,800	10,900	2,300	2,200	1,200	5,700	8,300	5,400	3,000	16,700
North West	13,800	8,400	1,500	23,800	4,700	5,800	1,100	11,700	18,500	14,300	2,700	35,500
Yorkshire/Humber	11,700	6,200	1,800	19,800	3,700	4,100	1,700	9,500	15,500	10,400	3,500	29,300
East Midlands	8,400	4,900	1,300	14,500	2,500	3,500	1,100	7,200	10,900	8,400	2,400	21,700
West Midlands	8,800	6,000	1,800	16,500	2,700	4,200	2,000	8,900	11,500	10,200	3,800	25,400
East of England	7,800	5,700	1,200	14,600	2,000	3,300	1,000	6,400	9,800	9,000	2,200	21,000
London	4,700	3,700	1,500	9,900	1,400	2,300	900	4,600	6,100	6,000	2,400	14,500
South East	**10,800**	**9,400**	**2,100**	**22,300**	**3,000**	**4,900**	**1,900**	**9,900**	**13,800**	**14,300**	**4,000**	**32,200**
South West	8,900	6,800	1,500	17,300	2,800	3,900	1,300	8,000	11,700	10,700	2,900	25,300
England	**80,900**	**54,300**	**14,400**	**149,600**	**25,200**	**34,300**	**12,400**	**71,900**	**106,100**	**88,700**	**26,800**	**221,500**
Other	1,100	800	200	2,200	400	500	200	1,100	1,500	1,400	400	3,200
Grand Total	**82,000**	**55,200**	**14,600**	**151,800**	**25,500**	**34,900**	**12,600**	**73,000**	**107,600**	**90,100**	**27,200**	**224,800**

1) The following data sources have been used; Work-based learning (WBL) – 2007/08 and earlier years (W13 final), 2008/09 (E13 final).
2) Volumes are rounded to the nearest hundred.
3) '-' Indicates a base value of less than fifty.
4) Unlike participation figures, figures for 2008/09 are comparable with earlier years as demand led funding rules are not applied to starts.
5) Full-year numbers are a count of the number of starts at any point during the year. Learners starting more than one framework will appear more than once.
6) Higher Level Apprenticeships are included with Advanced Apprenticeships. Programme-Led Apprenticeships recorded in WBL ILR returns are included in the above figures.
7) Government Office Region is based upon the home postcode of the learner. Where the postcode is outside of England, learners are included in the 'Other' category. Where postcode is not known this is also included in the 'Other' category. Age is calculated based on age at start of the programme.

Table S6.1: Apprenticeship Programme **Starts** by Region, Level and Age 2008/09

Region	2008/09											
	Apprenticeship (level 2)				Advanced Apprenticeship (level 3)				All Apprenticeships			
	Under 19	19-24	25+	All Ages	Under 19	19-24	25+	All Ages	Under 19	19-24	25+	All Ages
North East	5,700	2,700	2,200	10,500	2,300	2,100	2,300	6,700	8,000	4,700	4,500	17,200
North West	11,900	7,400	4,300	23,600	4,500	5,200	3,200	12,900	16,400	12,700	7,500	36,500
Yorkshire/Humber	11,500	6,400	3,700	21,500	3,400	3,900	3,300	10,600	14,800	10,300	7,000	32,200
East Midlands	7,200	4,700	2,900	14,800	2,500	3,000	1,900	7,400	9,600	7,700	4,900	22,200
West Midlands	8,400	5,800	3,500	17,700	2,900	3,900	3,300	10,200	11,300	9,700	6,800	27,900
East of England	6,600	5,100	2,900	14,600	2,000	2,600	2,000	6,600	8,600	7,700	4,900	21,200
London	4,600	3,700	3,200	11,500	1,500	2,100	2,100	5,700	6,100	5,800	5,300	17,200
South East	**9,700**	**9,200**	**5,000**	**23,900**	**3,100**	**4,900**	**3,200**	**11,200**	**12,800**	**14,100**	**8,200**	**35,000**
South West	7,900	7,100	3,600	18,700	2,600	3,900	2,600	9,100	10,600	11,000	6,200	27,800
England	**73,400**	**52,000**	**31,400**	**156,800**	**24,800**	**31,700**	**23,900**	**80,300**	**98,200**	**83,700**	**55,200**	**237,100**
Other	800	600	300	1,700	400	400	300	1,100	1,200	1,000	600	2,800
Grand Total	**74,200**	**52,600**	**31,700**	**158,500**	**25,200**	**32,100**	**24,200**	**81,400**	**99,400**	**84,700**	**55,900**	**239,900**

1) The following data sources have been used; Work-based learning (WBL) – 2007/08 and earlier years (W13 final), 2008/09 (E13 final).
2) Volumes are rounded to the nearest hundred.
3) '-' Indicates a base value of less than fifty.
4) Unlike participation figures, figures for 2008/09 are comparable with earlier years as demand led funding rules are not applied to starts.
5) Full-year numbers are a count of the number of starts at any point during the year. Learners starting more than one framework will appear more than once.
6) Higher Level Apprenticeships are included with Advanced Apprenticeships. Programme-Led Apprenticeships recorded in WBL ILR returns are included in the above figures.
7) Government Office Region is based upon the home postcode of the learner. Where the postcode is outside of England, learners are included in the 'Other' category. Where postcode is not known this is also included in the 'Other' category. Age is calculated based on age at start of the programme.

Table S7.1: Train to Gain **Starts** by Government Office Region (2005/06 to 2009/10 mid year estimates)

	2005/06	2006/07	2007/08	2008/09[5]	2009/10[1,5]
	April to August (Final)	Full Year (Final)	Full Year (Final)	Full Year (Final)	1 August to 31 January (provisional)
North East	3,500	15,200	19,800	75,800	20,900
North West	6,300	33,600	51,800	127,600	40,500
Yorkshire/Humber	6,000	20,900	36,100	88,400	29,100
East Midlands	2,500	20,700	34,100	81,400	27,100
West Midlands	5,100	27,800	47,400	106,600	29,000
East of England	2,000	19,200	30,700	71,200	20,200
London	1,900	24,700	51,400	94,600	26,700
South East	**2,100**	**22,300**	**39,200**	**92,800**	**29,400**
South West	1,700	17,300	27,500	65,500	23,200
England	**31,100**	**201,800**	**338,100**	**803,800**	**246,100**
Other	1,300	4,600	8,100	13,600	4,500
Grand Total	**32,400**	**206,300**	**346,200**	**817,400**	**250,600**

1) Provisional numbers for 2009/10 are not comparable with previous years. There can be significant variation between provisional and final estimates and typically these numbers can be expected to be revised upwards. While subsequent revisions to 2009/10 data may be different from previous years, in 2008/09 the final number of starts was up to approximately 8% higher than the provisional number at a similar point.
2) The following data sources have been used; Work-based learning (WBL) – 2007/08 and earlier years (W13 final), 2008/09 (E13 final), 2009/10 (E07 05/03/10).
3) Volumes are rounded to the nearest hundred.
4) '-' Indicates a base value of less than fifty or 'not applicable'.
5) Demand led funding rules are not applied to starts and achievements. However, figures for 2008/09 onwards are not comparable with earlier years as in 2008/09 onwards NVQs delivered in the workplace previously funded by FE are now funded by Train to Gain. There were 181,000 starts and 132,000 achievements in NVQs delivered in the workplace in 2007/08.
6) Data for NVQs delivered in the workplace by FE organisations are included in the figures for 2008/09 onwards.
7) The full-year numbers are a count of the number of achievements at any point during the year. Learners achieving more than one course will appear more than once.
8) Government Office Region is based upon the home postcode of the learner. Where the postcode is outside of England, learners are included in the 'Other' category. Where postcode is not known this is also included in the 'Other' category.
9) Figures for 2008/09 have been updated using the final postcode matching file for 2008/09.

Higher Education students totals by subject and year in the South East (OU excluded)

Subject area	2006/07	2007/08	2008/09
Medicine & dentistry	3,665	3,930	3,948
Subjects allied to medicine	28,200	26,425	25,767
Biological sciences	15,393	16,230	17,027
Veterinary science	0	0	0
Agriculture & related subjects	1,045	1,235	1,303
Physical sciences	9,290	9,366	9,828
Mathematical sciences	3,707	3,726	3,903
Computer science	8,017	7,982	7,730
Engineering & technology	11,655	11,976	12,498
Architecture, building & planning	5,689	6,018	6,362
Social studies	22,544	22,755	22,875
Law	8,110	8,011	8,137
Business & administrative studies	26,330	28,257	31,205
Mass communications & documentation	5,194	5,403	5,605
Languages	15,216	14,615	16,768
Historical & philosophical studies	13,156	13,506	12,281
Creative arts & design	19,961	21,378	21,916
Education	20,078	19,465	20,205
Combined	6,495	6,583	5,954
Total	**223,745**	**226,861**	**233,312**

Changes in numbers of HE students by age and year in the South East (OU excluded)

Age group	2006/07		2007/08		2008/09	
17 and under	793	0.4%	981	0.4%	890	0.4%
18 - 24	137,924	61.6%	142,691	62.9%	148,571	63.7%
25 and over	84,398	37.7%	82,701	36.5%	83,340	35.7%
Age unknown	630	0.3%	490	0.2%	510	0.2%
Total	**223,745**	**100%**	**226,863**	**100%**	**233,311**	**100%**

HE students by level and year in the South East (OU excluded)

Level of study	2006/07		2007/08		2008/09	
Postgraduate	50,901	23%	49,506	22%	52,375	22%
Foundation degree	5,666	3%	6,942	3%	8,580	4%
Other undergraduate	167,178	75%	170,415	75%	172,356	74%
Total	**223,745**	**100%**	**226,863**	**100%**	**233,311**	**100%**

Subjects by level and subject area (2008/09 only - OU excluded)

Subject area	Postgraduate		Foundation degree		Other undergraduate		Total
Medicine & dentistry	1,075	27%	0	0%	2,873	73%	3,948
Subjects allied to medicine	5,282	20%	593	2%	19,892	77%	25,767
Biological sciences	3,343	20%	242	1%	13,442	79%	17,027
Veterinary science		0%		0%		0%	0
Agriculture & related subjects	224	17%	361	28%	718	55%	1,303
Physical sciences	2,396	24%	0	0%	7,433	76%	9,828
Mathematical sciences	809	21%	2	0%	3,092	79%	3,903
Computer science	1,878	24%	212	3%	5,639	73%	7,730
Engineering & technology	3,270	26%	529	4%	8,698	70%	12,498
Architecture, building & planning	1,537	24%	184	3%	4,641	73%	6,362
Social studies	5,082	22%	861	4%	16,932	74%	22,875
Law	1,398	17%	11	0%	6,729	83%	8,137
Business & administrative studies	9,994	32%	2,654	9%	18,557	59%	31,205
Mass communications & documentation	481	9%	87	2%	5,036	90%	5,605
Languages	2,268	14%	5	0%	14,495	86%	16,768
Historical & philosophical studies	2,216	18%	186	2%	9,879	80%	12,281
Creative arts & design	1,827	8%	1,014	5%	19,074	87%	21,916
Education	9,269	46%	1,639	8%	9,297	46%	20,205
Combined	25	0%	0	0%	5,929	100%	5,954
Total	**52,374**	**22%**	**8,580**	**4%**	**172,356**	**74%**	**233,312**

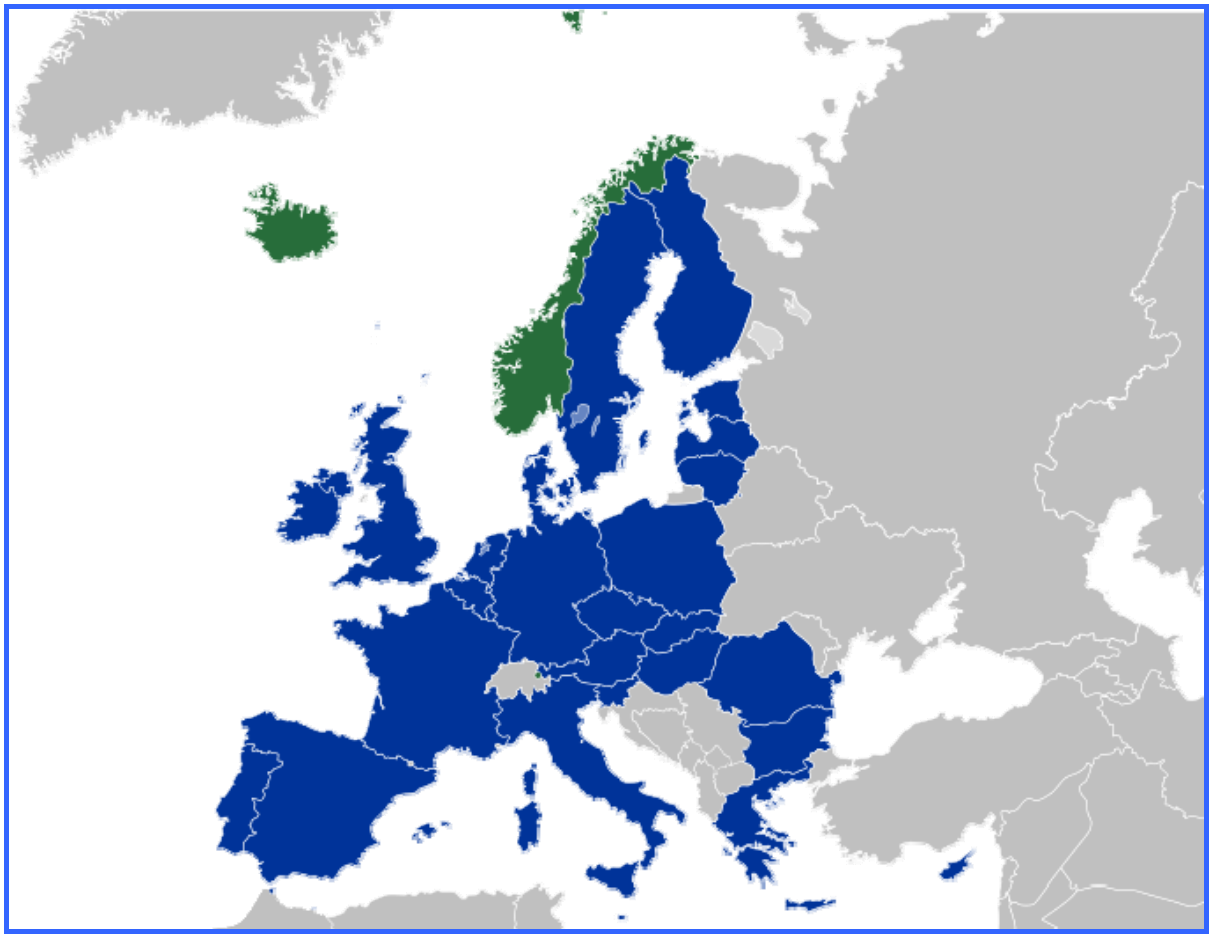
Mode of HE study by age and year – South East (OU excluded)

Age Group	2006/07		2007/08		2008/09	
	F/T	P/T	F/T	P/T	F/T	P/T
17 and under	735	58	808	173	721	169
18 - 24	129,791	8,133	133,985	8,706	139,262	9,309
25 and over	31,915	52,483	32,165	50,536	32,103	51,237
Age unknown	11	619	8	482	12	498
Total	**162,452**	**61,293**	**166,966**	**59,897**	**172,098**	**61,213**

Appendix Five: European Economic Area

This was established on 1 January 1994 to enable member states of the European Free Trade Association (EFTA), who were not in the European Union (EU) to participate in the EU's single market without full EU membership. The EEA thus currently comprises the 27 member states of the EU plus the 3 EFTA countries of Norway, Iceland and Liechtenstein. Although Switzerland is a member of EFTA, it rejected ratification of the agreement.

EUROPEAN ECONOMIC AREA			
EU Member States			EFTA Member States
Austria	Germany	Netherlands	Iceland
Belgium	Greece	Poland	Liechtenstein
Bulgaria	Hungary	Portugal	Norway
Cyprus	Ireland	Romania	
Czech Republic	Italy	Slovakia	
Denmark	Latvia	Slovenia	
Estonia	Lithuania	Spain	
Finland	Luxembourg	Sweden	
France	Malta	United Kingdom	



European Union current member states

EFTA member countries (except Switzerland)

SEEDA
Cross Lanes
Guildford
Surrey
GU1 1YA

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