IMPACT OF RECESSION ON THE LABOUR MARKET IN THE SOUTH EAST

Alliance Sector Skills Councils

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Working for England's World Class Region

Impact of the Recession on the Labour Market in the South East

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The views expressed in this report do not necessarily represent the views of SEEDA, the LSC and their partners.

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Executive Summaries

This report opens with four executive summaries which can be read independently of each other. These cover:

- **The impact of recession on LSC priority groups**
- **The impact of recession on LSC priority programmes**
- **The impact of recession on employers' skills needs and training practices**
- **The impact of recession on industrial sectors.**

The Impact of Recession on Learning and Skills Council (LSC) Priority Groups in the South East Region of England

Introduction

In early 2009, the LSC and SEEDA commissioned research from the Institute for Employment Studies (IES) and The Institute for Employment Research at the University of Warwick to understand:

- The impact of economic downturn on skills needs and training practices within different sectors in the South East, focussing on a mixture of sectors which were seriously affected by recession and those which might lead the recovery.
- The impact of economic downturn on LSC priority programmes, with a focus on Train to Gain and Apprenticeships, and priority groups

This briefing is based on research conducted using a mixture of statistical analysis of national data on employment patterns, apprenticeship and Train to Gain participation and interviews with 40 stakeholder organisations, 20 employers from a variety of sectors, and 11 training providers. The research was conducted between March and May 2009. The research does not claim to capture fully all activity taking place across different parts of each sector in different sub-regions and local areas, and is simply a snapshot at the time the data was collected. The views expressed do not necessarily represent the views of the South East England Development Agency (SEEDA), the LSC, and their partners.

The economic context

The UK economy went into recession in the last quarter of 2008 and economic forecasters expect the economy to contract by around three per cent during 2009. Evidence from previous recessions shows that unemployment can continue to rise for a period after the economy returns to growth, so the effects of recession on employment may persist.

Initial signs suggest the economy in the South East is one of the most resistant to recession given its relatively strong performance in high value added sectors, though the recession is having a serious negative effect on business performance and employment. In late 2008, manufacturing and construction were most affected by the economic downturn but since then almost every sector of the economy has experienced business failures and job losses. Unemployment has increased across the region but some areas have suffered more than others and in absolute terms, unemployment levels in the South East appear likely to remain lower than in other regions.

Current predictions suggest that the recession will bottom out during 2010 and growth will resume during 2010/11. There is, however, a high degree of uncertainty attached to the economic outlook and the pace with which the economy will recover over the medium-term. Recessions are more likely to hasten

structural economic change than cause it, and economic trends in sectoral growth and decline can resume quite quickly once recovery has begun.

How are different priority groups being affected?

Recession leads to more people chasing fewer vacancies, so employers have a bigger recruitment pool from which to select new staff. Applicants are usually selected according to their attractiveness to employers, their skills and the costs of employing them in terms of training and supervision needed, which has negative implications for vulnerable groups.

People with relatively low skills or who face particular difficulties in the labour market such as **people with disabilities** are likely to be at a disadvantage in securing employment and training. Cost-cutting within companies, as a result of the recession, often places pressure on training costs. This has implications for training **young people** where the net costs of initial vocational education are relatively high over the early part of the training period, and **older people** if the employer considers that they will be not be employed for a sufficiently long period to recoup training costs.

From the evidence collected in this study a number of groups can be identified as being adversely affected by the recession:

- The position of **young people** entering the labour market is important. Evidence from the Office for National Statistics (ONS) shows that youth unemployment, which has been largely absent from the labour market over recent years, is increasing again. Apprenticeship training provides a means of tackling this, but evidence based on National Connexions Customer Information System (NCCIS) data from the Department for Children Schools and Families suggests that the number of young people who are not in education or training (NET) or not in education, employment or training (NEET) has risen and Individual Learner Records (ILR) data shows that much of the increase in apprenticeship course starts has been accounted for by older apprentices. Youth unemployment is significant, because many people acquire their qualifications and skills while young. If young people miss the opportunity to acquire qualifications and skills by the time they are in their early 20s, then they are more likely to fail to acquire them altogether. Young people aged 16-18 with lower levels of educational achievement are finding it harder to access education because more young people are choosing to delay entry to the labour market while the economy is weak. Stakeholders reported that training providers funded through output-related assessment are implementing tougher recruitment criteria to ensure quality of entrants.
- Stakeholders believed that **people who are NET or NEET** would find it harder to gain access to both training and employment as a result of recession and were already starting to see this happen as the labour market for young people slackens. Employers generally did not explicitly focus on whether young people were NET or NEET prior to recruiting them. However, increased employer use of qualifications as a filtering or screening criterion for selection, coupled with a demand for ‘oven-ready’ staff who would be fully productive as quickly as possible means that young people who are NET or NEET are likely to find it

harder to gain employment in a slack labour market. Employers were also less likely to be offering work experience or volunteer positions when making staff redundant.

- Stakeholders reported that **young men were disproportionately likely to be affected** because they leave school with lower levels of qualifications but also because recession was affecting industries with male-dominated low-skilled occupations such as manufacturing and construction. Older male workers with low qualifications and long tenure in lower skilled occupations may also find it harder to gain work, in part due to salary expectations.

- **People aged 19 and over** were finding it harder to gain apprenticeships due to lack of funding. (It should be noted that a funding regime change announced in March has now provided some funding for apprentices aged 19 and over.) However, given reports of diminishing employer appetite for apprentices, it is not certain whether this demand will continue.

- **People with multiple disadvantages who live in areas of socio-economic deprivation with high levels of unemployment** are likely to be at a disadvantage in securing employment and/or training, in part because of shortages of work in their local area. The difficulties are even greater for those who are likely to face implicit or explicit discrimination due to an ethnic minority background and/or a disability. Stakeholders in contact with **young people from vulnerable groups, including people with Learning Difficulties or Disabilities (LDD), teenage mothers, and those leaving care**, believed that these groups are now facing greater competition for work and training places from other young people who are NEET but who are likely to possess higher levels of skills and qualifications. Connexions staff reported that employers were now less likely to recruit young people who, due to learning difficulties or disabilities, require supported employment. This is likely to be due to employer perceptions of the need to spend increased time and resources on supervising and mentoring these recruits, as some stakeholders were noting that employers were reluctant to recruit apprentices with additional support needs for the same reason.

- **Older workers** may lose their jobs in those sectors where the long-run trend is one where total employment is likely to decline, such as manufacturing, and may need help in identifying/acquiring transferable skills for other work. This suggests that these people may not be able to acquire jobs in the sectors where they previously worked. However, in parts of manufacturing where there is an ageing workforce, once the upturn comes, there will be a continued demand to replace older workers on retirement even when the absolute number of people employed is shrinking.

- The **long-term unemployed** are another priority group. Unemployment levels are likely to continue to rise for a considerable period of time after the economy returns to growth. The unemployment-vacancy ratio is increasing (more people chasing fewer jobs) and long-term unemployment is starting to increase in the South East.

Recommendations to help young people

- **Local Authority Children's Trusts should ensure that they are tracking young people who are NEET/NET and offering multiple forms of support** to help them move towards training/education which could build on Activity and Learning Agreements.[1]
- Since participation in post-16 learning is potentially the best option for young people leaving care and those with very low or no qualifications given increasing competition for employment, **support structures including financial support through Care to Learn and Learner Support Funds will need to be expanded** to cope with the likely increase in demand, and the LSC and its successors may wish to prioritise funding in this area.
- A bigger pool of potential employees leads employers to place additional importance on qualifications as selection criteria. **Careers advice given to young people,** through the Connexions service for example, **needs to encourage young people to gain qualifications** because of the premium employers will place on these in selecting new staff.
- There are also persistent skills shortages in high level technical occupations in the South East region, especially science, engineering and IT. **The LSC, its successors and relevant Sector Skills Councils should work with HE and FE institutions to consider how best to enable disadvantaged young people to move into these fields**, making use of modular units of attainment to enable progression.
- **The Connexions service may wish to continue to review how it prioritises distribution of its resources** due to concerns about shortages in areas where demand is rapidly rising.

Recommendations to help other vulnerable groups

- **Providers need to be incentivised to recruit people who are furthest from the labour market** as, although demand for support will rise among higher skilled people who have been made redundant, the latter group is likely to find new employment more quickly.
- **Sectors with demands for replacement workers due to an ageing workforce should be promoted** to appropriate priority groups. These include parts of manufacturing and engineering.
- **JCP and Nextstep could prioritise the most vulnerable groups for training through the Integrated Employment and Skills Service** which has been trialled in Hampshire and the Isle of Wight and is being rolled out in other parts of the region.

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[1] See Maguire et al. (2008), Evaluation of the Activity and Learning Agreement Pilot: Process Evaluation: Year One Report, DCSF Research Report RW027, (TSO; Sheffield).

Recommendations to help people gain employment

- **The LSC, Learning and Skills Improvement Service (LSIS)[1], and the Adult Advancement and Careers Service could quality assure information provided on careers and training to redundant workers by stakeholder partners[2]**, to ensure it is informed by knowledge of local labour market trends and employer needs. Wider research evidence suggests that training providers may be recruiting individuals to courses which may not lead to employment, due to lack of vacancies or demand for higher level qualifications which individuals are unable to source or attain.

- The recession is currently having an uneven impact across the economy. **The LSC should target employers and occupations in sectors which are less affected by recession** to enable it to achieve aims and objectives with respect to priority groups, building on the work which is already being done by Connexions to assess where best to try to place apprentices. These sectors could include social care, social work, wider employment in the public sector, as well as tourism/hospitality and catering which may benefit from the forthcoming Olympic Games. The developing low carbon economy may offer job prospects as well as digital media and creative industries.

- **Stakeholders need to continue to provide rapid assistance in retraining and finding employment** when firms are planning redundancies, with closer working between relevant agencies such as JCP and learning providers. SEEDA is already supporting this through the Continuing Employment Support Service run by JCP. These services help ensure that employees' transferable skills are identified before they are out of work and potentially allow them to undertake training required to help them to move sectors. There is potential for the LSC to learn from early experiences of implementing the Sector Employability Toolkits which are currently being rolled out in the retail and hospitality sectors, with care and logistics to follow shortly.

- **Support for intermediary labour market activity such as volunteering opportunities** from stakeholders acting in partnership such as local authorities, Employment and Skills Boards, Regional Development Agencies (RDAs), Business Link, JobCentre Plus (JCP), Connexions, the LSC and its successors is likely to be beneficial in developing employability skills among priority groups.

- To improve the training and employment options for those out of work through back to work, pre-employment training, **an increase in the maximum permitted working hours per week before loss of benefits entitlement** was sought, which could be considered by the DWP and JCP.

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1 LSIS's remit is to develop excellent and sustainable further education and skills provision across the learning and skills sector; providing advice on improving information on course provision falls within this scope.

2 Many of the SSCs have also been involved in a project providing LMI and occupational information to the Adult Advancement Careers service. This will be used on a portal to be created in 2010 when the service rolls online.

- In addition to the incentives to firms for offering internships to graduates who have been unemployed for six months, stakeholders felt that **additional financial incentives for hiring staff** should be considered, possibly targeted at smaller businesses. These could be tapered, with larger incentives offered for the provision of employment or work placements for more vulnerable groups such as low skilled workers, those with learning disabilities, and young people who are NEET. This could be considered by the new Department for Business, Innovation and Skills.

The Impact of Recession on Learning and Skills Council (LSC) Priority Programmes in the South East Region of England

Introduction

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structural economic change than cause it, and economic trends in sectoral growth and decline can resume quite quickly once recovery has begun.

How are different priority programmes being affected?

Apprenticeships

There is evidence of early indications that young people are vulnerable to unemployment as a result of recession. This raises policy questions of how to ensure they are best supported to maximise their chances of employment both during the recession and once economic recovery begins. There has been recent concern about the level of demand for apprenticeships against the backdrop of government plans for significant expansion in apprenticeship places both prior to the onset of recession and as a more recent policy response to the prospective problems of tackling youth unemployment. Recession is likely to reduce employer willingness to recruit apprentices so careful policy attention needs to be given to boosting numbers. This may be challenging and sectors may require careful targeting, reflected in the recommendations below.

- Analysis of LSC ILR data shows that **apprenticeship starts have been growing** but **with an uneven distribution across geographical areas**. The numbers of apprenticeship starts in the South East in 2008 is similar to the pattern for the rest of England.
- The growth in apprenticeships has been largely driven by an **increased share of apprenticeship starts among people over the age of 25** and this is consistent with some of the interview data which reported unmet employer demand for older apprentices. Employers are reported to be seeking older staff with more work experience. However, analysis of ILR data shows that the share of apprenticeships held by people aged over 25 has decreased since August 2007 in the South East compared to the rest of England, further justifying the likelihood of unmet demand. Funding for older apprentices is limited which causes a mismatch between demand and supply.
- Starts on **apprenticeships related to management have experienced highest growth**, which is consistent with the apprenticeships that older workers may be more likely to seek. The numbers of new starts for manufacturing and construction apprenticeships have declined, which is consistent with the quantitative and qualitative evidence on patterns of sectoral job loss.
- **Highest rates of growth in apprenticeship starts were across the service sector**, in particular hospitality and catering; customer service; business administration; active leisure and learning; retail; and health and social care. However, it remains to be seen whether the demand for apprentices continues into the Autumn of 2009.
- **There is uneven demand for apprenticeships across sectors**. Evidence from interviews with stakeholders and employers supports the patterns of growth and decline in apprenticeship starts evident in the quantitative data. Sectors that are being hit hardest by the recession are those that have

traditionally taken on apprentices, such as engineering, manufacturing and construction. Employers in sectors without a tradition of apprenticeship such as retailing and financial services may require convincing of the value of the qualification to stimulate demand, although the quantitative data suggests that apprenticeship numbers in some of these sectors (such as financial services) is starting to rise.

- Stakeholders reported evidence of **apprentice redundancies** and cases where apprentices are reluctant to disclose this to learning providers due to fear of losing their place.
- There was widespread concern about the need to **preserve the supply of apprentices** especially in industries with relatively long training periods and demands for high skill levels.

Train to Gain

Train to Gain's combination of brokering to identify training needs coupled with government subsidy of Level 2 (and some Level 3) qualifications has proved popular with employers, including some of those from harder-to-reach groups, although it has sustained some criticism for deadweight effects. The budget for Train to Gain was underspent in the late summer of 2008, but funding rules have been relaxed to permit smaller units of training to be funded and to include access to management and leadership training for small businesses. This has led to much higher levels of participation in Train to Gain and significant pressure on the budget, which will come under increasing pressure due to constraints on public sector spending. The success of Train to Gain derives in part from substantial investment in marketing and promotion for the scheme. There is also some evidence that as a result of recession, organisations are seeking to make use of public training subsidies to cover the costs of training which was previously funded by employers, and Train to Gain is a mechanism to achieve this.

- **Train to Gain starts have increased substantially across all geographical areas and workers of all ages**, almost tripling across the South East as a whole and at least doubling in all LSC areas between the period from August 2007–January 2008 to August 2008–January 2009. Unlike apprenticeships there is much less variation in growth rates across different age groups.
- **The major reason for the increase in Train to Gain's popularity is relaxation in funding rules** according to stakeholders. For example, there is greater flexibility in the possibility of funding a second qualification at Level 2 for some workers. There has also been widespread demand for management and leadership courses due to the new availability of funding for courses in this area. The lower volume of paperwork compared to apprenticeships also makes Train to Gain more popular with employers.
- **There is strong growth in Train to Gain course starts related to management, professional, and associate professional occupations**. However, the majority of Train to Gain course starts remain in personal services, elementary, process occupations and skilled trades.

Recommendations

- Stakeholders will need to identify and make efforts to **find alternative placements for redundant apprentices**.[1] Training providers need to monitor the employment status of apprentices due to reports that apprentices may not admit they have been made redundant. Under recent funding changes, apprentices who are made redundant are now entitled to full funding for up to six months while finding a new employer. The Apprenticeship Ambassadors Network, SSCs, the LSC and National Skills Academies could develop apprentice sharing or rotation schemes between employers and seek to place redundant apprentices with employers as ‘backfill’ while their usual apprentices are undertaking off-the-job training in colleges.
- Stakeholders perceived increasing reluctance among some employers to offer apprenticeships but were finding it difficult to predict where demand would drop and by how much. **The LSC could monitor change in demand for apprentices and Train to Gain courses until the early Autumn** in order to be able to prioritise resources for promoting and supporting this training.
- The LSC and its successors should **monitor the impact of redundancy on apprenticeship completion**, in particular any impact of the new flexibilities in apprenticeship assessment announced in March 2009.
- Learning providers, Sector Skills Councils, the Apprenticeship Ambassadors Network and National Skills Academies may wish to consider **developing materials and further promoting apprenticeships to employers in sectors without a tradition of apprenticeship**, where there is evidence of some growing interest such as financial services. While the current impact of recession on this sector has been severe, it is predicted to be a growth sector for recovery in the medium-term. The LSC and Connexions could continue to **explore the placement of young people in public sector organisations**, following the expansion of apprenticeship places in the sector announced earlier this year, working in partnership with the new National Apprenticeship Service[2]. The possibility of delivering apprenticeships for those in part-time and temporary work could be explored.
- Some stakeholders reported that **national targets for funding of apprenticeships** according to different age groups, for example, were unhelpful as it was sometimes difficult to match centralised targets with local demand. This issue could be reviewed by the National Apprenticeship Service.

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[1] An ESF project to support redundant apprentices is one example of initiatives in this area.

[2] The LSC commissioned research to identify sectors with potential for expansion of apprenticeships which include parts of central government, occupations currently not covered by SSCs such as hairdressing, and retailing, hospitality and catering, as well as sectors within the manufacturing and process industries (LSC/Experian (2009), Sectors with Potential for Expanding Apprenticeships (LSC, Coventry). However, greater effort may be required to convince employers of the benefits of apprenticeships in parts of the service sector without a history of requiring qualifications when recruiting young people.

The Impact of Recession on Employers' Skills Needs and Training Practices in the South East Region of England

Introduction

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structural economic change than cause it, and economic trends in sectoral growth and decline can resume quite quickly once recovery has begun.

How are employers' skills needs and training practices being affected?

There are differences between the methods used to address skills needs in large organisations, those experiencing skills shortages and small firms or those with rapid changes in skills needs

Larger organisations and those in industries with skills shortages tend to 'grow their own' skills by taking on apprentices and other trainees. Smaller organisations and businesses undergoing rapid change or growth are more likely to buy in skilled staff. Training within smaller organisations is more likely to be informal, unstructured and on-the-job. Employers in sectors without a history of requiring qualifications such as retail and hospitality may not demand them, placing greater weight on experience.

Most sectors with skills shortages are continuing to suffer them. These include high level IT and specific scientific skills and lower skilled jobs in retail, warehouse work, hospitality and catering

High level skill shortages persist in scientific occupations such as medical, pharmaceutical and engineering roles. Some stakeholders were also reporting local pockets of demand for low skilled workers, particularly in warehouses and the hospitality industry, due to departures of migrant workers from the UK. A bigger labour pool in industries suffering large scale redundancy has made it easier for employers to recruit skilled staff, resulting in reduced training opportunities for young people, including apprentices.

Many organisations are experiencing no change in skills needs due to insulation from the effects of recession or adoption of long-term strategies to skills development

Many interviewees reported that employers' skills needs were substantially unchanged despite the economic downturn. Around half the employers who were interviewed believed that recession was having no effect on the skills required in their organisation for a number of reasons. These factors included organisations' products and services being immune to the impact of consumer spending for example, some employers being committed to long-term investment in skills due to the nature of their sectors which required long periods of training, and others being committed to training as a means of surviving recession.

Employers are seeking shorter bite-sized training provision

Larger organisations hit by the recession tend to lay off staff but continue to train their existing staff. Small organisations are more likely to cut training and retain staff. The long-term shift towards funded, accredited programmes is subject to conflicting pressures during the recession; employers are turning to more cost-effective means of training staff but employees are seeking qualifications that recognise their existing skills, mindful of the need to ensure their market value to other employers in a climate of reduced job security. There is an increased demand for 'bite-sized' training courses as businesses re-skill staff to meet the changing demands of their organisations in recession.

Employers are being more selective in targeting training at particular staff groups…

Employers are more likely to provide training to senior staff who are responsible for business survival and to new and/or young trainees who are doing operational roles or are key to future business growth. Some training is being offered to staff in business support roles to cope with additional demands arising from recession-related activity such as handling financial issues and redundancies. Some employers are converting bespoke in-house courses to funded training courses, where possible, to take advantage of subsidies or bringing training which receives no public funding in-house. Other employers are seeking more creative ways to train staff in-house by using internal workshops, mentoring, shadowing, buddying and internal coaching.

…and employer commitment to investment in training varies by sector and occupation

Businesses in sectors suffering from a shortage of specific technical skills pre-recession, such as engineering, are more likely to continue investing in training in order to maintain and build on these skills for the upturn. In sectors that rely heavily on changing technology, such as IT, continued training is necessary to enable the business to remain competitive. Conversely, businesses operating in sectors that have been badly hit by the recession, such as construction, are more likely to decrease their investment in skills.

Recruitment patterns are uneven, with evidence that employers are benefiting from a slacker labour market

Some employers, especially those with long-term, often public sector, contracts are still recruiting and finding it easier to obtain skilled staff due to large-scale redundancies in particular sectors, most notably construction and manufacturing.

A diminishing migrant labour pool and mismatches between vacancies and available labour is resulting in some skills shortages

Some stakeholders and employers report that it has been more difficult to recruit to certain roles due to localised departures of migrants which has created vacancies in elementary occupations. In sub-regional areas with demands for high level skills, higher level roles remain vacant but there are significant numbers of people seeking work who have been made redundant from elementary occupations requiring low or no qualifications/skills.

Employers have not changed their recruitment methods, but few in the sample used the public employment service to fill vacancies

Most employers advertised vacancies on their website and in the local press, relied on staff referrals and word of mouth and attended jobs fairs at schools and universities. Some have reported unsatisfactory experiences of attempting to recruit through JCP in the past.

Employers are receiving high numbers of applications and using tighter screening criteria

High numbers of applications are placing an administrative burden on employers; they are therefore using qualifications as a screening criteria, although they accept these may not be the most useful or suitable way of discriminating between the quality of different applicants.

Recession is heightening, if not creating, demands for management skills

Both stakeholders and providers frequently stressed the management challenges inherent in weathering the recession and believed that a number of skills needs were unmet. They pointed to a need to raise general management skills, across the SME sector in particular. Given that (with one exception) no employers reported any of these skills needs, this suggests that any deficiencies in management skills are *unrecognised* by employers. The management skills needed were varied and included business and financial planning, negotiation and procurement skills, and skills in training younger workers.

Better marketing and sales skills are required in more competitive markets

The increased importance of sales capability (and marketing) emerged across interviews with employers, providers and stakeholders as important to survival, along with customer service as part of business strategies adopted to maintain income. These covered a broad range of staff including those outside as well as within direct sales roles.

Multi-skilling needs are developing as a result of expansion or contraction of business

Stakeholders and a few employers identified a variety of changes to organisational structures or strategies which could lead to demands for some form of multi-skilling in staff. The need for staff to acquire additional sets of skills could arise from diversification or the need to expand the jobs of remaining staff following redundancies. Skills required were usually specific to the nature of work and often firm-specific, which makes it difficult to identify common trends. However, the kinds of circumstances identified usually focussed on skilled or semi-skilled employees who required additional skills in areas such as quality control, customer service, IT and junior managerial and supervisory duties.

Employability skills are increasingly important to secure and maintain employment

A number of stakeholders observed heightened demand for employability skills such as soft communication skills, motivation and punctuality. This was particularly marked among interviewees from JobCentre Plus, who perhaps dealt with individuals least likely to hold these skills. It will be particularly important for those out of work to maintain some kind of activity to substitute for employment in order to maintain currency of skills and avoid demotivation. This could be achieved through volunteering and work experience placements, for example. This will be especially important for those young people with limited or no work experience. The UK Commission for Employment and Skills is currently undertaking a project on employability skills, and the outputs may be of interest in this context.

What kinds of skills will be needed for the upturn?

Some organisations have not yet begun to plan for the upturn and some are sceptical about the feasibility of forecasting

SMEs in particular are not yet planning for the upturn and some stakeholders felt it was too early or too difficult to predict skills likely to be required. However, long-term skills needs identified are likely to persist and these could form the focus of planning training provision for the upturn.

Rebuilding organisations after recession will require management skills in developing new business and handling expansion

Some skills identified as important in rebuilding organisations in the upturn were similar to those required for the downturn, including sales, soft skills, and managerial skills. This would require managers to plan and manage resources and to recruit, lead, motivate and harness the ideas of junior staff.

Skills in manufacturing occupations will be needed as a result of labour market change

Stakeholders and employers reported that some future skills needs will arise from the changes to the employer’s workforce or from the wider labour market. Thus, restoring growth in highly cyclical manufacturing businesses with an ageing workforce will require significant initial training in high level skills among junior staff to fill gaps left by senior staff on retirement.

Demands for multi-skilled roles are likely to persist

A number of stakeholders predicted that, having tried multi-skilling in the downturn, many employers would be keen to continue with this model in the upturn, leading to a requirement for hybrid qualifications, such as in cleaning and maintenance.

New skills may be needed for new 'green' jobs

Interviewees mentioned 'green skills' most frequently out of all new skills identified. This is a very difficult area of demand to predict as it is often not clear whether the likely demand relates to whole jobs or parts of jobs and whether the skills themselves are entirely new or simply use existing skills applied to 'green' technologies. The need for some smaller sets of skills appear to be both more generalised and more geographically dispersed and may arise in the form of additional modules on qualifications in the building trades to incorporate higher environmental standards etc. Further research will be required to identify the kinds of skills needed at a regional and sub-regional level.

Recommendations

Employers could continue to train staff to sustain business performance through recession and beyond and to incorporate skills forecasting and training plans into business planning processes. Economic pressures may provide a catalyst to change business strategies, work organisation and move into higher value added markets for some employers, and employers could take the opportunity to re-evaluate their business models where circumstances suggest this is appropriate.

Employers could consider how best to retain staff by implementing alternative strategies to redundancies There is widespread evidence from the Chartered Institute of Personnel and Development (CIPD) as well as media reports of high profile employers being more creative in their use of alternative strategies to redundancy. These include short-time working, sabbaticals, extended leave, pay cuts, and temporary suspension of additional benefits, eg pensions. These are being used much more extensively than in previous recessions and smaller employers without HR departments may not be familiar with some of the techniques (see recommendations for government and its agencies).

Employers could maintain contact with their local business support services such as Business Link and make use of financial subsidies and support. Employers who are experiencing financial difficulties should take advice as soon as possible. Organisations which are struggling and focussed on survival may find it difficult to maintain networks with other employers, so stakeholder organisations need to continue to facilitate this.

To make policy interventions to support skills development effective at national and regional levels, **employers could voice their needs to policy makers** and provide feedback on the impact and applicability of initiatives introduced to stimulate business recovery. For example, employers should make their views heard through SEEDA to inform recommendations that the RDA makes to DBIS on a monthly basis and make use of Employment and Skills Boards, Sector Skills Councils, National Skills Academies and Chambers of Commerce to articulate training and development needs. Again, economic pressures may make it difficult to do this, so stakeholder organisations need to continue to seek employer views proactively.

What kind of course provision is needed from providers?

Many recommendations with implications for training provision are not new, are already being addressed by providers and are reflected in wider ongoing reforms of skills policy and delivery. Their re-iteration here reflects in some cases strength of feeling on the part of employers, possibly lack of awareness of provision available which might meet their needs and in some cases heightened needs for particular kinds of training provision as a result of recession.

- **Providers** could continue their efforts to develop training courses which are cheaper and shorter. This trend predates recession but need for this kind of provision is heightened due to employers seeking small customised training inputs and reduced budgets, so funding larger scale training is less attractive. In addition, staff in organisations which have contracted have increased workloads and time pressures. Many stakeholders felt this was essential to engaging SMEs. Redesigning provision in this way will make providers well placed to achieve implementation of the National Vocational Qualifications Reform Programme.

- **Providers** could continue their efforts to develop methods of learning delivery and timing to accommodate organisations' needs. This includes online/distance learning where possible, but also scheduling of courses to accommodate the needs of learners, including evenings for those working full-time standard hours and times which can accommodate shift workers.

- **Providers** could continue to develop a range of management skills training, some of which relates to needs which predate the recession and some of which meets needs heightened by the recession. The SSCs and National Skills Academies may also wish to consider how to develop appropriate management skills development programmes. These training needs are largely unrecognised by managers, so promotion and marketing of these courses may be required, and could be done through branding them as, for example, 'Managing in Recession' masterclasses. Some stakeholders stressed that management and leadership training needed to be delivered by individuals with specific sectoral knowledge to gain credibility and suggested that targeted retraining of experienced staff as management and leadership trainers to deliver training on both management and innovations in new sector specific product/process or service techniques might be helpful. Management and leadership courses could be marketed through advertising with appropriate intermediaries; for example, courses in financial and business planning for SMEs could be promoted by financial service providers to the sector such as accountants and banks/building societies. Specific training identified as needed includes the following:

  - Business planning skills for organisations needing to adapt or diversify their products and services to survive.

  - Procurement and contract renegotiation skills in sectors with chains of contractors such as construction or where multiple organisations are providing a service, such as in facilities management.

  - Financial planning and managing cash flow, particularly for SMEs.

- Handling the effects of recession through sensitive management of redundancies and motivating staff ‘survivors’, particularly for SMEs without the expertise of HR staff. Many younger managers may never have previously worked during a tough economic climate and have little experience of attempting to maintain staff morale and productivity through tough times.

- Continue to promote training for people wishing to start their own businesses, for instance through Business Link support. Wider literature on this topic shows that this needs to be relatively intensive and cover a range of management skills rather than simply advice and guidance on writing a business plan, as the success rate among entrepreneurs measured in terms of business survival is much higher among groups who receive intensive training. Given the low survival rates of business start-ups, it is advisable to use a careful selection process to identify would-be entrepreneurs who would be most likely to benefit.

What could be done in commissioning and organising training provision?

- Stakeholders are making considerable ongoing efforts to **simplify employer access to training provision and wider sources of business support**. Employers are keen that stakeholders increase their efforts. This would avoid wasting resources through duplication between existing partners such as colleges, private providers, local authorities, brokerage services attempting to support employers, and reduce employers’ reported confusion about how to access training provision and the function of different support services. Stakeholders in sub-regional and local areas should agree the most appropriate approaches for their areas and promote these to employers. Business Link could continue to promote suitable resources and support available to employers. For example, the UK Commission for Employment and Skills’ new Talent Map is intended to provide a simplified overview of the UK skills and employment system and sources of support to employers.

- It is important to **protect training capacity in some key sectors** for the upturn. Evidence from stakeholders and employers suggests that there is a risk of loss of capacity in training in some sectors, notably construction and allied trades such as plumbing, electricians, carpentry and welding. Funding bodies such as the LSC need to consider how best to ensure that sufficient provision is maintained. Careful consideration should be given to agreeing commissioning of training from South East providers, involving long-term publicly funded projects such as the Olympics and the Thames Gateway redevelopment.

- Opportunities for **accreditation of employers’ training provision** could be promoted by awarding bodies, given that employers are seeking to bring external training in-house and workers who feel their jobs are at risk are likely to place a premium on qualifications.

- Given that demands for multi-skilled roles are likely to persist, awarding bodies and commissioners of qualifications may wish to ensure that **training provision**

and accreditation is available to meet emerging roles, after mapping the different tasks being combined into single jobs.

What further support to business could government and its agencies provide?

Some of the recommendations put forward by stakeholders and employers have already been announced as policy intentions, but speed in implementation may be important.

- **JCP and Business Link may wish to consider how best to promote advice on implementing alternative strategies to redundancy** to SMEs to promote staff retention and prevent loss of skills.
- The LSC and partners such as the Employment and Skills Boards and National Skills Academies could **promote sharing of expertise between businesses** through 'skills exchange' schemes. This would involve suitable stakeholders facilitating specific skills development workshops with input from managers to share their skills between each other. These schemes might be helpful for employers in geographical areas where travel to training providers is more difficult.
- The LSC and partners such as the Sector Skills Councils could **develop area or sector-based training schemes and networks to build up skills** and promote and support clusters of high performing businesses to be ready to take advantage of the upturn. This will require some analysis and forecasting at sub-regional and local level to identify the most appropriate sectors and locations to target, which is being planned by SEEDA. Wider literature shows that supporting inter-employer learning networks can be a very effective way of helping organisations to solve common problems, and as a by-product, stimulates employer investment in training.
- **The LSC and awarding bodies could establish schemes to train redundant workers as trainers and assessors** for sectors with ageing workforces such as manufacturing/engineering where there will be demand for replacement skills from future generations in the upturn.
- The LSC and relevant bodies such as the CITB may wish to **subsidise continued training in the construction and related sectors** and to provide temporary employment opportunities or 'job creation' schemes for newly trained people to maintain the supply of construction skills for when the economy recovers. This could involve public sector building maintenance, for example.
- **SEEDA, SSCs, Chambers of Commerce and Business Link could exert influence on organisations to start planning for the upturn, particularly SMEs**. This could also be achieved by influencing intermediaries who have regular contact with SMEs, such as accountants and lawyers. Stakeholders believed, and some employers admitted, that they were not undertaking business planning. This may create risks to business survival where markets or sectors change significantly and employers are not equipped to meet different expectations from customers and/or suppliers.

The Impact of Recession on Industrial Sectors in the South East Region of England

Introduction

In early 2009, the LSC and SEEDA commissioned research from the Institute for Employment Studies (IES) and The Institute for Employment Research at the University of Warwick to understand:

- The impact of economic downturn on skills needs and training practices within different sectors in the South East, focussing on a mixture of sectors which were seriously affected by recession and those which might lead the recovery.
- The impact of economic downturn on LSC priority programmes, with a focus on Train to Gain and Apprenticeships, and priority groups

This briefing is based on research conducted using a mixture of statistical analysis of national data on employment patterns, apprenticeship and Train to Gain participation and interviews with 40 stakeholder organisations, 20 employers from a variety of sectors, and 11 training providers. The research was conducted between March and May 2009. The research does not claim to capture fully all activity taking place across different parts of each sector in different sub-regions and local areas, and is simply a snapshot at the time the data was collected. Interviewees were approached in sectors identified as being of priority interest to the LSC and the South East England Development Agency (SEEDA), because they are particularly affected by recession and/or present opportunities for future economic growth. The seven sectors discussed in this summary were selected as those which had yielded most information from employer and stakeholder interviews, in what should be noted is a small scale piece of research. The views expressed do not necessarily represent the views of SEEDA, the LSC, and their partners. Recommendations are listed as bullet points at the end of each sub-section.

The economic context

The UK economy went into recession in the last quarter of 2008 and economic forecasters expect the economy to contract by around three per cent during 2009. Evidence from previous recessions shows that unemployment can continue to rise for a period after the economy returns to growth so the effects of recession on employment may persist.

Initial signs suggest the economy in the South East is one of the most resistant to recession given its relatively strong performance in high value added sectors, though the recession is having a serious negative effect on business performance and employment. In late 2008, manufacturing and construction were most affected by the economic downturn but since then almost every sector of the economy has experienced business failures and job losses. Unemployment has increased across the region but some areas have suffered more than others and in absolute terms, unemployment levels in the South East appear likely to remain lower than in other regions.

Current predictions suggest that the recession will bottom out during 2010 and growth will resume during 2010/11. There is, however, a high degree of uncertainty attached to the economic outlook and the pace with which the economy will recover over the medium-term. Recessions are more likely to hasten structural economic change than cause it, and economic trends in sectoral growth and decline can resume quite quickly once recovery has begun.

Proskills UK – process and manufacturing

Manufacturing has been one of the worst affected sectors in the South East during the current recession so far, with output and employment levels falling substantially over the past year. However, interview data showed the reliance on an ageing workforce in the sector means that there will be a continued need for a supply of new recruits to replace retiring workers once the upturn comes. Some employers within the sector report that finding recruits who are 'job ready' is more important than their level of technical knowledge and are willing to provide training to supply this. Stakeholders reported that the sector is relatively slow to take up government funding for training. Training providers and stakeholders reported that management and leadership skills are in demand as are customer handling, problem solving and resource planning.

- **Joint delivery and organisation of training which is shared between employers** offers potential to meet employers' skills needs and a pilot project is under way in one part of the region.
- **The LSC and awarding bodies could establish schemes to train redundant workers as trainers and assessors for sectors with ageing workforces** such as manufacturing/engineering where there will be demand for replacement skills from future generations in the upturn.
- **Business Link and the Sector Skills Council may wish to continue to promote local business support services** and encourage employers to make use of financial subsidies and support for training and development.

ConstructionSkills - construction

Construction has been one of the worst affected sectors in the current recession to date with output and employment levels falling substantially over the past year, and with predictions from the Office for National Statistics that the sector will contract by up to nine per cent in 2009. Stakeholders told us that the largest losses were being experienced in commercial property and the private health sector. However, intelligence from ConstructionSkills confirmed that some large construction projects in both the public and private sectors are going ahead and employers are reportedly finding it easier to recruit workers, after a period of skills shortages. Analysis of Individual Learner Record (ILR) data showed that apprenticeship starts have dropped significantly within the sector over the past year. However, there are widespread concerns reported by stakeholders interviewed that capacity in training provision for the sector may be lost due to recession, which would leave the sector ill equipped to meet skills needs required for the upturn. Employers in some parts of the sector have specific needs for traditional skills, such as lime mortaring, rendering, plastering and washing for which there is a dwindling pool of skilled workers. Construction is likely to be at the forefront of the upturn and careful planning will be required to ensure there is a sufficient skilled labour pool to meet employers' needs.

- It is important to **protect training capacity in some key sectors** for the upturn. Evidence from stakeholders and employers suggests that there is a risk of loss of capacity in training in some sectors, notably construction and allied trades such as plumbing, electricians, carpentry and welding. Funding bodies such as the LSC need to consider how best to ensure that sufficient provision is maintained. Careful consideration should be given to agreeing commissioning of training from South East providers, involving long-term publicly funded projects such as the Olympics and the Thames Gateway redevelopment.

- The LSC and relevant bodies such as the CITB may wish to **subsidise continued training in the construction sector** and to provide temporary employment opportunities or 'job creation' schemes for newly trained people to maintain the supply of construction skills for when the economy recovers. This could involve public sector building maintenance for example.

Skills for Care and Development

This sector has experienced less impact from recession than other sectors to date, in part because of the continuing demand for personal care, particularly for elderly and vulnerable groups. Its skills needs are also likely to experience limited change in the future as the main tasks of caring are difficult to replace with technology. There may, however, be increased pressures on the sector as a result of the social consequences of unemployment in family and community breakdown and pressures on public sector budgets. Current skills shortages in the sector persist for some occupations, such as social workers, but other interviewees suggested that employers may find it easier to recruit care workers due to the rise in people looking for work. Interviews with stakeholders indicate that the employment effects of recession in the South East are extremely patchy however, and in areas where there is a large concentration of care providers (along the coast for example) or still relatively low unemployment, skills shortages in these areas may persist. Interviewees from stakeholder organisations reported that some apprenticeships in care were still being offered and the sector has experienced one of the higher rates of growth in apprenticeship starts in the past year.

- Given the likely continued growth in the sector in the short-term and the provision of subsidies of up to £1,500 for employers to recruit social care trainees aged 18-24, it seems that **this sector is ripe for the expansion of apprenticeship placements** and would be worth targeting by the LSC, Connexions and the National Apprenticeship Service.

- The sector would also be worth promoting by JobCentre Plus to those seeking a career change as a result of redundancy.

Financial Services Skills Council – Financial Services and Accountancy

The financial services sector experienced the initial impact of job loss sharply as the financial crisis affected the sector before recession began, with the worst effects being felt in investment banking. Skills shortages have decreased and unemployment among professional groups has increased dramatically according to data from the ONS. The South East has been particularly affected due to the high concentration of financial services firms within the region and the numbers of commuters within the South East who were employed in financial services firms in Greater London. As a result of public and political scrutiny, coupled with regulatory change, stakeholders report that skills needs within the sector have shifted. There is a greater demand for skills in risk assessment, compliance management, and sales completion techniques, and financial skills in senior managers are likely to be in demand. The Retail Distribution Review (RDR) scheduled to come into effect in 2012 will require an upgrade of the skills level among financial advisers and the retail forces from Level 3 to Level 4. Stakeholders who have contact with the sector report that employer spending on training has reduced dramatically and continued consolidation of organisational structures due to mergers is likely to lead to further job loss.

Apprenticeships are a relatively new qualification for the sector but employer take-up of these is starting to increase. Stakeholders report that Train to Gain is not popular because the subsidy is for courses which are pitched below the industry's skill level requirements.

Despite the current picture, the financial services industry is predicted to be a growth industry for employment in the South East when the economy emerges from recession.

- Learning providers, Sector Skills Councils, the Apprenticeship Ambassadors Network and National Skills Academies may wish to consider **developing materials and further promoting apprenticeship to employers in sectors without a tradition of apprenticeship**, where there is evidence of some growing interest, such as financial services.

- Despite the current crisis, the financial services sector is one which is predicted to lead the South East economy out of recession and **should be promoted as a career option to young people**, encouraging them to pursue qualifications with a maths component.

Asset Skills – Property, Housing, Facilities Management, Cleaning and Parking

This sector footprint has experienced an uneven impact from the recession. Employers are reporting that some facilities management activities are being merged, with job roles being combined in cleaning and maintenance. As a result of this it has increased the demand for staff to be additionally skilled. The recession has also severely affected the property sector with ONS citing large numbers of job losses in estate agency. This has had significant knock-on effects in associated occupations, leading to further job losses for valuers and surveyors. The residential lettings market continues to grow and estate agents have shifted the focus of their business to lettings. There are concerns that people moving into this area of work do not have the required level of skills and qualifications. The recession has also led to reduced demand for town planners and thus, the previously reported shortages have lessened but still persist in some locations. There is an increased volume of business for housing associations due to people seeking advice on housing options and benefits as a result of financial difficulties. Skills in business planning, fundraising and procurement are needed in the housing sector while skills for contract negotiation are needed in the cleaning and facilities management sectors.

- Given that demands for additionally skilled roles are likely to persist, awarding bodies and commissioners of qualifications may wish to ensure that **training provision and accreditation is available to meet emerging roles**.
- Asset Skills and trade bodies for the estate and lettings agencies could continue to **promote appropriate training for staff who require retraining in lettings**.
- In the short-term, there may be **career opportunities** in occupations connected to the housing sector. **These could be promoted by JobCentre Plus and Sector Skills Councils (SSCs)**.
- The SSC and training providers may wish to continue to work with the sector to **develop appropriate training provision to meet skills needs in business planning, fundraising and procurement**.

People 1st – Hospitality, leisure and tourism

Recession is having an uneven impact on employers within this sector. Some are benefiting from an influx of foreign tourists as a result of currency fluctuations, while others are suffering from reduced domestic custom as people have less disposable income. Businesses affected by weather conditions report greater adverse consequences as a result of a poor summer in 2008 than recession to date. Employers' skills needs and training demands are for improved customer service in order to retain business among shrinking markets and generate higher levels of spending among clients. Businesses report being wary of using generic customer service training and are often seeking to develop in-house provision. Some employers in hospitality and catering do not regard qualifications as critical when recruiting and are less engaged with offering apprenticeships. Stakeholders report very localised pockets of demand and skills shortages for some low-skilled roles, such as kitchen porters, as a result of economic migrants leaving the South East. Analysis of ILR data shows that hospitality and catering has been experiencing some of the highest rates of apprenticeship growth among sectors in the South East over the past year. Stakeholders report a persistent shortage of skilled chefs across the region. This is due to a number of factors including relatively low pay and unattractive working hours/conditions. The delivery of training which does not disrupt service delivery is critical to the sector.

- Opportunities for **accreditation of employers' training** provision could be promoted by awarding bodies, given that employers in the sector provide customised training, employers are seeking to bring external training in-house and workers who feel their jobs are at risk are likely to place a premium on qualifications.

- **Providers could continue their efforts to develop training courses which are cheaper and shorter** for the sector given its lack of demand for qualifications and pressures on service delivery which make it difficult to release staff for training. This trend predates recession but need for this kind of provision is heightened due to employers seeking small customised training inputs and having reduced budgets which makes funding larger scale training less attractive.
- **The LSC could target employers and occupations in the hospitality and tourism sector** to achieve aims and objectives with respect to priority groups, building on the work which is already being done by Connexions to assess where best to try to place apprentices. Tourism/hospitality and catering may benefit as a sector from the forthcoming Olympic Games.
- **SEEDA and its partners, such as Tourism South East, may wish to consider undertaking a more detailed assessment of the development of the sector** in the light of its potential for employment growth. A regional and sub-regional analysis is most likely to be appropriate, to understand the likely impact of the Olympic Games.
- **People 1st may wish to continue to work with the sector to develop** customisable customer service training provision.

Skills for Logistics – freight logistics industries

The impact of recession on this sector is very mixed, but particularly felt where logistics firms are affected by the impact of recession in customers' sectors. Therefore, companies which are part of delivery chains in the utilities, pharmaceuticals and food and drink industries are faring better than those in the automotive, construction and furniture industries.

Most training in the sector is undertaken because there is a statutory requirement, (driving for example), and sometimes a misperception on the part of potential recruits that jobs within the sector require few or no skills. Skills for Logistics is already taking action to promote the range of career opportunities within the sector. A recent survey for an industry body has shown that 83 per cent of employers regard training as important. Nevertheless, it may take time before individual perceptions about the sector shift.

The main skill in demand is warehousing (as in the retail sector), which is reported to arise because of the departure of economic migrants from Britain. Some employers are reporting highly specific skills needs related to niche markets which they source through private training providers.

- **Training providers could consider customising their offerings** to meet the needs of specific employers.

- **Employers and industry bodies such as Skills for Logistics and JobCentre Plus could consider active promotion of the industry** to those seeking a career change as a result of redundancy.
- **The SSC and Connexions may wish to continue to dispel perceptions that occupations in the sector are all low-skilled** and to market it as a career option by promoting career pathways within the sector. Skills for Logistics has already begun to do this through the career development tools it has been producing.

SEMTA – Science, engineering and manufacturing technologies

Automotive employers have been particularly badly affected by redundancies and temporary lay offs, with a consequent effect on supply chains. Analysis of ILR data shows that apprenticeship starts in occupations within this sector have dropped substantially over the past year. However, evidence from some employers suggests that they are taking a long-term view and continuing to invest in training, especially of younger workers, through continuation of apprenticeship schemes. Stakeholders report very specific and localised skills shortages within the sector, especially in high level scientific and engineering occupations. Some stakeholders felt that there was a need for conversion courses to enable specialist engineers to move within the sector according to demand. There is broader evidence of a need to differentiate between sub-sectors to support innovative, technology intensive organisations which are likely to lead growth in the sector from the upturn onwards.

- **Graduates from scientific and engineering disciplines who have been made redundant from jobs in other sectors could be targeted by the SSC and JobCentre Plus for vacancies in the sector.** The Learning and Skills Council and employers could consider offering refresher courses and conversion courses to aid graduates making the transition back into this sector.
- **The LSC and awarding bodies could establish schemes to train redundant workers as trainers and assessors for sectors with ageing workforces** such as manufacturing/engineering where there will be demand for replacement skills from future generations in the upturn.
- **Learning providers will need to identify and make efforts to find alternative placements for redundant apprentices**. Training providers need to monitor the employment status of apprentices due to reports that apprentices may not admit they have been made redundant. Under recent funding changes, apprentices who are made redundant are now entitled to full funding for up to six months while finding a new employer. The Apprenticeship Ambassadors Network, SSCs, the LSC and National Skills Academies could develop apprentice sharing or rotation schemes between employers and seek to place redundant apprentices with employers as 'backfill' while their usual apprentices are undertaking off-the-job training, for example in colleges.
- **Continuing to develop a base of learning providers** who offer both flexibility and technical expertise to meet sectoral needs may be worth considering.

- **Continuing existing efforts to provide appropriate careers information, advice and guidance to young people** on available jobs in the sector to expand the talent pipeline is worthwhile.

Skillsmart Retail

The retail sector has experienced a number of high profile failures of larger organisations, as well as small scale closures, but some parts of the sector such as supermarkets have been less affected. Stakeholders report that a number of expansion plans for retail organisations and sites have been suspended and that those being made redundant in other sectors are reported to be turning to retail for temporary work. Employers are seeking to meet demand through changes to working hours of existing staff rather than recruiting new ones. The sector has traditionally not demanded qualifications, preferring short, sharp training courses tailored to their preferences. It also has a recognised continuing shortage of management skills, but this is reducing due to a slacker labour market.

Employers report customer service skills are in demand to try to maintain sales volume and boost spending, but, like the hospitality and catering sector, businesses are wary of using generic customer service training and are often seeking to develop in-house provision. Other skills in demand are warehousing (as in the logistics sector), which is reported to arise because of the departure of economic migrants from Britain. Analysis of ILR data shows that there has been a sharp growth in apprenticeship starts in the sector within the South East over the past year. More employers of all sizes are seeking to use Train to Gain funding. Local authorities may need to consider how best to make use of empty retail space and prepare for economic recovery.

- Opportunities for **accreditation of employers' training provision** could be promoted by awarding bodies, given that employers in the sector provide customised training in-house, and that employers are seeking to bring external training in-house and workers who feel their jobs are at risk are likely to place a premium on qualifications.

- **Providers could continue their efforts to develop training courses which are cheaper and shorter** for the sector given its lack of demand for qualifications and pressures on service delivery which make it difficult to release staff for training. This trend predates recession but need for this kind of provision is heightened due to employers seeking small customised training inputs and having reduced budgets, so funding larger scale training is less attractive.

- **The LSC could target employers and occupations in the retailing sector which** would enable the LSC and its successors to achieve aims and objectives with respect to priority groups, building on the work which is already being done by Connexions to assess where best to try to place apprentices. Retail may benefit as a sector from the forthcoming Olympic Games.

1 Introduction

1.1 Recession in context

Recessions take economies by surprise. If it were possible to predict their occurrence other than at the very point at which the economy is about to contract then their grasp might be evaded. This time around circumstances are exceptional in two respects. First, the recession occurred after a period of prolonged growth, whereas previous ones appeared to be a periodic feature of the highly cyclical UK economy over the post-war period. Hence, the element of surprise appears all the greater. Secondly, unlike the two most recent recessions in 1980/81 and 1990/91, the current one is global in scope and stems in large part from the failure of the financial and banking system. Accordingly, there are no countries with sufficiently buoyant domestic demand capable of stimulating growth in the world economy, and both firms and individuals have limited access to capital which might be used to raise domestic demand.

When Japan experienced a period of recession in the early 1990s, the characteristics of which were similar to today's, it was able to depend upon strong demand in the world economy to bring about recovery, but even then the Japanese economy struggled to return to its long-run growth path over the 1990s and early 2000s, with the labour market remaining sluggish. While lessons have been learnt by policy makers from the Japanese experience, uncertainties remain over how quickly either the UK or world economy will return to growth. The Bank of England has drawn attention to the number of economic forces operating in opposition to one another:

- Weak global demand, rising private savings rates, and restructuring of balance sheets in the banking sector all acting as a drag on the economy.
- Easing of monetary and fiscal policy, falling commodity prices, the depreciation of sterling and easing of credit all providing a stimulus to the economy.[1]

Nevertheless, the immediate economic outlook is pessimistic following lower than expected activity during the first quarter of 2009.

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1 Bank of England (2009), Inflation Report: May 2009, Bank of England, London.

During both the 1980/81 and 1990/91 recession, structural change, with employment increasingly concentrated in market services, occurred as the economy recovered. Initially, this resulted in relatively heavy job losses in those regions which were more dependent upon production and manufacturing jobs – typically those located in the North and Midlands – but because this recession has its roots in the failure of the financial system – much of it located in London and the South East – there has been a tendency to regard it as a white-collar recession which will have a relatively harsh impact on the labour market in the South East. Now that the labour market is largely made up of non-manual, service sector jobs, job losses were always likely to affect white-collar workers. Many of these workers, especially those employed in more mundane jobs, have a labour market position analogous to those blue-collar workers of 20 or 30 years ago who bore the brunt of job losses then when the economic cycle periodically went into decline. Whether the regional composition of the current recession is different from previous ones remains, for the time being, a moot point. London and the South East have seen unemployment rise rapidly over the past year but not as rapidly as in other regions. Perhaps the key issue is whether the conditions are in place to allow the South East to take advantage of the recovery when it commences.

Recent economic history reveals that when unemployment rises its social costs are not evenly distributed. Some groups suffer more than others – such as the less well educated and skilled, and young people – and there is sometimes a scarring effect whereby the experience of being unemployed affects the individual's future prospects in the labour market. Economic downturns can also reduce the stock of skills in the economy for a number of reasons including emigration, early exit from the labour force, or a failure of new entrants to the labour market to acquire skills. Even if this only happens at the margin it can inhibit economic recovery where skill shortages slow the pace of recovery.

1.2 The purpose of this report

In February 2009, the LSC and SEEDA commissioned research from the Institute for Employment Studies (IES) and The Institute for Employment Research at the University of Warwick to understand:

- The impact of economic downturn on skills needs and training practices within different sectors in the South East, focussing on a mixture of sectors which were seriously affected by recession and those which might lead the recovery.
- The impact of economic downturn on LSC priority programmes, with a focus on Train to Gain and Apprenticeships, and priority groups.[1]

The research consisted of two phases: the first involving quantitative analysis and literature review, and the second involving qualitative analysis of interviews conducted with stakeholders and employers.

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[1] LSC priority groups include NETs, NEETs, young people aged 16-18 and 19-24, teenage parents, young people leaving care, ex-offenders, young people with a learning disability, people with low/no qualifications, older workers aged over 40, the long-term unemployed and people in occupations which are atypical for their sex.

The first phase involved:

- A literature review to assess the actual or potential impact of recession/ economic downturn on the skills required by businesses and firms' attitudes to training.
- A drawing together of quantitative data on how the downturn may be affecting businesses' training practices including survey data from a variety of regional and national sources.
- Secondary data analysis on Train to Gain and Apprenticeship starts from the Individual Learner Record (ILR) by age group (16-18 and 19+) to identify any impact on recruitment to these programmes because of the economic climate.
- Secondary analysis of the DCSF National Client Caseload Information System (NCCIS) data relating to young people not in education, employment or training (NEETs) and young people who are in employment but not in education or training (NETs), to assess what impact the downturn has had on the number of young people with this status. This included a sub-regional and Local Authority breakdown and comparisons with other regions and England as a whole in terms of the impact of the recession on sectors, LSC programmes, and priority groups.

The second phase consisted of qualitative research using interviews with stakeholders and employers to obtain a sense of: (a) how employers in different sectors see the downturn affecting the skills their businesses require, and hence, the training needs of their existing or future staff; and (b) how the downturn has affected businesses' attitudes to training their staff and their willingness to participate in LSC programmes.

Interviews were carried out with 41 stakeholders, nine training providers and 20 employers from across the region between March and May 2009. Stakeholders included representatives from the LSC, partner organisations, JCP, Connexions and business organisations.

This report draws together the findings from each phase of the research and provides an assessment both of current employer needs and practices and future requirements, with conclusions and recommendations for future actions on the part of employers, regional stakeholders and government and its agencies.

1.3 The structure of this report

This rest of this report consists of eight chapters.

- Chapter 2 gives an account of the methods used to undertake the research.
- Chapter 3 presents evidence from the secondary analysis of quantitative data on the national picture of recession based on labour market trends, output and GDP.
- Chapter 4 reports on the economic and employment effects of recession in the South East.

- Chapter 5 provides a quantitative analysis of the impact of the recession on employers' training and skills development practices, focusing on Train to Gain and apprenticeships.
- Chapter 6 provides a quantitative analysis of the impact of recession on the education and training prospects for young people who are NET and NEET.
- Chapter 7 uses findings from the qualitative data to identify the impact of recession on employers' current and future skills needs and training practices, and its implications.
- Chapter 8 uses findings from the qualitative data to identify the emerging impact of recession on LSC programmes and priority groups.
- Chapter 9 draws together the findings from across the report to present an integrated summary, followed by conclusions and recommendations.

2 Research Methods

This chapter provides details of the research methods used to complete the literature review, the analysis of quantitative data and the qualitative phase of the research which involved identifying appropriate stakeholders and employers, securing access and conducting interviews with them, followed by analysing the data gathered.

2.1 Literature review

The purpose of the literature review was to situate the findings from primary and secondary data analysed for the project within a broader context of evidence about what we know about the impact of the current and previous recessions, both in the South East and the wider UK economy. The literature reviewed drew on a range of sources, and focussed on analysing: (a) the impact of the recession on employment across the South East broken down by sector (especially the priority sectors), area, and skill levels; and (b) the impact of the recession on particular groups – especially those at the margin of the labour market such as young people who are NEET and NET – and their access to employment and training.

Sources were identified from: (i) a literature search using a set of predefined search terms linking general search terms, such as recession, training, skills, etc., to spatial terms (eg South East, Local Authority names, etc.); (ii) a trawl of the academic literature, through various academic search engines, to identify the impact of previous recessions on skills and training; and (iii) a search of the websites of governmental and other agencies which have been monitoring the impact of the current recession on employment, training and skills. SEEDA and the LSC also made available various documents germane to the purpose of the study. In general, (i) tended to provide a large amount of ‘grey’ literature the veracity of which was difficult to gauge; (ii) provided relatively few sources but these were of high quality; and (iii) was able to provide up-to-date information of direct relevance to the study.

The major findings from the literature reviewed have been integrated with the analysis of the quantitative data to enable ease of comparison. The literature review was supplemented by secondary data analysis of statistics on patterns of employment and participation in key training programmes and interviews with key stakeholders from organisations in contact with employers and LSC priority groups as well as training providers and a small number of employers.

2.2 Secondary analysis of data inflows and outflows to priority groups (young people who are NET and NEET) and inflows to LSC priority programmes and groups

The purpose of the quantitative data analysis was to provide data on the impact of the recession on employment rates across the region, noting any sectoral and spatial variations and entry to education and training among young people, particularly those who are NET or NEET.

Using ILR data supplied by the LSC, evidence was compiled on monthly trends in the number of people commencing Train to Gain courses and apprenticeships by LSC and local authority area, occupation/industry sector (for apprentices only as this data is not available for Train to Gain), contrasting the situation for 16-18 year olds and those aged 19 and over.

The project originally intended to identify trends in training activity over time by location of the training provider, but provider location was found to be missing in a substantial proportion of the ILR data received from the LSC so this analysis could not be undertaken. Time series analysis of young people excluded from the labour market was also planned but this was not possible due to an insufficient time period of data to analyse, due to the recency of change in economic conditions.

Second, quantitative analyses of the effect of the emerging recession upon the regional and local labour markets were undertaken, comparing the region with the UK as a whole, and with some other regions. This involved the following:

- Analysis of spatial patterns of unemployment change and of flows into and out of unemployment within the region (using claimant count data), paying particular attention to the impact on particular age groups and the emergence of geographical ‘hotspots’. The geographical pattern of unemployment change is related to the geographical pattern of industrial/occupational specialisation.
- Analysis of geographical variations in the changing occupational composition of vacancies over the recent past and the filling of vacancies by occupation.

2.3 Interviews with stakeholders and employers

The purpose of the interviews was to gain a detailed picture of employer responses to the economic downturn captured through expert interviews with stakeholders who interact with a large number of employers, supplemented by detailed discussions with employers to identify rationales for, and processes of, change with respect to training and skills needs.

2.3.1 Securing interviews

Stakeholder contacts were primarily generated through the LSC and SEEDA. Contacts with training providers were generated partly through the LSC and partly through contact with attendees at an Association of South East Colleges (AOSEC) meeting, and interviews most commonly took place with Business Development managers. Employer contacts were generated using a mixture of methods: through nomination directly by the LSC/SEEDA, through nomination in stakeholder interviews, from a mail-out by the Federation of Small Businesses to member organisations in the South East, and through identification by the research team using a mixture of pre-existing and new contacts. Employers were selected primarily by priority sector to ensure a broad spread of experiences. Interviews with employers most commonly took place with an HR or training manager in larger companies and with a General Manager or owner in smaller firms. The employers were spread across the whole of the South East region.

Respondents were contacted initially by letter, with an LSC signatory to encourage participation, and then by telephone to arrange an interview time. In accordance with principles of the Market Research Society code of conduct, interviewees took part on the basis of informed consent. Interviewees were told that their identity and that of their organisation would remain anonymous.

2.3.2 Achieved interview sample

The target and achieved interview sample across the different stakeholder groups is shown in Table 2.1.

Table 2.1: Achieved interview sample

Organisation	Actual/target number of interviews	Notes
Sector Skills Councils	7/12	Interviewees were approached in sectors identified as being of priority interest to the LSC and SEEDA, because they are particularly affected by recession and/or present opportunities for future economic growth. The sectors were: ▪ Asset Skills ▪ ConstructionSkills ▪ e-skills UK* ▪ Financial Services Skills Council ▪ People 1st ▪ Skills for Care and Development* ▪ Skills for Health ▪ Skills for Logistics ▪ Skillsmart Retail ▪ SummitSkills* ▪ ProSkills ▪ SEMTA* * These four organisations chose not to participate in the research, most commonly because they reported not yet having adequate data to draw on in answering the research questions.

Organisation	Actual/target number of interviews	Notes
Federation of Small Businesses	1/5	Organisation chose to nominate one individual to speak for the region
Business Link	1	
Chambers of Commerce	5/5	
IOD	0/5	Organisation chose not to take part
LSC Economic Development Managers	6/5	Additional relevant interviewee participated
CBI	0/1	Organisation chose not to take part
Job Centre Plus	3/4	One office was unable to provide an interviewee due to role change
EEF	1/1	
Connexions	4/5	One Connexions office was unable to provide an appropriate person. Additional appropriate interviewees were identified in Economic Partnerships
Employment and Skill Boards	5/5	
Economic Partnerships	7/5	
CIPD	1/1	
Training Providers	10/10	A mixture of public and private, specialist and general training providers were interviewed
Employers	20/20	Employer interviews mapped onto the following SSC footprints and the number of employer interviews in each sector is given in brackets. Skills for Care and Development (2), Construction Skills (1), Summit Skills (1), Financial Services Skills Council (3), Asset Skills (2), e-skills (1), People 1st (2), Skills for Logistics (2), SEMTA (3), ProSkills (3)

Source: IES, 2009

2.3.3 Interview process

Interviews took place from March to May 2009 and followed common, semi-structured interview guides which were designed with input from the LSC and SEEDA. Separate interview guides were used for employers, non-provider stakeholders, interviewees from Connexions which focussed on LSC priority groups and training providers. Topics included: perceptions of any changes in employer approaches to training provision, and any variations within sub-sectors or sub-regions; nature of changes to employer training provision including increase/reduction in training provision, use of external/internal training provision, variation in use of LSC programmes; identification of groups of workers as more or less vulnerable to reductions in training provision; and perceptions of likely future skills needs and implications for action employers and policy makers may need to take to rebuild the skills base during and after the economic downturn. Interviews lasted between 30 and 60 minutes, were conducted by telephone and tape recorded.

Training providers were requested to complete a proforma giving detailed information on the range of courses they ran and recent changes in employer and individual demand. The research team issued a number of reminders but the majority of training providers were unable to provide this data. However, sufficient data was obtained from the interviews to give an indication of the size of the provider and scale of any changes in demand experienced.

Given the pace of change in employment levels, skills needs and training practices, interviewees were asked to indicate whether their responses to questions were based on perceptions or data which they had personally gathered or accessed. With the exception of employers who were speaking from direct experience, most stakeholders reported their findings to be based on perceptions from contact with employers rather than evidence which had been systematically gathered. Unless otherwise stated, all findings reported should be assumed to be based on interviewees' perceptions, rather than actual data.

2.3.4 Analysis

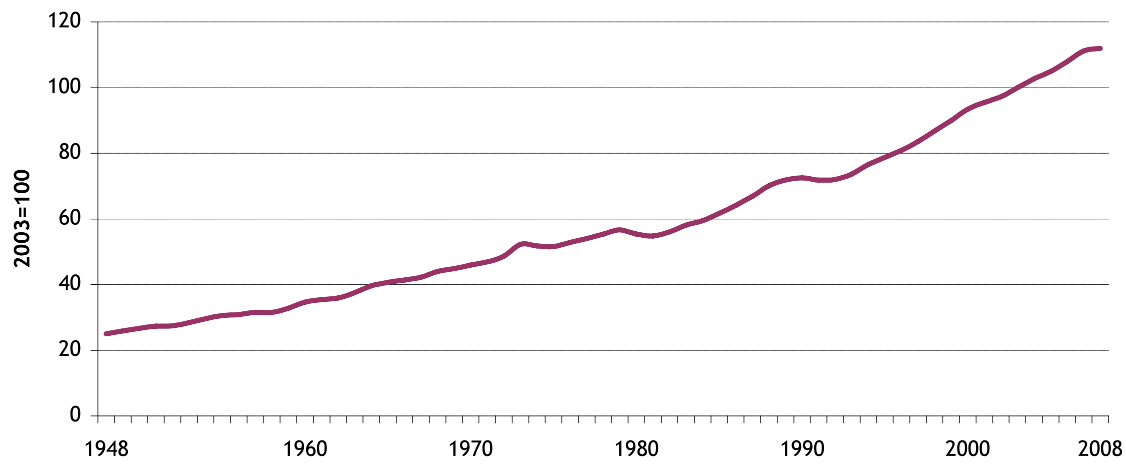
Interviewers took notes during the interviews, wrote these up afterwards and referred to tape recordings to clarify any ambiguities. Analysis was undertaken by comparing responses within and between stakeholder groups, with a particular focus on identifying variations according to different employer groups based on location, size and sector and according to different LSC priority groups and programmes. Following completion of the draft report, a consultation process took place with stakeholder representatives from the SSCs, Connexions, the LSC and SEEDA, recognising that the limited number of interviews possible within the scale and timing of the research meant that it is unlikely to capture a completely representative view of the diversity of employer experiences across locations and sectors.

3 Recession – The National Picture

3.1 Trends in output and GDP

The UK economy experienced 16 consecutive quarters of growth before the economy slowed in 2007 and eventually entered recession in the last quarter of 2008 (see Figure 3.1). By recent historical standards this is unprecedented because, as Figure 3.1 reveals, output growth over the post-war period has been subject to a succession of downturns and upturns, especially so over the 1970s, 1980s and 1990s. Consequently, today younger people have little experience of the cyclical nature of the UK economy.

Figure 3.1: GDP growth in the UK economy (1948-2008)



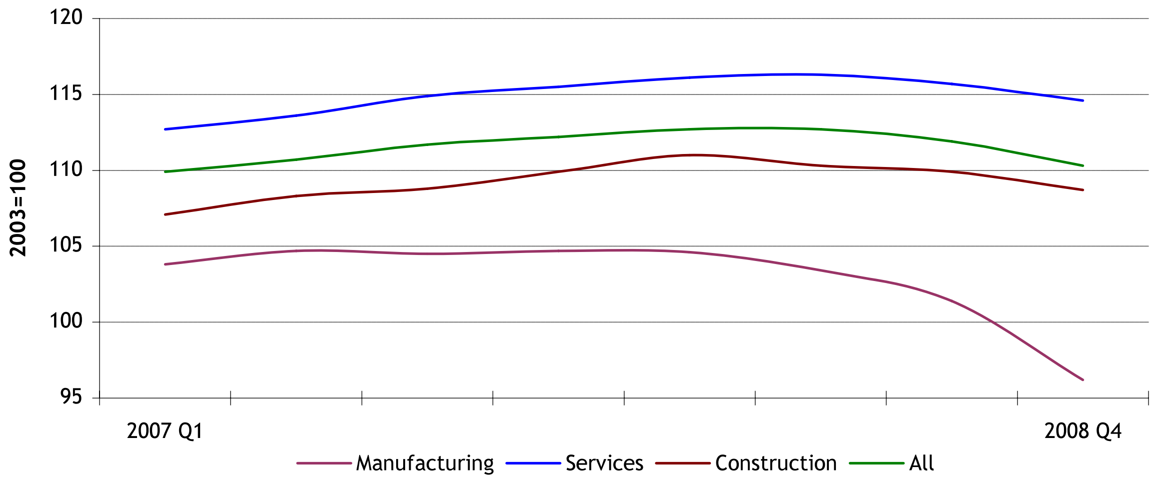
Source: ONS GDP Time Series

Output decline has been particularly marked in manufacturing and construction

The decline of the economy over the last quarter of 2008 was rapid, especially so in the manufacturing and construction sectors (see Figure 3.2). Comparing the performance of the economy over the second half of 2008, ONS data reveals that:

- the volume of output in the production industries fell by 4.5 per cent within which manufacturing fell by 5.1 per cent
- output of the service industries decreased by 0.9 per cent
- construction output fell by 1.1 per cent
- household expenditure fell by 0.7 per cent in real terms
- gross fixed capital formation[1] fell by 2.3 per cent in real terms
- GDP at current market prices fell by 0.8 per cent.

Figure 3.2: Output trends 2007 Q1 to 2008 Q4



Source: UK output, income and expenditure, 4th quarter 2008, ONS First Release

The particular problem facing the UK economy is that relating to the failure of the financial system and the concomitant tightening of the supply of credit (the credit crunch). It is not at all clear whether the banks are aware of the full extent of their liabilities and until such time as they are it seems unlikely that credit conditions – between banks and to consumers – will be eased. Hence, there is a high degree of uncertainty about how long the credit crunch will last. The longer the effects of the credit crunch persist the greater the impact on house prices and, as a result,

1 The EU system of accounts defines gross fixed capital formation as resident producers' acquisitions, less disposals, of fixed assets during a given period plus certain additions to the value of non-produced assets realised by the productive activity of producer or institutional units. Fixed assets are tangible or intangible assets produced as outputs from processes of production that are themselves used repeatedly, or continuously, in processes of production for more than one year.

consumer confidence will remain low. At the time of writing (May 2009) there is still a degree of uncertainty about whether the problems in the financial system have been corrected.

GDP is predicted to contract by around three per cent in 2009

The Treasury's averaging of the independent forecasters' projections of GDP growth over 2009 suggests that it will contract by around three per cent.[1] Cambridge Econometrics' latest forecast suggests that output will continue to fall during 2009, flatten out during 2010 before modest growth is resumed during 2011.[2] Output in manufacturing is expected to continue to fall during 2010 with recovery in 2011. This is all contingent on what happens in the world economy because Britain is a relatively open economy with a relatively large flow of imports and exports. Conditions in the global economy for the time being look pessimistic with no area of the global economy capable of giving a stimulus to the rest of the global economy. Demand, for example, in India and China while still positive is much lower than that required to sustain the development path those economies have followed over recent years. The latest forecasts from the World Bank suggest that the world economy will contract by 1.7 per cent during 2009, the first time this has occurred since World War II. The OECD is even more pessimistic, forecasting contraction by 3.0 per cent.

3.2 Labour market prospects

National unemployment figures have risen dramatically…

The prospects for the national labour market are abject, with unemployment (measured according to either the claimant count or the ILO definition)[3] rising rapidly (see Figures 3.3 and 3.4), the number of vacancies falling (see Figure 3.5), and the employment rate in decline (see Figure 3.6).

Despite the pessimistic picture, it looks as if employers have tried to hold on to their workforces.[4] From what is known about the evolution of previous recessions all types of employment are likely to be affected by job loss. Moreover, relatively weak conditions are expected to persist in the labour market for a while after the economy returns to growth. During the relatively deep recession in 1980/81 it took 11 quarters before GDP returned to its pre-recession level, and unemployment continued to rise until 1986.

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1 HM Treasury, Forecasts for the UK Economy: A Comparison of Independent Forecasters, HM Treasury, March 2009; www.hm-treasury.gov.uk/d/200903forecomp.pdf

2 Cambridge Econometrics (2009), The Economic Prospects for the Nations and the Regions, (Cambridge Econometrics, Cambridge).

3 The ILO definition of unemployment includes all those without a job, who want a job, have actively sought work in the last four weeks and are available to start work in the next two weeks; or out of work, have found a job and are waiting to start it in the next two weeks.

4 ONS (2009), The Impact of the Recession on the Labour Market, Office of National Statistics.

…but employers are using more creative methods of cost saving to avoid redundancies than in previous recessions…

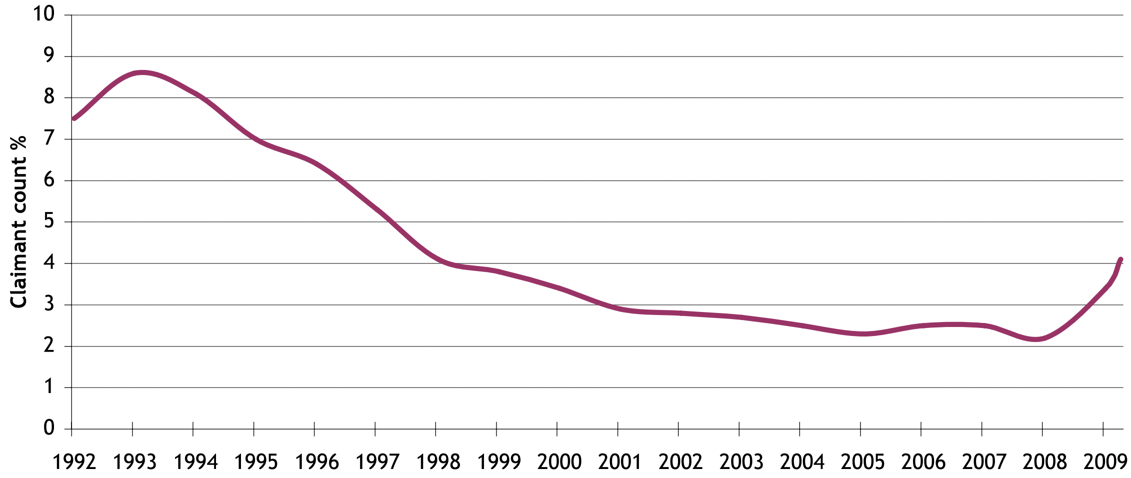
A caveat needs to be added here. Unlike 1980/81, the labour market today is more flexible with employers better able to match the supply of labour to demand through flexible working hours. This permits, potentially, employers to reduce hours or the number of shifts rather than lay-off workers. In the press there have been announcements from several large companies – such as Jaguar, Land Rover and Honda – to have extended periods of leave or reduced hours working whilst demand remains low. This has the potential to reduce labour costs if various performance-related payments are not made. Similarly, companies such as JCB have negotiated wage reductions in an effort to stave off redundancies, or have laid off temporary and agency workers, such as at BMW, to protect the jobs in the core workforce.

…and higher skilled people are more likely to remain in work

Nevertheless, the depth of the current recession is such that even the most flexible of labour markets would be unable to absorb the shock it has given the national and world economy without a large and rapid rise in unemployment. The consequence of this is that there is likely to be a 'bumping down' in the labour market where the available jobs go to better qualified people, while those who would normally have taken these jobs are squeezed out. This is because many employers will attempt to retain the skilled element of their workforce in whom they have made an investment (although in extreme cases even this may not be possible). Consequently, the impact of the recession is likely to affect not only the level of unemployment but also the composition of those who remain in jobs and those who are unemployed. The pool of unemployed people will become disproportionately concentrated on people with low levels of skill or those with skills which have become obsolete.[1]

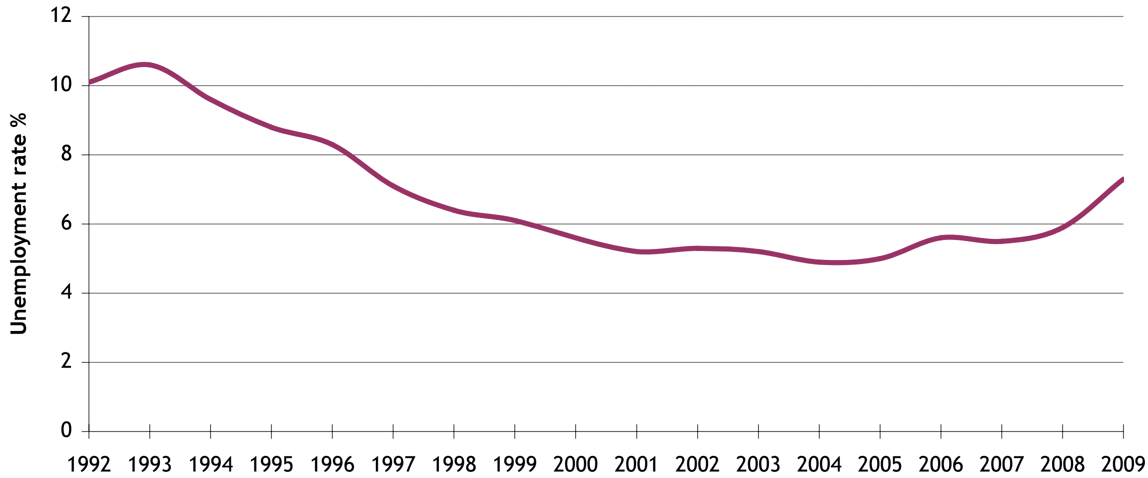
[1] IER (2009), Unemployment and Recession, IER Bulletin no. 91, www2.warwick.ac.uk/fac/soc/ier/publications/bulletins, 2009.

Figure 3.3: Claimant count 1992–2009 (%)



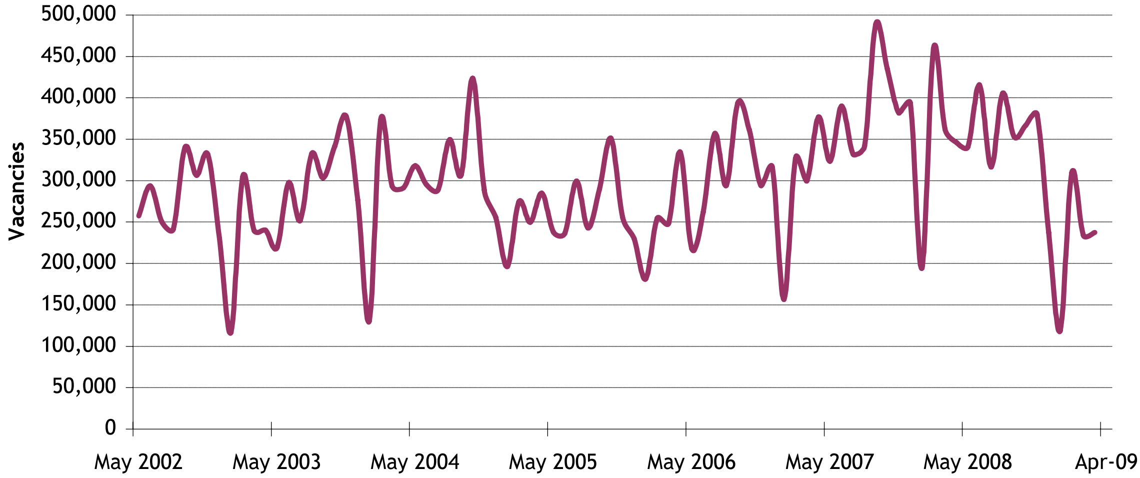
Source: ONS Claimant Count Statistics for Great Britain

Figure 3.4: ILO Unemployment rate 1992–2009 (%)



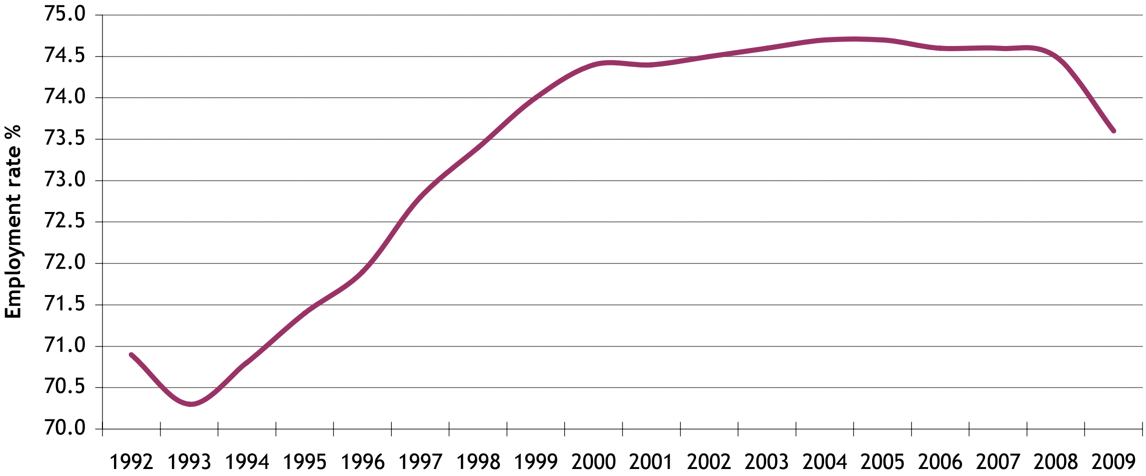
Source: ONS/Labour Force Surveys

Figure 3.5: Number of vacancies 2001–2009 (%)



Source: ONS Vacancy Series

Figure 3.6: Employment rate 1992–2009 (%)



Source: ONS/Labour Force Surveys

3.3 A return to trend?

The current recession can be viewed as a shock to the economy of a magnitude that the country has not seen since the end of World War II, but all economies recover eventually and, as previous evidence indicates, return to their long-term growth path quite quickly. The recession may hasten structural change in the economy but it does not in itself bring about that structural change. While the impact of the current recession on employment levels looks likely to be severe its impact on sectoral and occupational shares will be less dramatic once the recovery gathers pace.

If job loss within organisations results in core skills being lost there is no guarantee that these can be quickly replaced once the recovery commences and, in any case, there are likely to be substantial transaction costs in doing so. Research suggests that skill shortages during the recovery phase can slow growth and contribute to future economic downturns.[1] There is, other things being equal, an imperative for employers to safeguard their skills base during the current recession but, as the next section reveals, this is easier said than done as organisations exhaust the means to safeguard their core skills base.

[1] Blake N , Dods, J and Griffiths S (2000), *Employers Skill Survey: Existing Evidence and its use in the analysis of skill deficiencies*, DfEE Research Series, London.

4 Economic and Employment Effects of Recession in the South East

4.1 Output growth in the South East

The South East economy has been one of the most successful regions of the UK

Over the past 20 years the South East has experienced, compared to all other regions other than London, a degree of relative prosperity. The Cities Outlook Report 2009[1], for instance, reveals on almost any measure of performance that urban areas in the South East comprise most of the top ten performers in the UK. If, for example, one takes the ten most knowledge intensive urban areas in England, then seven are located in London and the South East: Oxford (number one); Reading (three); London (five); Milton Keynes (six); Aldershot (seven); Brighton (eight); and Southampton (ten). Similarly, GVA per head has been in advance of that of other regions, except London, over the past 20 years (see Figure 4.1).[2]

From an international perspective the region compares favourably with other leading regions with:

- some of the highest GDP per capita areas in the world located in the region
- unemployment rates amongst the lowest in Europe
- innovation levels high by international standards, especially so in Berkshire, Buckinghamshire, and Oxfordshire.[3]

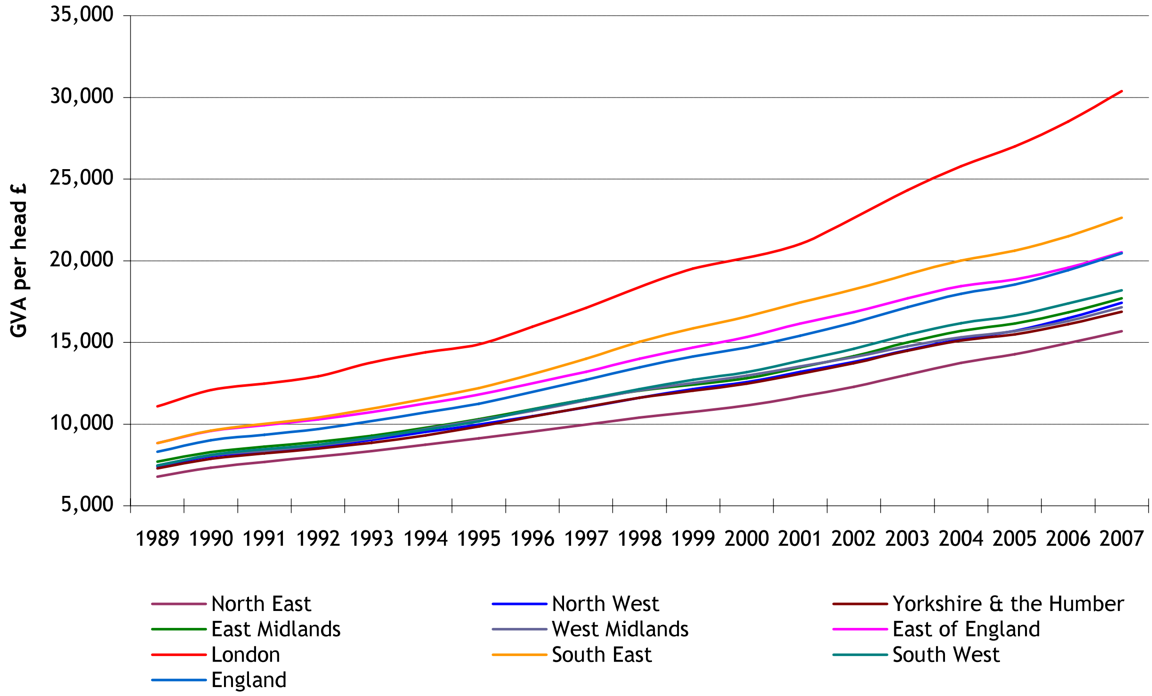
1 Centre for Cities (2009) *Cities Outlook 2009*, Centre for Cities, London.

2 The Cities Outlook 2009 report points to Parkinson M (2006), *State of the English Cities*, London, ODPM, for a discussion of knowledge intensive business services and activities.

3 SEEDA, The Profile of the South East of England, SEEDA, September 2008.

Depending upon one's perspective the South East is either well positioned to meet the challenges posed by the current recession or has the potential to lose more than other regions.

Figure 4.1: GVA per head, by region



Source: ONS GDP Time Series

Output in construction and manufacturing has experienced the sharpest fall relative to other sectors…

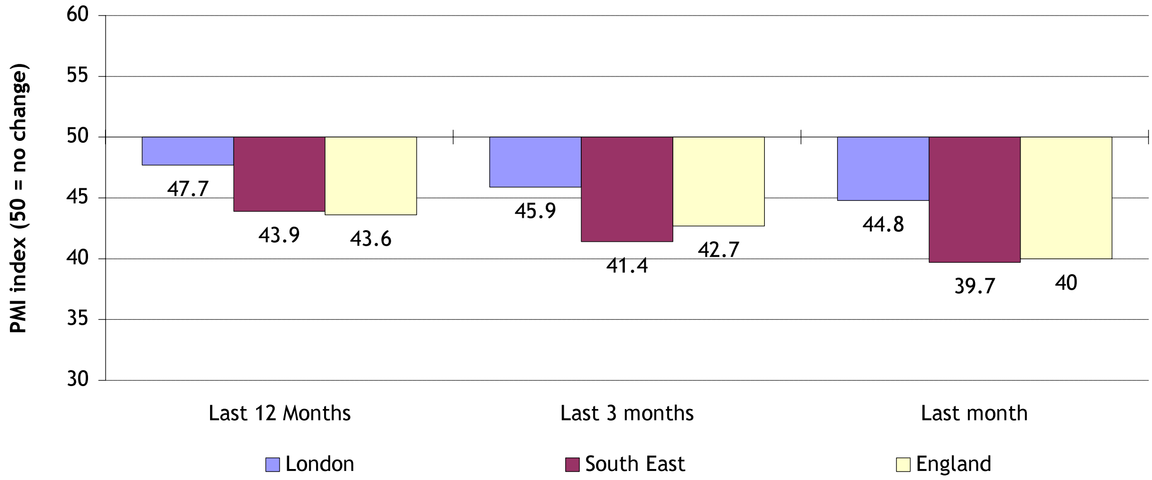
Nationally, manufacturing and construction appeared to have fared worst during the current recession with output and employment levels falling substantially over the past year. The South East has benefited from growth in both of these sectors over the recent past. Looking more to the future, one of the main risks the economy faces relates to the construction and financial services sectors. The Sector Blueprint study, which produced a series of employment projections for various areas within the South East, showed that future employment growth, especially at an intermediate skills level and above, would be driven by demand from the construction and financial services sectors.[1] The manufacturing sector, which comprises many hi-tech/high skill enterprises, was also forecast to decline over the period, with the evidence pointing to the recession accelerating the decline in manufacturing employment.

[1] Hogarth T and Owen D (2008) *Sector Blueprint Study, Report to Learning and Skills Council South East and SEEDA*, (University of Warwick Institute for Employment Research, Coventry).

…but the South East is performing well compared to the rest of the UK

The trend in output over the recent past shows that output has continued to fall, but again the South East has fared relatively well compared to other regions. The RBS/Markit Economics' survey of purchasing managers produces an index of change in output where a score of 50 records no change and a score of 0 means no output (see Figure 4.2). The data reveals the extent to which purchasing managers have experienced a growth or decline in orders. It reveals, like much of the other data relating to the recession in the South East, that the speed of decline is rapid but less so than in the other regions, with the exception of London. Figure 4.2 shows how employers in the South East have reported falling orders compared to England as a whole, and London. Evidence presented later suggests that there is some evidence of the recession 'bottoming out' as the speed at which the regional economy was contracting slows.

Figure 4.2: Recent trends in output in the South East from RBS PMI (February 2009)



Source: RBS/Markit Economics

According to PACEC, the South East has the highest percentage of industries which are least vulnerable to the recession (38 per cent of jobs are in these sectors compared to 36 per cent in England) and, somewhat speculatively, estimates that the region will see a relatively smaller rate of decline in employment in the period to the end of 2010 (6.3 per cent compared to 6.4 per cent in England).[1] Cambridge Econometrics' forecast for the region, details of which are provided later, based on a behavioural model of the UK economy, also suggests that the prospects for the region are relatively good compared to other regions in

1 PACEC (2008), From Recession to Recovery: the local dimension, Report to the Local Government Association, November 2008. The vulnerability index is based on the concentration of employment in a sector and its employment growth.

England or countries within the UK. However, the outlook over the short-term remains somewhat pessimistic.[1]

4.2 The evolution of the recession in the South East and the sectoral dimension

Table 4.1 provides summary information of the economic downturn's progression into recession in the South East between October 2008 and May 2009 and its differential sectoral impact.

It reveals four stages of change along the following lines:

- **Stage I**: a weakening in demand which affects mainly the manufacturing and construction sectors – though there is recognition of worsening trading conditions in other sectors – and those companies with relatively weak business models.
- **Stage II**: a deepening of the downturn as a reduction in the supply of credit, and continued uncertainty over future levels of demand, results in companies restructuring and/or reducing costs. At this stage the impact on employment levels is still limited but becoming more visible.
- **Stage III**: the gradual spread of the recession across all sectors in the economy with firm closure and employment loss both accelerating quickly.
- **Stage IV**: a slowing of the contraction in orders and the rate of job loss as the economy heads possibly towards recovery.

There is a danger in viewing this simply as a linear process. As the World Bank have noted, weak recovery during 2010 without a significant improvement in operation of the world's financial system could result in GDP growth stagnating.

[1] Cambridge Econometrics (2009), Medium Term Economic Forecasts: Regional Outlook, Cambridge Econometrics, Cambridge.

Table 4.1: Evolution of the recession in the South East: sectoral developments

	October 2008	**November 2008**	**December 2008**	**January 2009**	**February 2009**	**March to May 2009**
GENERAL OUTLOOK	Outlook flat and new orders falling. Sectoral impact of slowdown mixed – appears to be manufacturing and construction which affected most. Employment levels flat	Downturn mainly affecting two sectors: manufacturing and construction. Slightly weaker trading conditions. Cost-cutting is high on employers' agendas. Investment levels are flat. Employment slightly down	Profit margins falling. Output and orders continue to decline. Weakening demand lowers labour costs. Heavy discounting common	Employment down – but skills being retained. Output down (50% of SMEs reporting drop in trade). Profit margins squeezed. Investment down	Output down but rate of decline slowing. Business survey suggests performance may be improving but labour market weak	Rate of deterioration in business conditions slowing down / 'bottoming out'
SECTORAL DIMENSION						
Manufacturing		Output falling especially in automotive. Companies cutting agency jobs and reducing shifts	Output and orders balances turned negative. Major job losses and short-time working announced	EEF reports significant turn for the worse. Job losses and reduced working hours increasing	Two-thirds of employers reported to EEF that output and orders down. Automotive particularly affected	Continuing to face adverse conditions in export markets, and employment continuing to fall
Retail	Sales down – mainly affecting discretionary spending	Discretionary spending down. Independent retailers struggling in the face of discounting by chains	A relatively good Christmas but heavy discounting taking place, and a number of major chains closed or announced large-scale redundancies	Mixed performance. Cash flow is dwindling and profit margins squeezed but some new developments (some major chains expanding)	Footfall stable and food retailers expanding. But rest of sector struggling	Mixed messages: footfall is subdued but discounters doing well

	October 2008	November 2008	December 2008	January 2009	February 2009	March to May 2009
Construction	Employment in decline	Housing market weak but public sector projects more buoyant. Many projects being deferred	Slowing order books. Many large projects on hold. Long-term strategy is to obtain planning permission and wait and see	Sector remains downbeat especially in housing and commercial sectors	Activity levels down with little sign of improvement. Many large projects delayed but progressing (albeit slowly)	Continuing to struggle with new house prices being heavily discounted/ lack of long term orders
Business Services		Some evidence that companies' clients cautious about spending	Accountants doing well but estate agents struggling	Accountancy now beginning to contract in part due to a reduction in corporate finance work	Accounting and legal companies shedding labour	Shrinking corporate budgets causing difficulties across sector
Financial Services	Uncertainty in market, especially in Surrey, Buckinghamshire and Hampshire where industry is concentrated	Uncertainty in markets leading to some restructuring which is affecting the Inner South East	Significant redundancies, and not just amongst London commuters	Some back office work being transferred out of the region	Signs that restructuring taking place with job losses in its wake.	A quiet period for the sector with not much positive or negative activity reported
Tourism			Low end doing well (B&Bs, campsites *etc.*) Elsewhere customers want discounts	High end and corporate hospitality contracting sharply. Hotel business more confident due to weak pound but margins squeezed	Hotel occupancy rates holding up but there is heavy discounting	Employers optimistic about summer season but less so about off-season

	October 2008	November 2008	December 2008	January 2009	February 2009	March to May 2009
Transport		Reduced demand from airlines at Gatwick and Heathrow dampening demand		Cross channel freight and tourist trade down 14 per cent	Mixed. Large companies shedding labour but SMEs holding up	Some positive signs beginning to emerge of increased activity
Agriculture/rural business	Profit margins falling	Not much impact. Some migrant workers returning to Eastern Europe	Sales continuing to rise, but margins being squeezed by high input prices and lower (output) grain prices	Farmers not too badly affected but they will need capital to deal with high input costs later in year. Rural economy relatively buoyant	Rural economy under pressure with SMEs facing cash-flow problems	Higher food prices having beneficial effect, and input prices beginning to fall
Creative & Media				Mixed. Orders down and more expected for same income. But some sub-sectors – film/gaming – doing relatively well	Private sector developments under threat but public sector holding up	Mixed. Printed media and publishing in decline. Computer services and web design doing well

Source: SEEDA Monthly Economic Reviews (October 2008 – May 2009)

Redundancies due to recession initially took place in manufacturing and construction, and then spread to the retail sector

Available data suggests that in October 2008 employers were reporting that sales and output were either flat (after a period of growth) or beginning to fall away. At this stage it was primarily manufacturing (notably those sectors related to automotive) and construction which were reporting the most severe problems with relatively greater falls in production and employment. At this point, it tended to be companies with relatively weak business models which were failing (eg Woolworths, MFI) with job losses, to some extent, concentrated amongst non-core workers (those on agency contracts, temporary employees, migrants, etc.).

In an effort to manage increasingly squeezed profit margins – and in some sectors, an increase in input prices – employers engaged in cost-cutting, but the impact on employment at this stage does not appear to be anywhere near as great as that which occurs a few months later. The exception is the restructuring in the financial services sector which has a particularly adverse effect on employment in Surrey.

By December 2008 the severity of what had become the recession was becoming evident. Whilst output and employment continued to fall in manufacturing and construction, there was evidence that it was beginning to spread to other sectors. To some extent this will represent supply-chain effects as cutbacks in manufacturing, construction and, increasingly at this stage, financial services has an impact on the wider economy. Sectors increasingly report problems related to access to credit resulting in cash-flow problems, shortage of investment capital, and reduced profit margins as companies engage in discounting to obtain new business.

By January 2009 the recession had spread to more or less every sector of the economy. There were sub-sectors where conditions were relatively more buoyant but for most firms the outlook was pessimistic and redundancies were widespread with reductions in the core workforce commonplace. The effects are widespread across the South East but there appear to be particular hotspots such as Surrey (resulting from restructuring and consequent job losses in financial services), Oxfordshire, and Milton Keynes[1] (all of which suffer high levels of redundancies).

By May 2009 the pace of decline appears to have slowed a little. Employers were still reporting falls in output and employment but at a slightly slower pace than in the previous months. Whether these are the first green shoots of recovery is a moot point; more likely, it marks a slowdown in the speed of contraction in the economy. In itself, the slowdown in the rate of economic decline may be considered a positive development.

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1 The high level of job loss in Milton Keynes may be overstated. There is a high concentration of company head offices in Milton Keynes many of which register region- or nationwide redundancies.

4.3 The impact of the recession on the South East labour market

Analysis of the labour market over the October to May period – the same period as that covered in Table 4.1 which looks at sectoral developments – shows a deteriorating labour market with levels of economic activity falling, and unemployment rates increasing (see Table 4.2). The National Business Survey, from December 2008, reported that most firms in the region were operating below full capacity and expected the situation to continue in the immediate future.[1]

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1 Ipsos MORI (2009) *National Business Survey: South East England*, (SEEDA, Guildford).

Table 4.2: Evolution of the recession in the South East: employment and unemployment

	October 2008	November 2008	December 2008	January 2009	February 2009	March to May 2009
Economic Activity	Economic activity rose over the quarter. Has the highest rate nationally	Economic activity increased over the quarter and is the highest nationally	Economic activity rates down - due to increases in the number of women entering inactivity and return of migrant workers	Economic activity rates in decline – due to women entering inactivity - whilst still increasing in UK	Economic activity rose over the quarter due to an increase in the economic activity of men	Economic activity levels showed signs of bottoming out during April/May
Employment	Employment rose due to a growth in female employment (male employment was down over the quarter)	Employment fell over the quarter - the first quarterly fall since the beginning of 2007 – but still higher than over the same period one year ago. Female employment falling faster than male	Employment continuing to fall over the quarter (but still higher than in October 2007). The employment rate falling at the same rate nationally but still the highest in England	Employment falling (but still higher than a year ago). Employment rates still the highest in England	Employment falling. Female employment levels falling but less fast than in the previous quarter. Male employment levels falling but at a slower rate than elsewhere in England	In the final quarter of 2008 the region had the largest fall in employment, and the number of redundancies has increased between April and May
Unemployment (ILO and claimant count)	Unemployment rose more slowly than nationally and the unemployment rate was the lowest in any region	The unemployment rate rose at more or less the same rate nationally. The rate is still the lowest nationally. The increase is due to the growth in male unemployment	Unemployment increased over the quarter - but at a slower rate – due to an increase in male rates. Unemployment rising relatively quickly in Milton Keynes, Thanet, Southampton, and in parts of: urban South Hampshire, Sussex, and Kent	Unemployment increasing but at a slower rate than elsewhere in England. The claimant count unemployment rate is rising most rapidly in Isle of Wight. Coastal regions have also seen relatively high increases (this may be a seasonal effect)	Unemployment increasing – due to increases in both male and female rates – but at a rate slower than the national average. Relatively high increases recorded in Isle of Wight, Southampton, Milton Keynes, Medway, and Portsmouth	Despite economic activity increasing and employment falling, unemployment has not risen as rapidly as expected – suggests people are losing jobs and becoming inactive

	October 2008	November 2008	December 2008	January 2009	February 2009	March to May 2009
Redundancies			6,200 announced – mainly in manufacturing, construction, transport, and telecommunications. Milton Keynes, Oxfordshire and Medway particularly affected	6,100 announced – a year-on-year increase of 60 per cent. Milton Keynes particularly affected	5,400 announced mainly in manufacturing and transport. Hampshire and West Sussex particularly affected plus Milton Keynes, Crawley, Hook and High Wycombe	Redundancy levels continuing to increase (but smaller than in Winter 2008/09). Manufacturing accounts for just over a quarter of redundancies in April and the service sector around half

Source: SEEDA Labour Market Updates October 2008–May 2009; SEEDA Regional Intelligence Snapshots October 2008 –May 2009

Unemployment levels vary across sub-regions of the South East

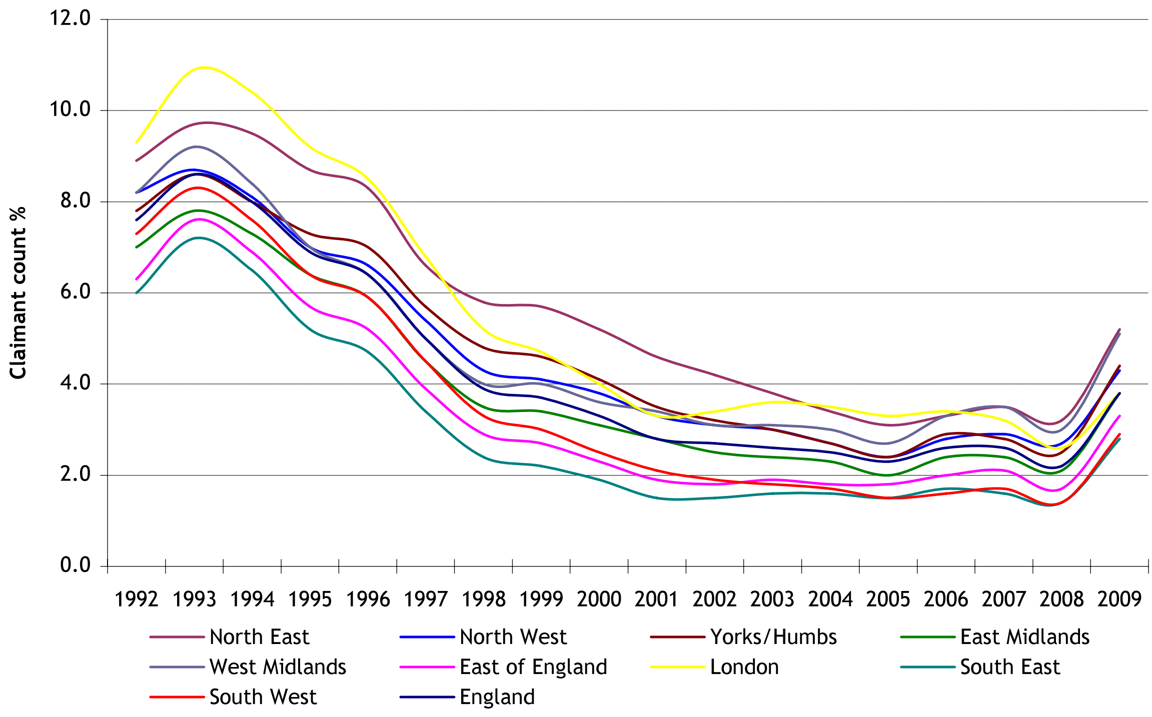
There appears to be a spatial aspect to the deteriorating conditions in the labour market with Milton Keynes, Southampton, and Medway suffering from either relatively high increases in unemployment or relatively high levels of redundancy. Overall, however, the summary in Figure 4.3 shows that labour market conditions have continued to worsen quite rapidly over a relatively short space of time across the region as a whole. There is a need to recognise that labour market indicators such as unemployment tend to lag behind economic ones such as output. So the employment situation in April to May might reflect the steep fall in output recorded at the end of 2008 and early 2009.

4.4 Unemployment

Unemployment levels in the South East are still lower than any other region except London

Despite deteriorating conditions, the regional situation is better than in any of the other regions except London. Labour Force Survey data reveals that unemployment rates have been consistently lower, and employment rates consistently higher in the South East compared to the situation nationally. This stems in large part from the concentration of relatively high growth, high value industries in the region. The overall evidence suggests that the industrial base in the region has been more resilient than elsewhere in the country. For example, employment continued to grow in the final quarters of 2008 when it declined across England as a whole. Claimant count unemployment for instance has risen starkly in the region over recent months but remains low in comparison to any other region (see Figure 4.3).

Figure 4.3: Claimant count unemployment in the South East and other regions

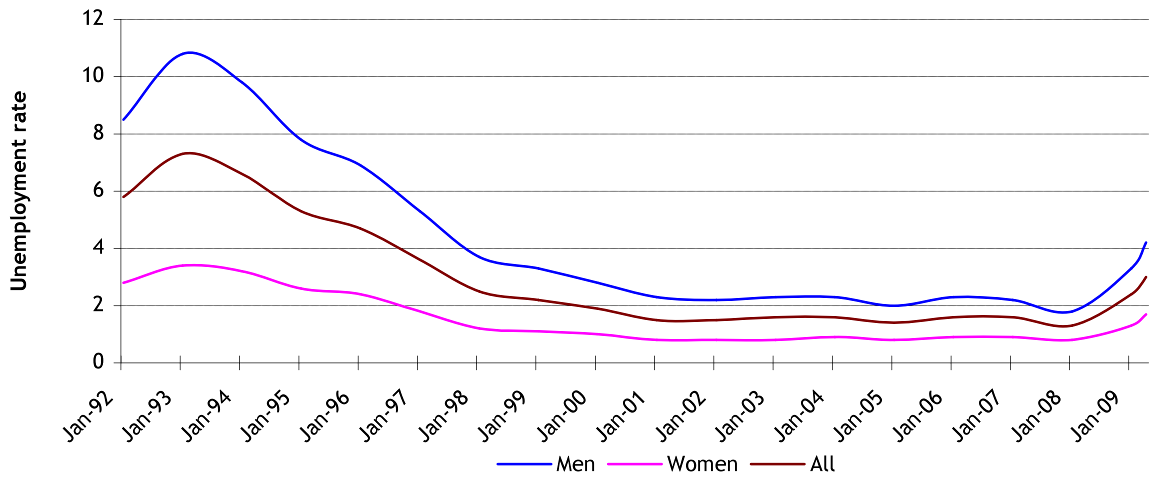


Source: DWP/Jobcentre plus via Nomis

Men are experiencing higher levels of unemployment than women

Unemployment affects men and women to different extents (see Figure 4.4). It shows that the male unemployment rate has been consistently higher than that for women. There is also evidence – summarised in Table 4.2 – that people who are losing their jobs are entering economic inactivity or not claiming benefits rather than registering as unemployed. This might potentially affect women more than men with respect to the claimant count where women have a limited entitlement to benefits.

Figure 4.4: Claimant count unemployment rate, by gender in the South East, 1992-2009

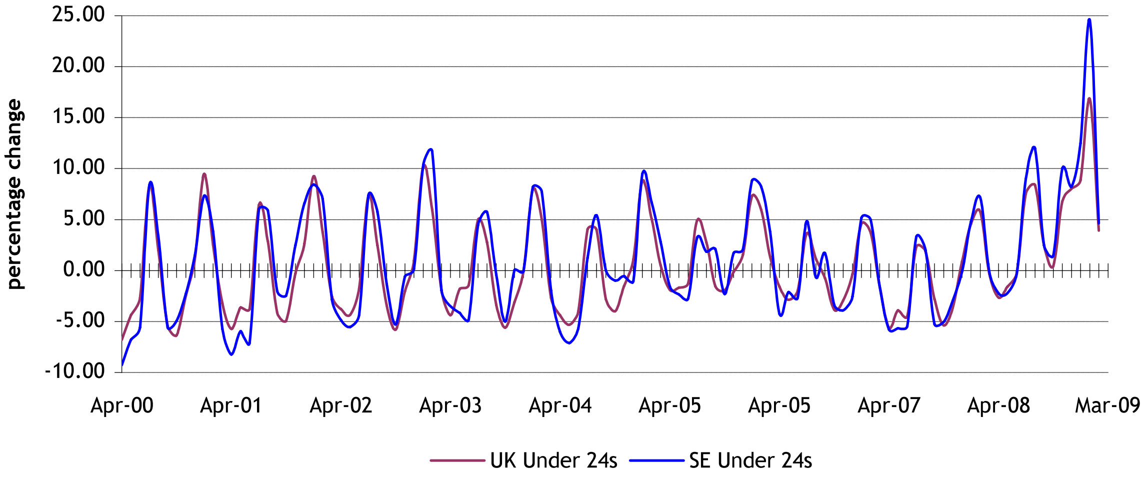


Source: DWP/Jobcentre plus via Nomis

Young people over the age of 18 are experiencing higher levels of unemployment than older workers

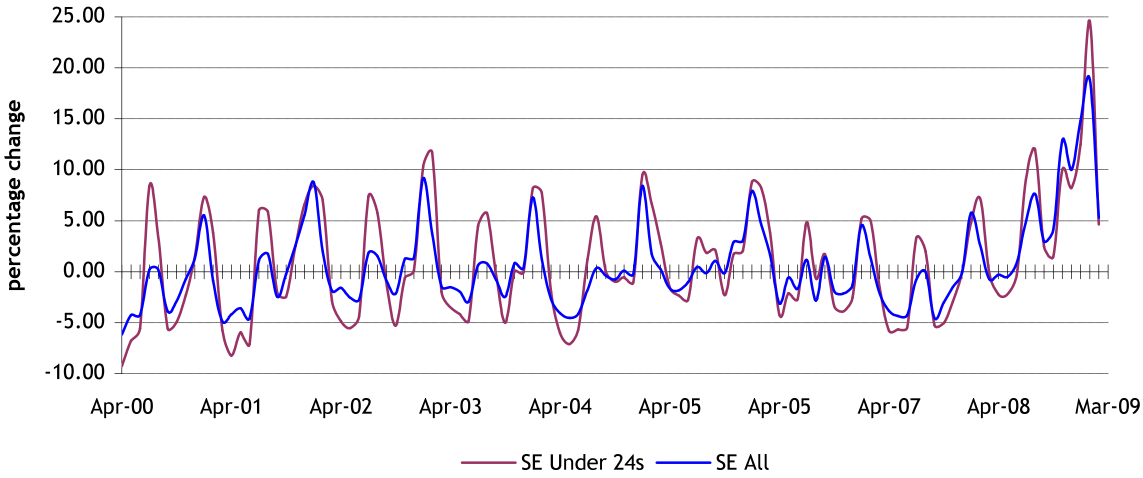
Young people are affected by the recession in two ways. Firstly, they may struggle to find work upon leaving the education and training system, and second, they may be more likely, as a consequence of their youth, not to have built up a number of years of service with their employers, to be victim of a 'last-in, first-out' firing policy by firms. Qualitative data gathered for this research is consistent with this explanation in that it shows employers place significant weight on experience and ability to do the job when recruiting, even when recruiting from the youth labour market. The evidence presented in Figure 4.5 and Figure 4.6 shows the percentage change in the number of people aged under 24 years entering unemployment in the South East compared, respectively, to the situation in the UK, and for older people in the South East. The percentage change in the number of under-24s entering unemployment in the South East compared to the UK reveals little difference in the trend over time. A similar trend is revealed by a comparison between the under-24s in the South East compared to all age groups. Again, the under-24s show a sharper percentage increase in March 2009 compared to the situation overall in the region.

Figure 4.5: Percentage change in the number of people under 24 years of age entering unemployment, by age in the South East and UK



Source: NOMIS Claimant Count; own calculations

Figure 4.6: Percentage change in the number of people entering unemployment, by age in the South East

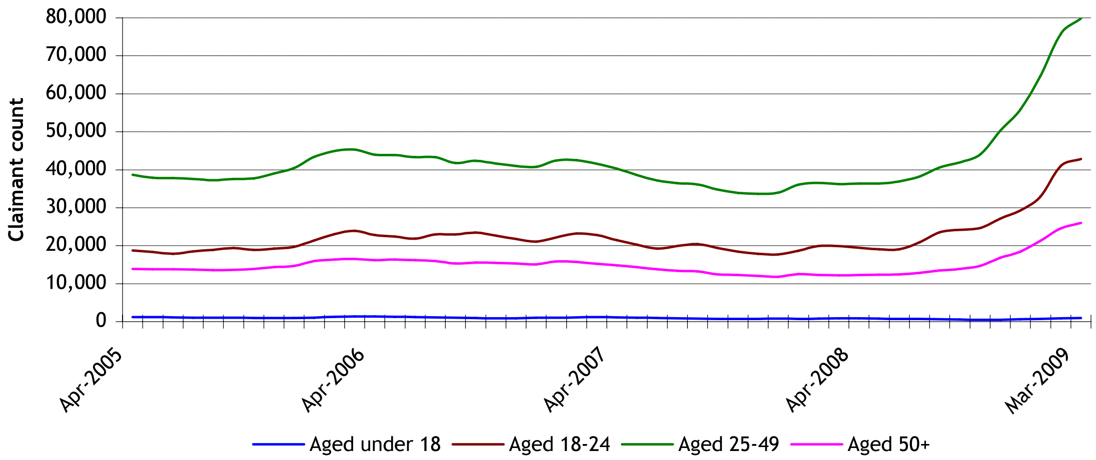


Source: NOMIS Claimant Count; own calculations

Figure 4.7 shows the change in the number of unemployed people by age in the South East between January 2005 and April 2009. Overall, the data reveals that the level of unemployment amongst the youngest age group has fallen over the April 2005 to April 2009 period, but amongst all other age groups it has risen substantially, especially so over the early part of 2009. The number of unemployed has more or less doubled for all of the 18 plus age groups. This is a pattern which has been observed across the UK.[1]

[1] Office for National Statistics (2009) The Impact of the Recession on the Labour Market, ONS, London.

Figure 4.7: Number of unemployment claimants in South East, January 2005 to April 2009

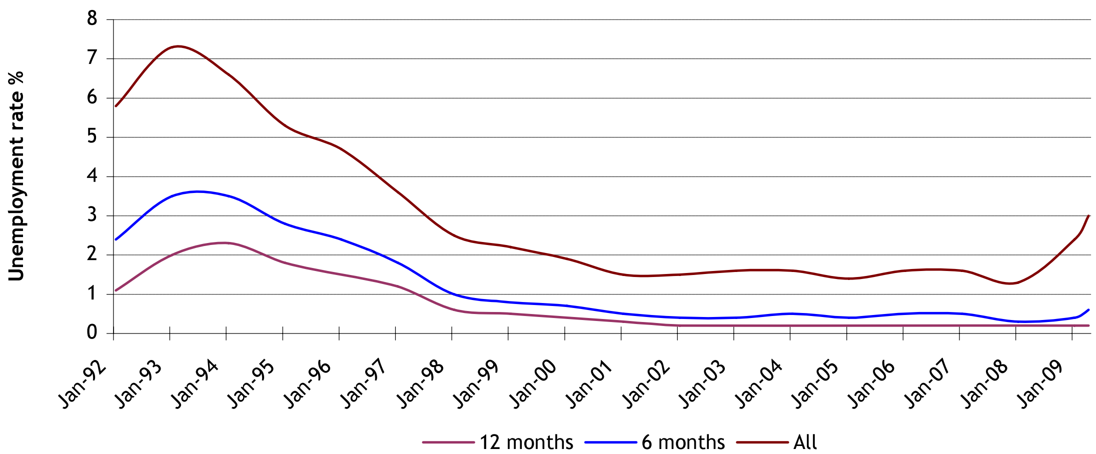


Source: DWP Claimant Count via NOMIS

The number of long-term unemployed is increasing

The number of people who have been registered as unemployed for longer than either six or 12 months has been increasing as the recession has taken hold (see Figure 4.8). The chart shows that long-term unemployment continued to be a problem after the economy entered the recovery period following the 1990/91 recession.

Figure 4.8: Unemployment rate, by duration in the South East, January 1992 to April 2009



Source: DWP Claimant Count via NOMIS

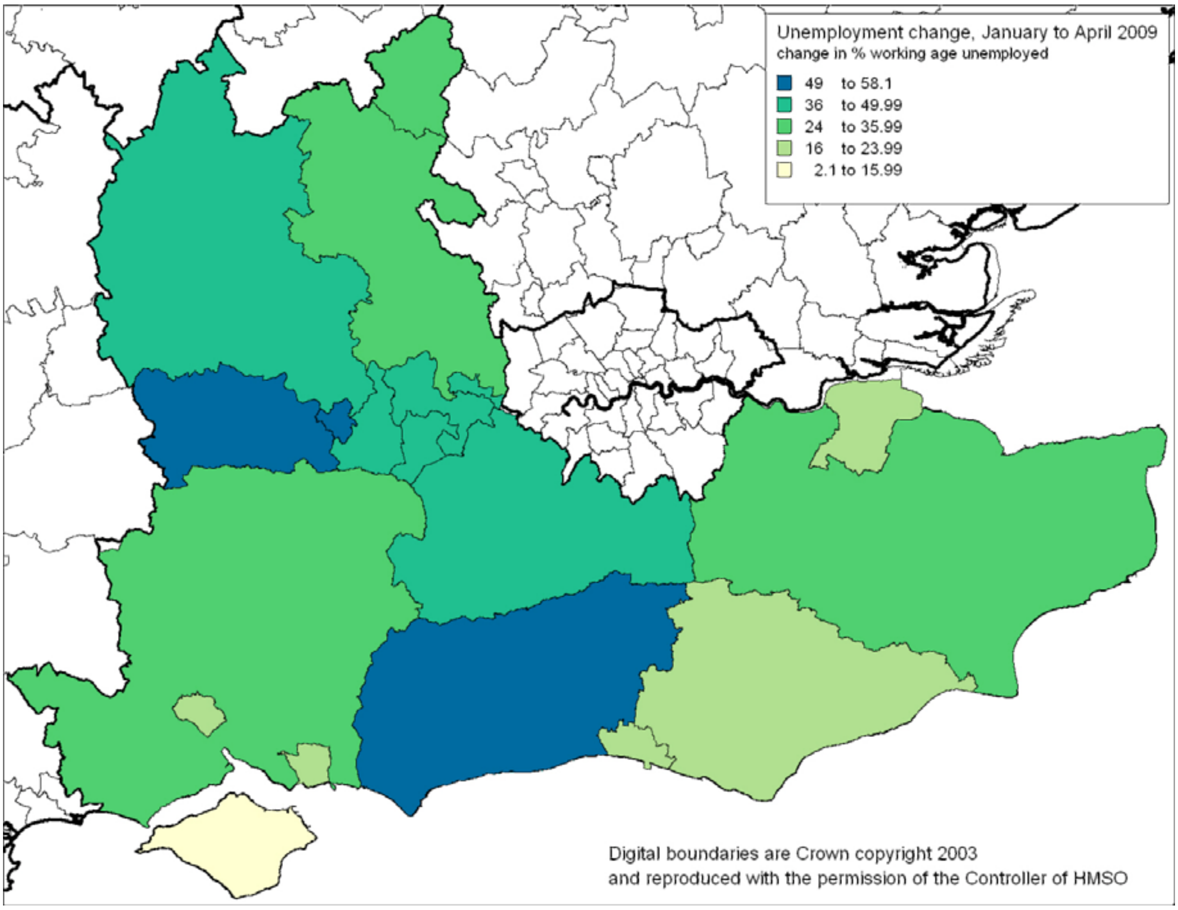
Change in unemployment levels is uneven across the South East

The impact of recession on the labour market can be gauged by the degree of change in unemployment levels and Figures 4.9 and 4.10 show the percentage change in the unemployment claimant count rate over the January to April 2009 period by local authority areas (unitary authorities and districts respectively).

Figure 4.9 shows that the highest increases have been in Reading, West Berkshire, and Wokingham where the increases have been 50 per cent or more, and the lowest increase has been in the Isle of Wight.

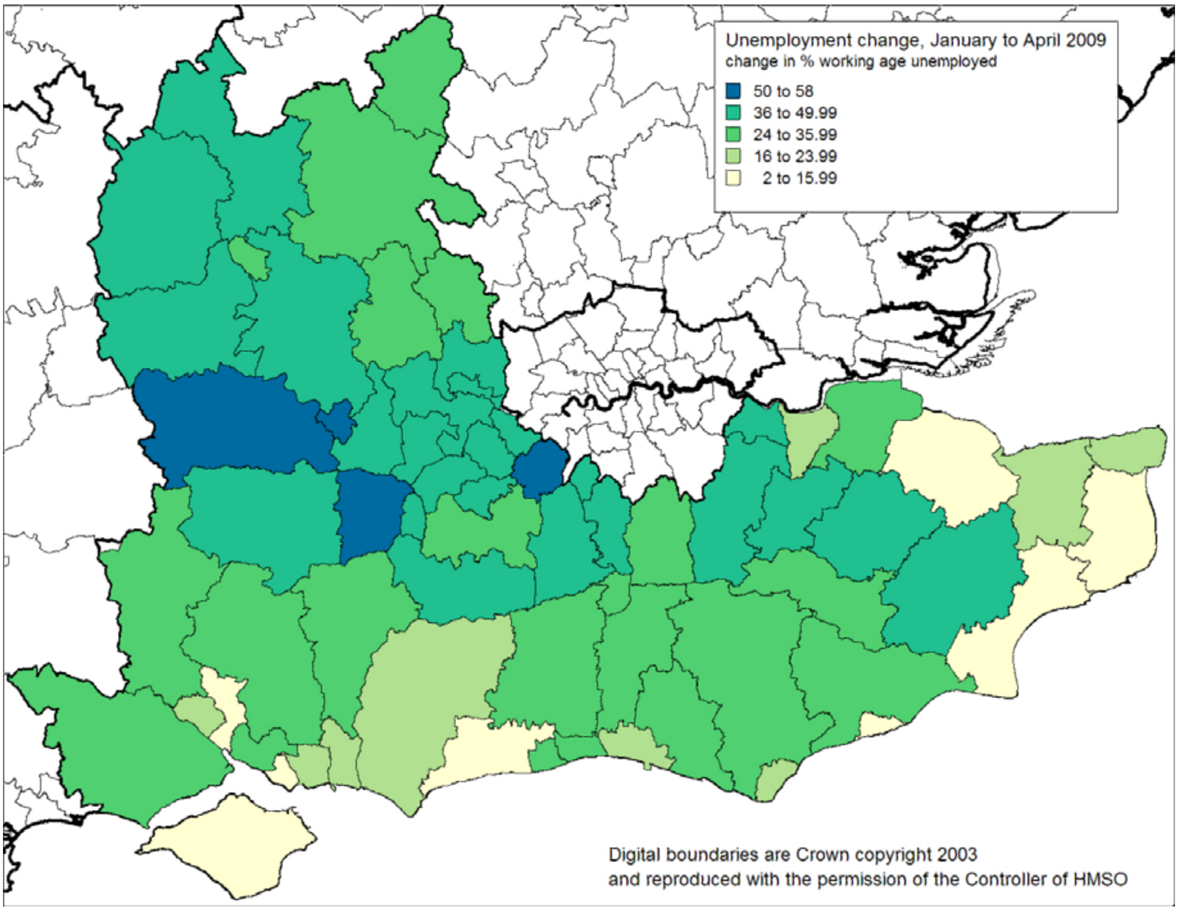
Figure 4.10 provides more geographical detail and shows that it was in West Berkshire, Elmbridge, Wokingham, Reading, and South Buckinghamshire where there was the highest percentage increases (all by around 50 per cent), whereas the Isle of Wight experienced a negligible increase (two per cent), and Dover experienced an increase of 12 per cent. The large percentage increases in parts of Berks and Bucks could be related to the fact that unemployment started from a low base in these more prosperous areas.

Figure 4.9: Percentage change in unemployment rate amongst counties and unitary authorities (January to April 2009)



Source: DWP Claimant count via Nomis

Figure 4.10: Percentage change in unemployment amongst district and unitary authorities (January to April 2009)



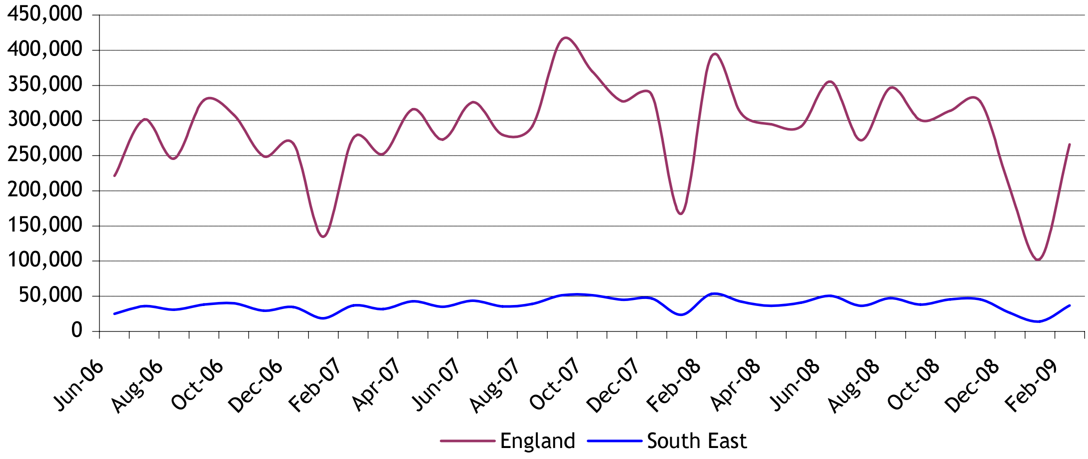
Source: DWP Claimant Count via Nomis

The numbers of job vacancies is decreasing in the South East

The number of vacancies notified to JobCentre Plus – which is only a partial measure of the volume of vacancies in the job market, as this accounts for only around 40 per cent of all vacancies[1] – has also fallen sharply over the early part of 2009 (see Figure 4.11). There is a seasonal aspect to the vacancy data but the decline in January 2009 appears to be steeper than in previous years and, given other labour market information, it is unlikely that it will recover during February to April to the same scale as in previous years. As such there will be more people chasing fewer jobs.

[1] Bunt K, McAndrew F and Kuechel A (2006), *Jobcentre Plus Annual Employer (Market View) Survey 2005–06*, DWP Research Report No. 372, DWP, London.

Figure 4.11: Notified vacancies to JobCentre Plus in the South East and England



Source: DWP/JobCentre Plus via Nomis

Job vacancies are most common in distribution, hotels/restaurants and financial services industries in the South East

Alongside the decline in the number of vacancies over the 2008-09 period has been a change in the distribution by sector (see Table 4.3). There has been a decline in the percentage of vacancies accounted for by banking and an increase in the percentage accounted for by public administration, etc. Banking, however, still accounts for around half of all vacancies in the region.

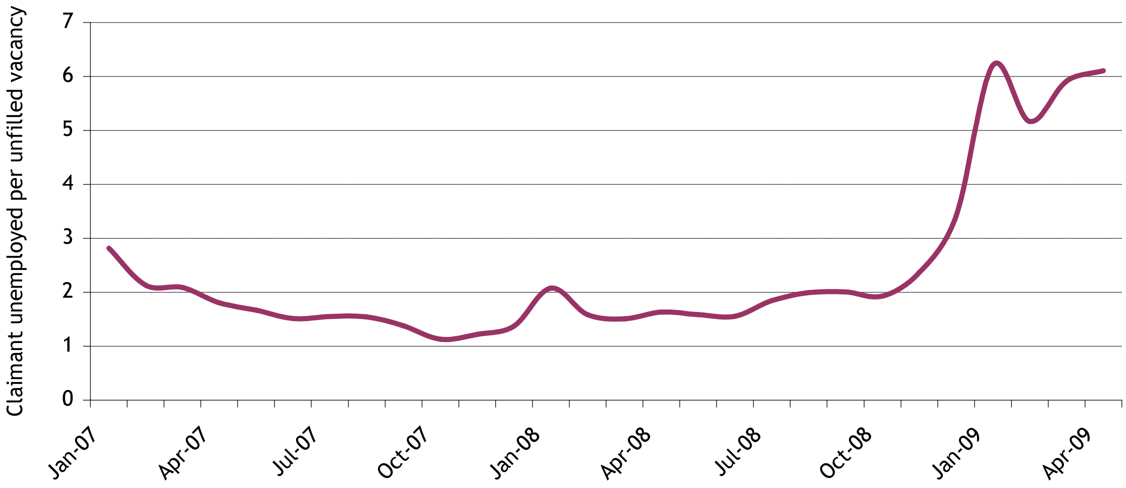
Table 4.3: Notified vacancies to JobCentre Plus in the South East, by industrial sector (April 2008 and April 2009)

	April 2008		April 2009	
Industry	**N**	**%**	**N**	**%**
Agriculture and fishing	193	0.5	153	0.6
Energy and water	140	0.4	563	2.1
Manufacturing	909	2.5	811	3.0
Construction	1,034	2.8	1,199	4.4
Distribution, hotels and restaurants	6,304	17.2	4,175	15.4
Transport and communications	811	2.2	751	2.8
Banking, finance and insurance, etc.	21,797	59.6	13,664	50.5
Public administration, education & health	3,800	10.4	4,540	16.8
Other services	1,588	4.3	1,175	4.3
All	36,576	100.0	27,031	100.0

Source: DWP/JobCentre Plus via Nomis

By comparing the trends in unemployment and vacancies it is possible to derive the ratio between the two (see Figure 4.12). This reveals that the ratio between the number of unemployed people per unfulfilled vacancy has doubled since 2007 with much of the increase arising over the past six months.

Figure 4.12: Unemployment to vacancy ratio in the South East



Source: DWP/JobCentre Plus via Nomis

Most redundancies in the South East have taken place in the manufacturing sector

Nationally, redundancies are increasing: from 138,000 (November 2007 to January 2008) to 266,000 in the same period one year later – a 90 per cent increase – such that the redundancy rate has risen from 5.5 per cent to 10.5 per cent over the same period.[1] Nationally, redundancies have mainly affected men and been concentrated in manufacturing, construction, financial services, and the public sector.[2] Figure 4.13 shows the current situation in the South East for the final quarter of 2008.[3] The data are only indicative of the scale of redundancies in the South East because they cover only companies which are making 20 or more staff redundant. Moreover, because of the number of company headquarters in the region the actual redundancies may be taking place outside of the region. Nevertheless, the data shows manufacturing accounting for most redundancies (mainly because of a decline in demand). Over a short period of time the data are volatile. During January 2009 retail and construction accounted for increasing shares of the total number of redundancies, but by February 2009 this had fallen away and manufacturing was once again accounting for a large share of all redundancies.

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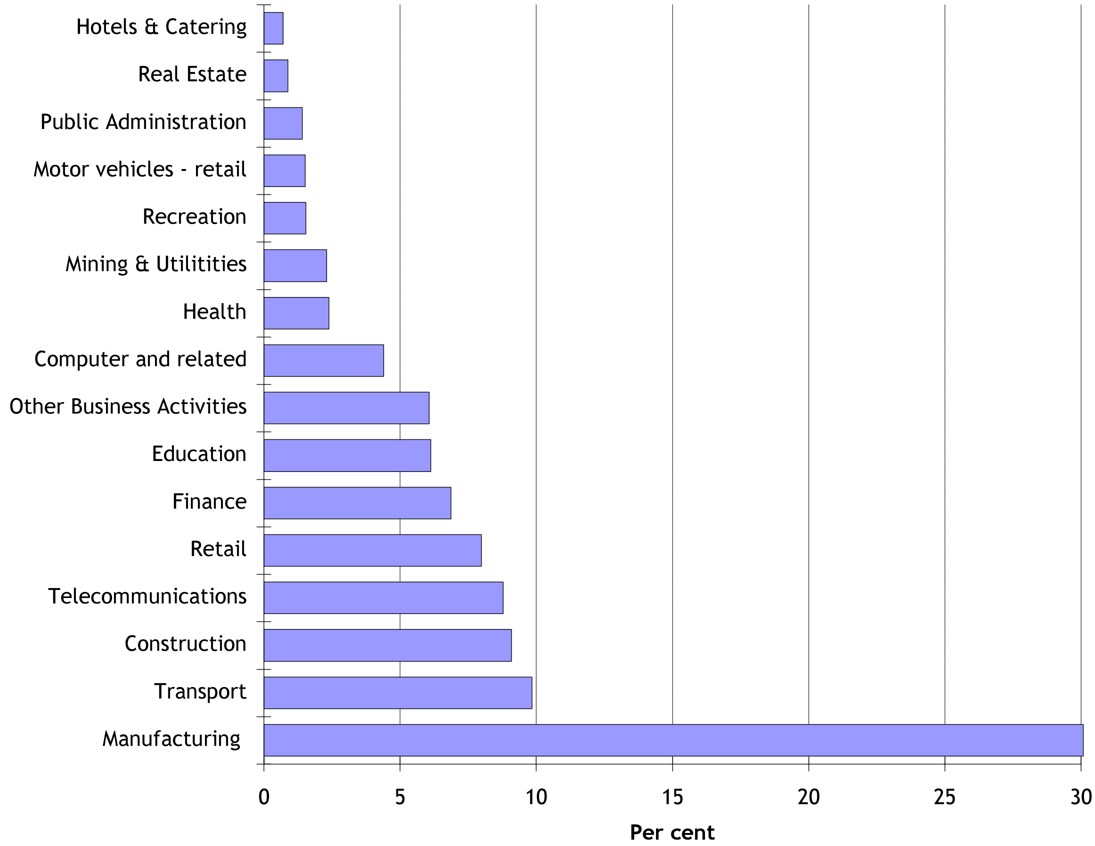
1 Based on ONS redundancy data. The redundancy rate is the number of redundancies divided by the number of people in employment in the previous quarter multiplied by 1,000.

2 ONS, Labour Market Statistics March 2009, First Statistical Release, ONS, 2009.

3 SEEDA, Redundancy Notifications in the South East, January, 2009; ONS Redundancy data are based on the LFS (see www.statistics.gov.uk/articles/nojournal/Redundancy.pdf) whereas BERR redundancy data records the number of notified redundancies.

Figure 4.13: Redundancies in the South East (Q4, 2008)



Source: BERR HR1 data on Redundancy Notifications in the South East (SEEDA analysis)

Employers believe that employment will fall over the next 12 months

Data provided by purchasing managers shows employment has continued to fall over the past 12 months, three months, and last month, though the situation in the South East is not as abject as elsewhere in the country (see Figure 4.14). For the time being there appears to be no let up in job losses with the National Business Survey from December 2008 showing that a significant proportion of employers across the region expect employment to fall over the next 12 months: 23 per cent overall think employment will decline compared to eight per cent who think it will increase.[1] There is a strong sectoral dimension to this with proportionately more employers in sectors such as transport, storage and communications and distribution expecting employment to fall.

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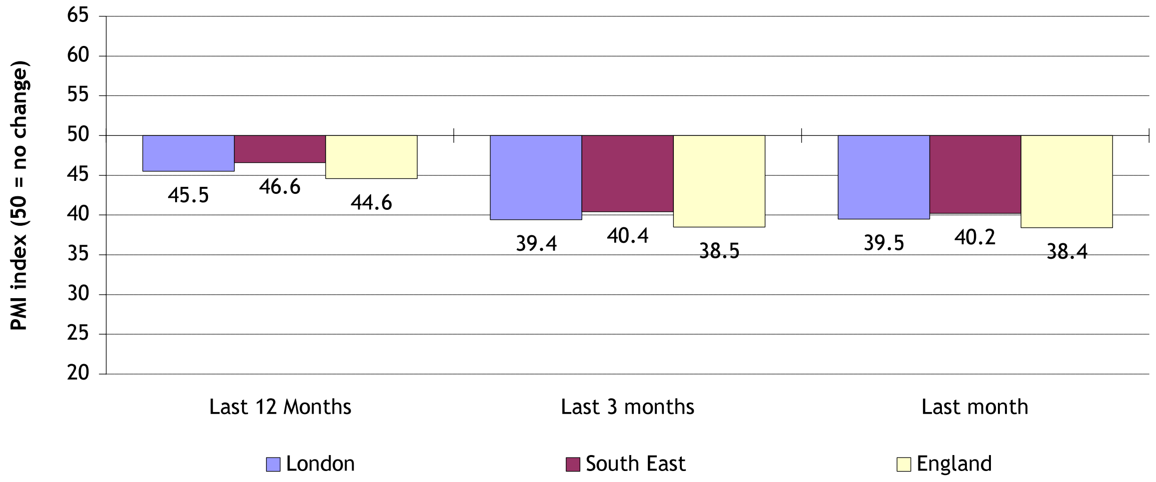
1 Ipsos MORI, National Business Survey: South East England, SEEDA, January 2009.

Figure 4.14: Changes in employment reported by purchasing managers (PMI Index) (February 2009)

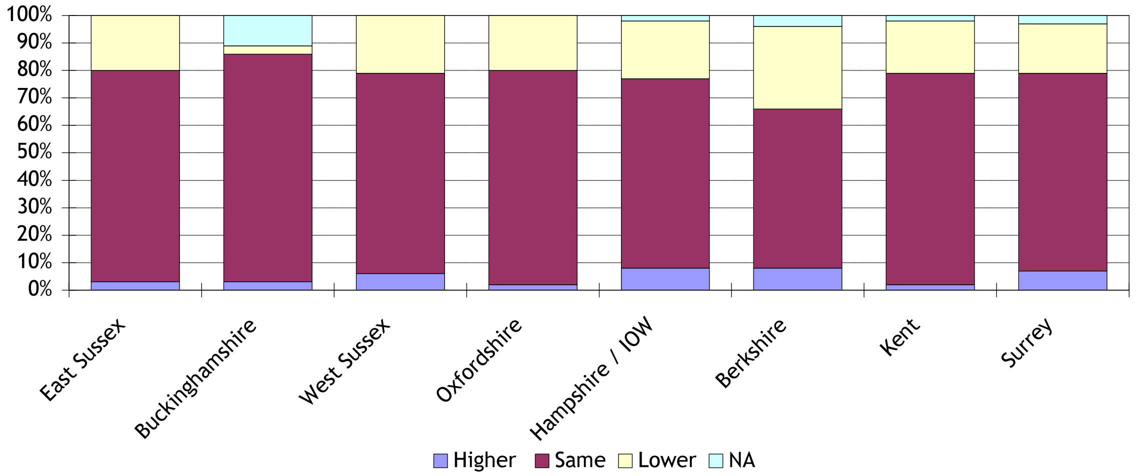


Source: RBS/Markit Economics

Redundancies are affecting every part of the South East region

Official redundancy data suggests that no part of the region is immune to redundancy with the scale of redundancies reflecting, for the most part, the scale of employment in a location. The latest information from Snapshot Business Survey for the South East in March 2009 suggests that, compared to December 2008, employers are more likely to report that employment levels have stabilised with fewer reporting the number of jobs being reduced over the last three months (see Figure 4.15).

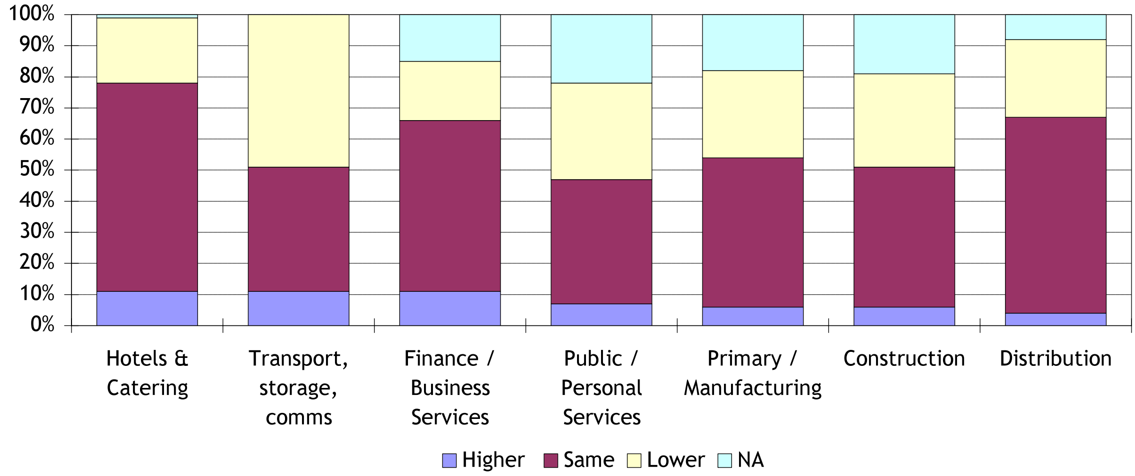
Figure 4.15: Expected changes in employment, by sub-region in the South East



Source: National Business Survey, South East, March 2009

The last Snapshot Business Survey does not report on sectoral differences. The latest data are taken from December 2008 and show most sectors reporting job losses over the past three months. Since that time, however, the indicators suggest that the situation may have improved.

Figure 4.16: Expected changes in employment, by sector in the South East



Source: National Business Survey, South East, December 2008

4.5 The recovery in the South East

Economic recovery is predicted for 2011, but unemployment is predicted to rise until 2010… albeit to levels lower than the rest of the UK

The technical definition of a recession is two or more consecutive quarterly falls in domestic output. Cambridge Econometrics' (CE) latest forecast for the region (based on the situation in February 2009) indicates that there will be no recovery before 2011. From an employment perspective one may regard the end of the recession as being the point at which unemployment levels begin to fall. The CE forecasts point towards unemployment continuing to rise for sometime after output growth is resumed and remaining at a relatively high level by recent standards. Unemployment is predicted to reach 4.3 per cent of the workforce in 2009 and continue to rise to 5.5 per cent in 2010 before falling away to 4.4 per cent by 2015 and 3.9 per cent by 2020. We should treat these figures with caution, however, given the difficulty and volatility of forecasting. These levels are lower than in any of the other English regions or nations of the UK, but high when compared to the average over the 2000s when unemployment in the region hovered just under the two per cent mark. They are, however, low compared to previous recessions.

Construction and the financial services sector are predicted to lead employment growth in the upturn

Employment growth is projected to be -2.8 per cent in 2009 then declining less rapidly to -1.3 per cent during 2010. Over the latter half of the 2000s (2005-2010) average employment growth is projected to be around -0.7 per cent a year, before picking up to 0.7 per cent a year in 2010-15 and by the same amount in 2015-20.

This compares to growth of around 0.9 per cent a year over the first half of the 2000s (2000-2005).[1] Over the recent past, employment growth in the South East has been driven by expansion in financial services and the public sector (especially health and education). Construction has also supported employment growth over recent years. Whilst employment in finance and construction have been hit hard by the current recession these are also the sectors which will drive employment growth in the recovery period. Over the 2010-15 period employment growth is likely to be strongest in: construction (1.8 per cent a year); services (0.8 per cent a year), especially other business services (1.0 per cent a year), banking and finance (1.5 per cent a year), and education and health (1.0 per cent a year). Employment growth will be weakest in manufacturing (-1.8 per cent) especially engineering. These projected increases in employment over the medium-term reflect long-term trends in the development of the economy in the region. Despite the severity of the recession this is not thought to bring about any structural break with the past.

Although the short-term assessment of conditions in the economy and labour market are rather bleak, the longer-term prospects for the region are relatively good because of the proximity to London, a good transport infrastructure, and a relatively highly skilled workforce. With the exception of London, output and employment growth in the South East will be stronger than in any of the English regions or nations of the UK over the medium-term; moreover, growth rates will compare favourably with the early 2000s when the economy was relatively buoyant.

4.6 Conclusion

All the key indicators of labour market performance are in decline in the South East. Key indicators including output levels, economic activity rates, employment rates, unemployment rates, and redundancy rates are all pointing in the wrong direction. It is too early to gauge – despite the evidence provided for March 2009 in Figure 4.15 above – whether the speed with which the regional economy is declining is slowing down. Most forecasts suggest the economy will begin to recover weakly during 2010/2011 before building up momentum during 2011 but there is more uncertainty about the speed with which unemployment levels will fall thereafter. Depending upon the extent of ‘bumping down’ in the economy, this might result in more vulnerable groups in the labour market becoming more marginalised. The next chapter of this report examines the impact of the recession on training levels overall in the South East, participation levels in Train to Gain and apprenticeships, two of the flagship programmes designed to increase levels of skill in the economy, followed by an analysis of the position of young people who are NET and NEET who may be especially vulnerable during the recessionary period.

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1 Cambridge Econometrics (2009), Economic Prospects for the Nations and Regions of the UK, Cambridge Econometrics, Cambridge, February 2009.

5 The Impact of the Recession on Training and Skills Development – Quantitative Analysis

5.1 Introduction

Employers are likely to experience simultaneous contradictory pressures both to increase and decrease training

The incidence of training during any period is a result of the calculus made by both employers and individuals about current costs *versus* future benefits. For the employer there may be less demand for training as a consequence of, for instance, staff reductions or uncertainties about future levels of demand. At a time when employers are attempting to contain costs there may be a business imperative to reduce the training budget. It is well-known that cost is one of the main barriers to employers providing more training.[1] On the other hand, where employers have experienced skill shortages or skill gaps – and these are relatively more prevalent in the South East – there may be a commitment to continue training to avoid future skill shortages or gaps emerging. Similarly, the process of job reduction itself may result in a demand for training if those staff who remain have greater demands made of them due to, for example, the scope of their jobs being increased.

For individuals, their propensity to engage in training is likely to be affected by the employer's willingness to provide training, because once people have exited the formal education system their employer is likely to be their principal source of training supply. Individuals themselves may also decide to invest their own time and money into education and training during a recessionary period in order to increase their chances of finding a job or keeping a job, especially so if they are aware of 'bumping down' in the recruitment market, as described in the previous chapters. Government funded training programmes aimed at returning people to

1 UK CES (2008) Skills for the Workplace: Employer Perspectives, UK CES Evidence Paper No.1. Wath-upon-Dearne.

work will also have the effect of increasing training volumes, especially Apprenticeships and Train to Gain.

It is readily apparent that there are forces working in both directions: some increasing either the employer's or the individual's propensity to train and some reducing it. In general, there is a shortage of data to gauge the effect of the economic cycle on training, in part, due to there being relatively few observations (ie despite the cyclical nature of the UK economy there have been relatively few recessions). There is also a problem in inferring too much from historical data. During the recessions of the early 1980s and 1990s respectively the level of awareness and commitment to lifelong learning was, arguably, much less well developed than now. Hence, there may be a greater willingness by both employers and individuals to engage in training during the recessionary period because this is seen as part of the process to both safeguard against the worst effects of the recession and ensure that the recovery period is not inhibited by skill shortages.

5.2 What can be learnt from previous recessions and downturns about the take-up of training?

Training investment by employers has been increasing and recessionary pressures increase focus on value for money

The Training in Britain Inquiry, commissioned by the Manpower Services Commission and the Department for Employment in 1989 and the Skills Needs in Britain Survey, together with other ad hoc surveys and analyses, reveal the extent to which the previous recession inhibited training activities.

The following key points emerge:

- Training in Britain/Skill Needs in Britain shows a long-term trend over the 1990s towards employers gradually increasing their investments in training. The data suggests that training provision by employers is largely non-cyclical over the period.[1]
- The recession of the early 1990s slowed the long-term growth trend towards higher levels of training taking place rather than reversing the trend.[2]
- Survey evidence provided by the Industrial Society reveals that employers during the recession of the early 1990s continued to invest in training at pre-

1 IFF Research, Skill Needs in Britain, various reports 1992–1998.

2 Felstead A and Green F (1994), 'Training during the recession', *Work, employment and Society*, Vol. 8, No. 2, pp 199-219.

recession levels but there was pressure to reduce training costs and obtain better value for money.[1]

- Because of increasing competition during recessionary periods, possessing a highly trained and skilled workforce can become a means by which employers demonstrate their relative capability.[2] Hence, employers continue to train.
- Pressures on training costs do not necessarily result in a fall in training activity because new, sometimes less costly means of delivering training can be identified, such as bringing it in-house.[3]
- Individuals, when faced with the prospect of unemployment, tend to increase their participation in education and training, especially young people.[4] Increases in the participation of young people in full-time education during the 1990s have been explained largely with reference to high levels of unemployment at the time.[5]

Employers intend to reduce training spend but not necessarily training volumes

Evidence from the USA suggests that the decrease in training volumes is consistent with the drop in employment over 2008.[6] More recent information about employers' training intentions can be captured from the CIPD's surveys of employers conducted during 2008.[7] The results show that in the UK in 2008, 82 per cent of employees had received some form of training in the previous 12 months and that this figure was consistent with surveys in 2005 and 2002. Their survey, undertaken in December 2008 to January 2009, which investigated how employers were dealing with the economic downturn, indicated that around 39 per cent of employers expected to reduce the amount they spent on training over the next three months, 49 per cent thought it would stay the same, and ten per cent thought it would increase.[8]

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[1] Industrial Society (1994), Survey reveals training pressures, Briefing Plus, Mar 1993, pp4-5; Industrial Society Training Trends: The Industrial Society training survey 13. London: The Industrial Society.

[2] Felstead A and Green F, ibid.

[3] Hotchkiss et al. (1994), 'The push-pull effects of the information technology boom and bust: Insight from matched employer-employee data', *Economic Development Quarterly*, Vol. 22, No. 3, pp 200-2,121.

[4] Whitfield K and Wilson R (1991), 'Staying on in Full-time education', *Economica*, Vol., 58, No. 231, pp. 391-400.

[5] McVicar D and Rice P (2001), 'Participation in Further Education in England & Wales: an analysis of post-War trends', *Oxford Economic Papers*, Vol. 53, pp. 47-66.

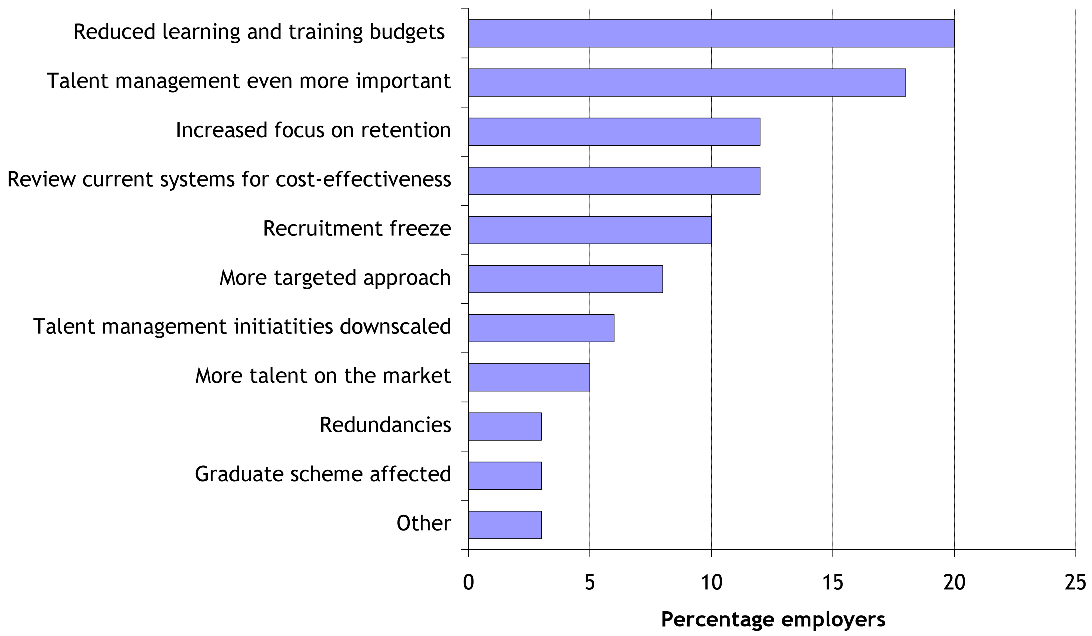
[6] City and Guilds (2009), Briefing Note: Training in Economic Downturns, City and Guilds Centre for Skills Development.

[7] CIPD (2009), A barometer of HR trends and prospects 2009, CIPD, London.

[8] CIPD (2009), Labour Market Outlook, February, CIPD, London.

This finding that training budgets are about to be, or have been, reduced is also observed in the CIPD's survey on talent management, defined as: *'the systematic attraction, identification, development, engagement, retention and deployment of those individuals with high potential who are of particular value to an organisation.'*[1] Overall, 26 per cent of employers say talent management is being affected by the current recession with around 20 per cent of employers reporting reduced learning and training budgets (see Figure 5.1). The finding, however, that training budgets are being reduced needs careful interpretation. Many employers report that they are looking to obtain more from their existing training budget and have, in some instances, brought training in-house to save on costs.

Figure 5.1: Employers' responses to 'talent management' during the current recession



Source: CIPD (2009)'War on Talent' Survey, (CIPD, Wimbledon)

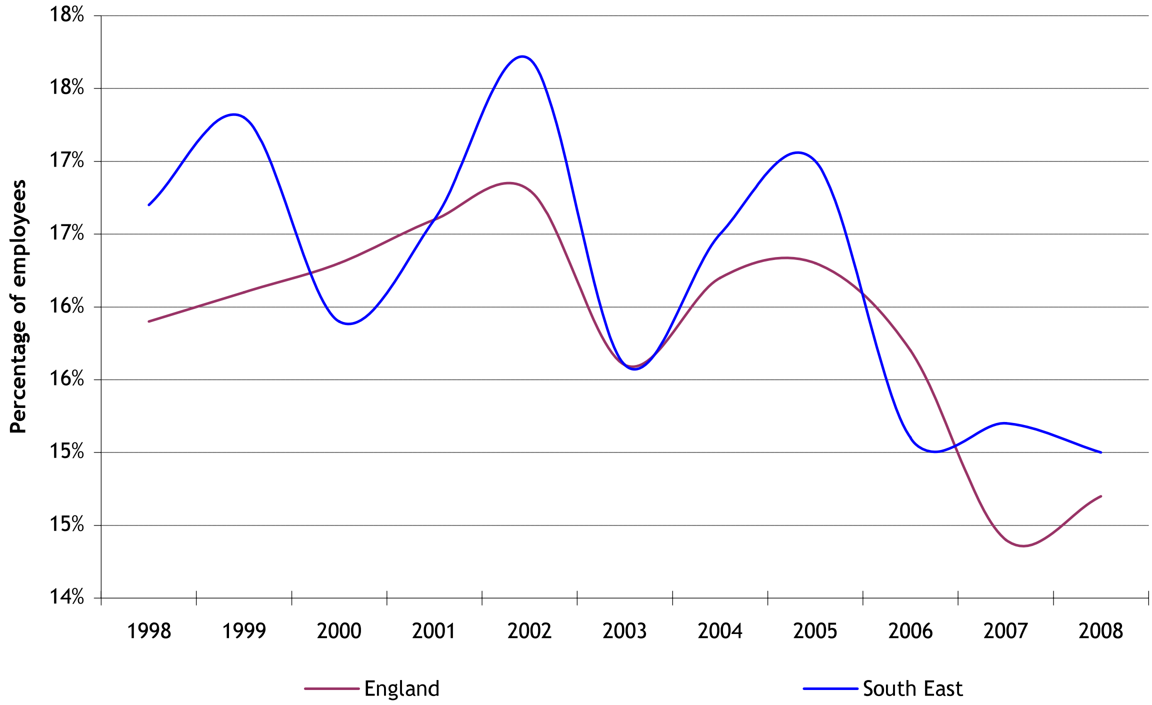
5.3 Training in the South East

Levels of work-based training experienced have been decreasing in the past five years

Figure 5.2 shows the trend in the proportion of individuals who have been trained over the previous four weeks as reported in the Labour Force Survey. The data reveal that the proportion of people in receipt of work related training has shown a downward trend which commenced around 2004. A similar trend is observed if 'all people' is used as the base for the percentages rather than just those in employment.

1 CIPD (2008), The War on Talent? Talent management under threat in uncertain times, Part 1, London, CIPD, London.

Figure 5.2: Percentage of people in employment of working age in receipt of any work-based training, South East and England



Source: Labour Force Surveys/ONS/DCSF Training and Education Statistics 2008

The National Employers Skill Surveys reveal that a considerable amount of training delivered by employers is related to induction. As shown in the previous chapter the percentage of employers looking to recruit has decreased quickly over the last quarter of 2008 and so this is likely to have a further impact on training levels. The one piece of optimistic information here is that the percentage of employers looking to recruit people, whilst falling, is at a higher level in the south of England, according to CIPD data, than in any other region or country in the UK.[1]

The CIPD's national surveys suggest that employers are facing pressures to reduce training costs alongside all costs in general. The National Business Survey for the South East, conducted during December 2008, reveals that over the next 12 months 46 per cent of employers expect their investment in training to remain unchanged compared to 21 per cent which expect a decline and 17 per cent an increase. These figures reveal that employers' expectations are becoming a little less optimistic than they were six months previously.[2]

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1 CIPD (2009), Labour Market Outlook, February, CIPD, London.

2 Ipsos MORI (2009), National Business Survey: South East England, January, SEEDA,.

Some skills shortages are persisting, eg in scientific occupations in high technology sectors

Despite the fact that training investments are likely to fall – though this needs to be seen in the light of employers having smaller workforces as an unfortunate consequence of the recession – there is still a general recognition from business, as reported in both the CIPD's surveys and the National Business Survey, that skills amongst the existing workforce need to be raised. Moreover, while supply-side conditions are favourable to employers – in that there will be more skilled people chasing fewer jobs – some employers still expect to face recruitment difficulties. Around 12 per cent of employers in the South East expect to face skill shortages over the next 12 months.[1] For instance, high technology firms in Oxford report that the availability of good quality people remains a concern,[2] and employers in general in Oxfordshire report that skill shortages are a constraint on their business, especially so in the City of Oxford and Science Vale UK.[3]

Young, female, highly qualified staff in the public sector are more likely to receive training

The Labour Force Survey also provides information about the characteristics of employees who have been in receipt of training (see Figure 5.3). The profile of who is in receipt of training in the South East is broadly similar to that in England. The results show that employees are more likely to have been in receipt of training if they are:

- more highly qualified
- women
- young
- work in the public sector
- employed in professional, associate professional, or personal service occupations.

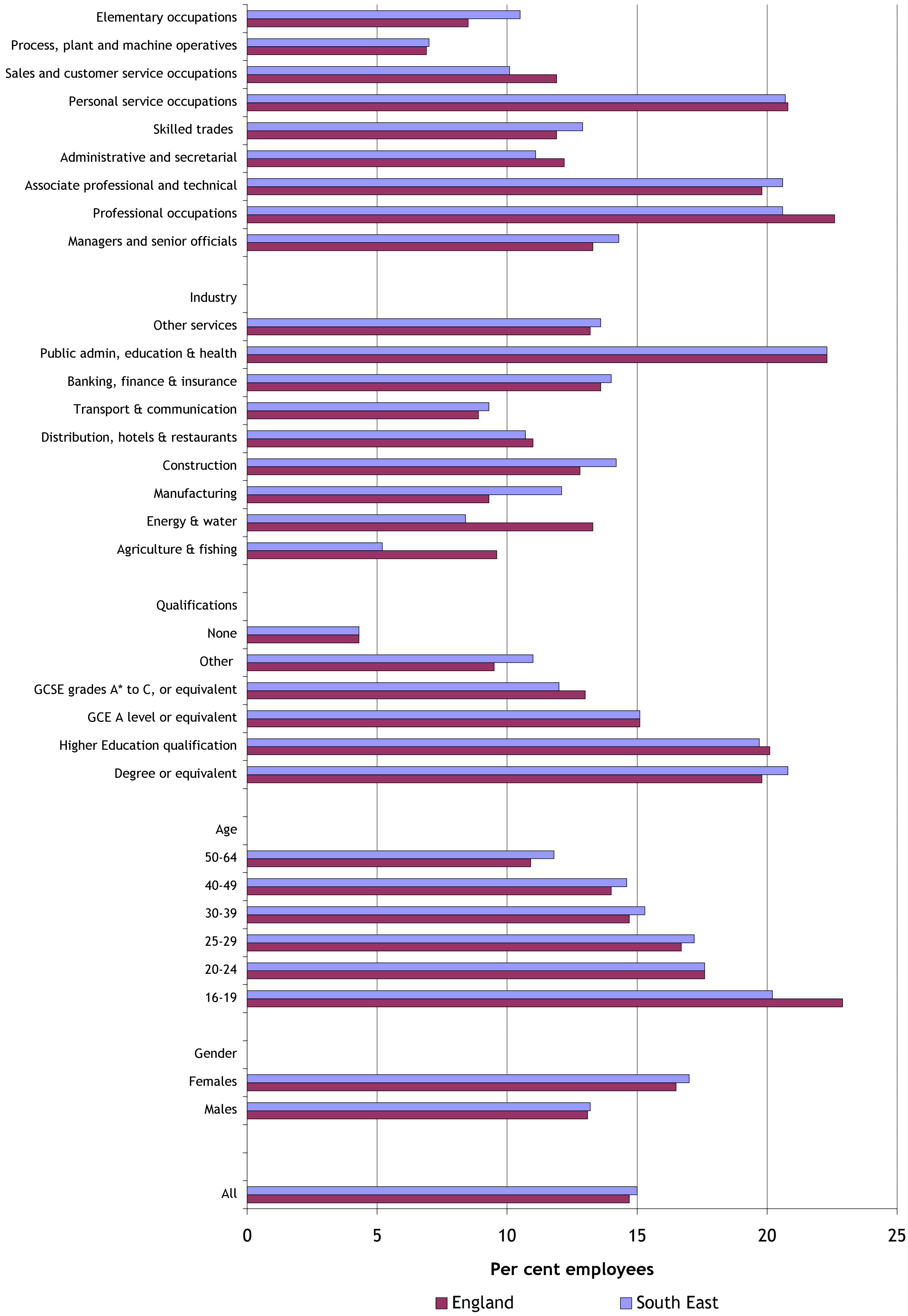
These findings relate to both the country as a whole and the South East.

1 Ipsos MORI (2009), National Business Survey: South East England, SEEDA, January 2009.

2 Oxford Economic Partnership, Monthly Economic Report, Oxfordshire, February 2009.

3 Oxford Economic Partnership, Headlines from the Oxford Employers Skill Survey.

Figure 5.3: Profile of employees of working age in receipt of any training in the South East and England, 2008



Source: Labour Force Survey/Training Statistics 2008

The Snapshot Business Survey from March 2009 shows that seven per cent of employers reported recruitment and training was lower over the past three months, 60 per cent reported it had stayed the same, and 12 per cent stated that it was higher.[1]

5.4 Inflows into apprenticeships

Funding for apprenticeships is increasing, but employer demand for apprentices may not match supply

The evidence on unemployment rates presented earlier suggests that young people in the South East may be faring badly during the current recession. Youth unemployment is a phenomenon which has been largely absent from labour market statistics over the past 20 years or so, but if one looks back to the 1970s and 1980s the response of policy makers to finding work for young people was through active labour market programmes such as the Youth Training Scheme (YTS). There was a degree of uncertainty about the extent to which these programmes provided young people with a stock of skills which would allow them to progress in the labour market. In 1994, this was remedied through the introduction of Modern Apprenticeships which provided young people with accredited training linked to the needs of employers. Research conducted at the time suggested that employers regarded the initiative highly.[2] In response to the current recession, Government has announced a boost to the apprenticeship programme with the provision of an additional 35,000 places for this year.

Finding apprenticeship places, however, is not without difficulty. A House of Lords Select Committee Inquiry suggested that the demand for apprenticeships from individuals outstripped the supply from employers.[3] Moreover, an LSC study into why some employers no longer provided apprenticeships found that the principal reason was a lack of demand.[4] The current recession has the potential to drive down the demand for apprenticeships from employers, but as the next section will show there has been an increase in apprenticeship activity over the recent past.

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1 BMG Research on behalf of SEEDA (2009), Business Survey Quarterly Snapshot, March.

2 Hasluck C and Hogarth T (1996) *Modern Apprenticeships: Employer Survey*, Department for Education and Employment Research Series, Nottingham.

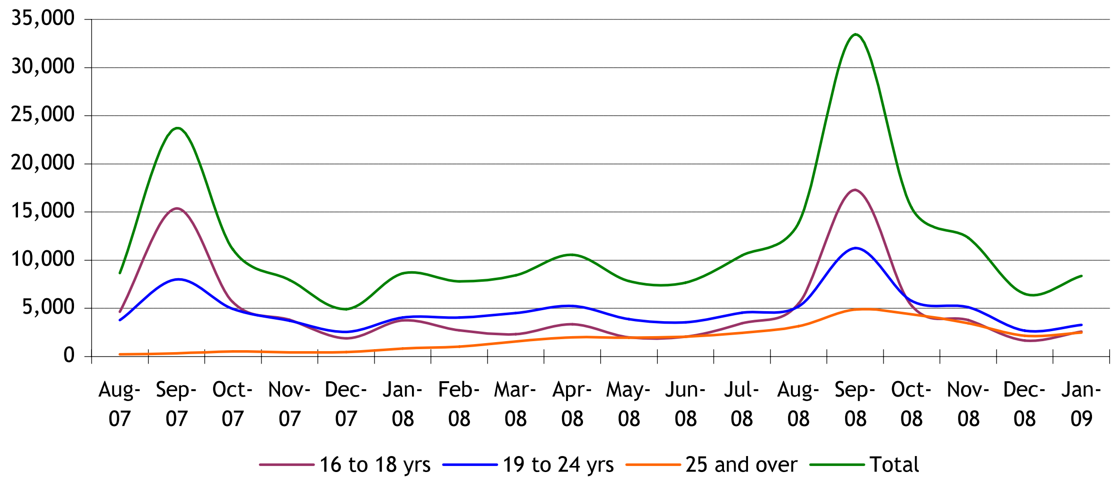
3 House of Lords (2007) *Apprenticeship: a key route to skills: Volume I*, Report, House of Lords Select Committee on Economic Affairs, London.

4 Ipsos MORI (2008) *Research Into Expanding Apprenticeships*, Learning and Skills Council, Coventry.

Apprenticeship starts have been increasing since 2007, with a particular increase in older apprentices

Figure 5.4 shows the inflow into apprenticeship course starts by the age of the apprentice. It shows a seasonal pattern – less evident amongst those aged 25 years or more – of a sharp increase in the number of apprenticeship course starts in September each year. If the pattern for 2007 is compared to that of 2008 it can be seen that the number of apprenticeship course starts has increased (from around 24,000 in September 2007 to 33,400 in 2008) and that the post-September decline is lower in 2008 than in 2007. The exception to the pattern is amongst those aged 16-18 years where the rate of change appears to be less than for the other age groups.

Figure 5.4: Inflow into apprenticeship course starts, by age (number of starts)



Source: ILR

As Table 5.1 and Figure 5.4 show, the growth in apprenticeship course starts has been driven in large part by the growth in the number of starts amongst the older age groups.

Table 5.1: Inflow into apprenticeship course starts, by age (August–January 2007/08 to August–January 2008/09)

	Change (Number)	% change	Number of starts Aug-Jan 2007/08	Number of starts Aug-Jan 2008/09
16 to 18 yrs	980	3	35,120	36,100
19 to 24 yrs	6,320	23	27,010	33,330
25 and over	17,660	625	2,830	20,490
All	24,950	38	64,960	89,910

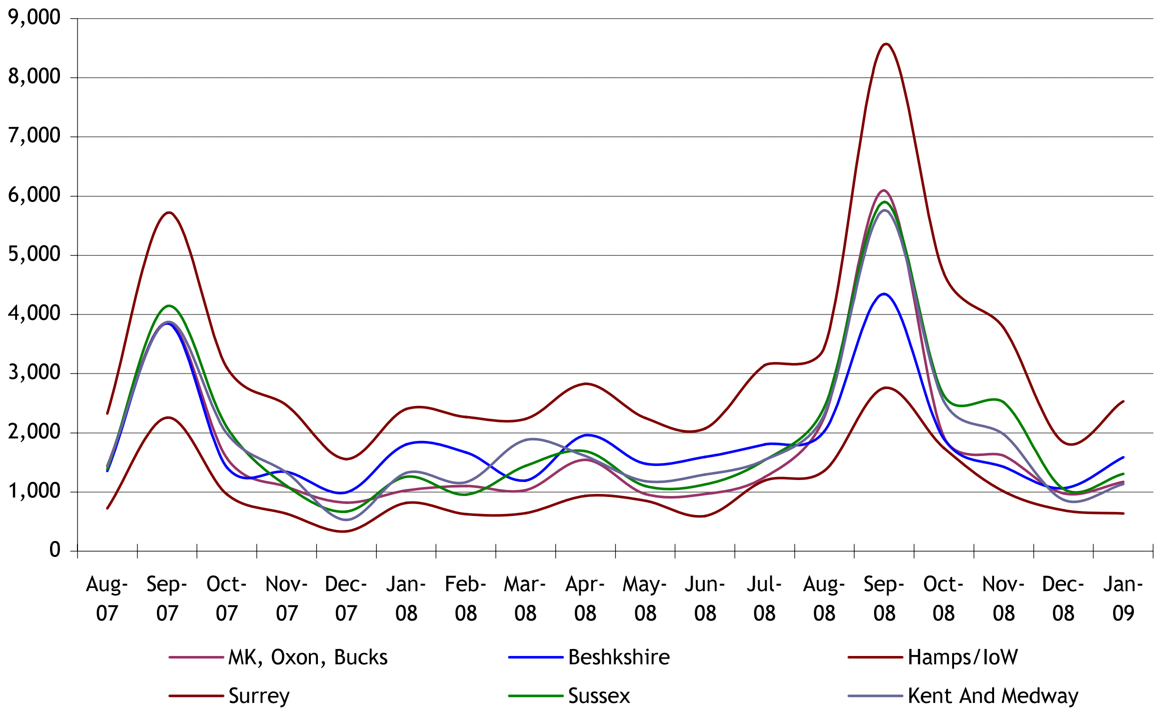
Note: Numbers may not be consistent with other data in the table, because all numbers have been rounded to nearest 10.

Source: ILR

The rate of increase in apprenticeship starts has been variable across the region

Figure 5.5 shows the number of course starts by local LSC area. There is a common pattern to the data – an increase in apprenticeship course starts – except for Surrey which shows the number of starts continuing to fall away in late 2008/early 2009, whereas in other areas there was an increase in the number of apprenticeship course starts.

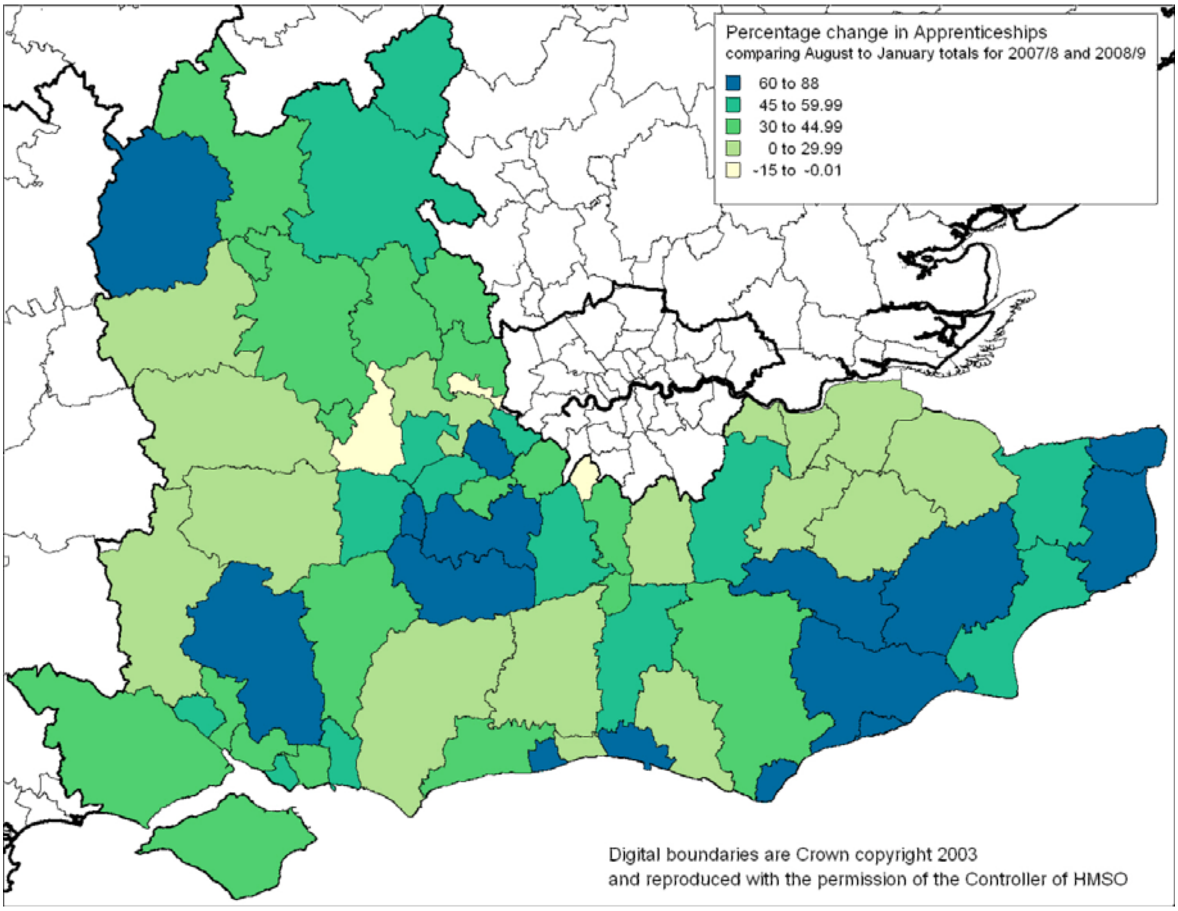
Figure 5.5: Inflow into apprenticeship course starts, by LSC area (number of starts)



Source: ILR

At a local level (local authority) there is substantial variation in the growth of apprenticeship course starts over the past 12 months. The map in Figure 5.6 shows the percentage growth in apprenticeship course starts between August and January 2007/08 and the corresponding period in 2008/09. The findings show that compared to the South East, where an average growth of 38 per cent was recorded over the period, there are areas considerably in advance of this (such as Rushmoor, Tunbridge Wells, and Dover which recorded well over 100 per cent growth) and areas significantly below this (such as Wokingham, Epsom, and South Buckinghamshire).

Figure 5.6: Apprenticeship course starts inflows, by Local Authority



Source: ILR

Apprenticeship starts have been growing in management and service occupations and decreasing in manufacturing and engineering occupations

A snapshot of apprenticeship starts for January 2008 and January 2009 is provided below (see Table 5.2). The overall number of apprenticeship course starts reveals little change but there is substantial change between types of apprenticeship. Those related to manufacturing and construction skills have declined, which is likely to be as a result of recession, but there has been growth across more service sector oriented apprenticeships and those related to management. In fact, management recorded the strongest growth of all. This is likely to explain the growth in numbers of older apprentices since more experienced workers are likely to occupy management roles.

Table 5.2: Apprenticeship starts by broad type of apprenticeship, January 2008 to January 2009

	2008/01	2009/01	Change	% change
Management	230	640	410	181
Active Leisure and Learning	250	650	400	156
Customer Service	550	910	360	64
Hospitality and Catering	480	630	150	31
Children's Care Learning and Development	660	830	170	26
Business Administration	380	470	90	23
Retail	360	400	40	11
All	8,630	8,360	-270	-3
Vehicle Maintenance and Repair	330	280	-50	-15
Other subjects	1,810	1,470	-340	-19
Hairdressing	520	370	-150	-28
Electrotechnical	150	110	-40	-30
Health and Social Care	690	440	-250	-36
Engineering	1,630	920	-710	-43
Construction	440	190	-250	-57
Plumbing	140	50	-80	-61
Automotive Industry	0	10	10	n/a

Note: Numbers may not be consistent with other data in the table, because all numbers have been rounded to nearest 10.

Source: ILR

A comparison of monthly data can be misleading because monthly changes can be volatile. To remove some of this volatility a comparison is made of the situation over the August to January period 2007/08 to the corresponding period in 2008/09 (see Table 5.3). The broad framework groups where most starts commenced in 2008/09 (Aug-Jan) were construction, customer service, and engineering, but the sectors which recorded the highest rates of growth over the 2007/08 to 2008/09 period were:

- hospitality and catering
- customer service
- business administration
- active leisure and learning
- retail
- health and social care
- management.

It is notable that apprenticeships related to automotive have contracted over the period whereas apprenticeships in other subject areas had increased.

Table 5.3: Apprenticeship course starts, by sector

	Aug-Jan 2007/08	Aug-Jan 2008/09	Change	% Change
Management	860	3,170	2,310	269
Active Leisure and Learning	1,370	2,930	1,550	113
Retail	2,240	4,570	2,330	104
Business Administration	2,020	3,970	1,960	97
Health and Social Care	2,230	4,370	2,140	96
Hospitality and Catering	2,900	5,460	2,560	88
Customer Service	3,670	6,870	3,200	87
Children's Care Learning and Development	3,930	5,110	1,180	30
Other subjects	12,100	18,160	6,060	50
Hairdressing	4,820	5,880	1,060	22
Electro-technical	3,680	4,150	470	13
Construction	5,860	6,160	300	5
Engineering	11,490	11,890	410	4
Plumbing	2,200	2,250	50	2
Vehicle Maintenance and Repair	5,560	5,010	-560	-10
Automotive Industry	100	10	-100	-92
Total	65,020	89,950	24,940	38

Note: Numbers may not be consistent with other data in the table, because all numbers have been rounded to nearest 10.

Source: ILR

Apprenticeship starts vary according to sector and local area within the South East region

There is also a local dimension to the number of apprenticeship starts (see Table A.5 in the appendix to this chapter). To show the growth in apprenticeship starts over time a comparison is made of the period August to January 2007/08 and the corresponding period in 2008/09. How apprenticeship starts varied between the broad area of the apprenticeship and LSC areas is outlined below.

- Between August to January 2007/08 and the corresponding period in 2008/09, the number of **business administration** apprenticeship starts nearly doubled (growth of 97 per cent). It is notable that growth was less strong in Berkshire and Hampshire/Isle of Wight, and relatively high in Milton Keynes/Oxfordshire/ Buckinghamshire.
- The number of apprenticeship starts in **children's care** increased by 30 per cent over the August to January 2007/08 to 2008/09 period. There is limited

variation in the level of growth across LSC areas other than to note that at 13 per cent growth in Milton Keynes/Oxfordshire/Buckinghamshire was relatively low.

- The growth in starts in **electro-technical** apprenticeships was four per cent (one of the lower growth rates in apprenticeships) and shows substantial variation by LSC area. Milton Keynes/Oxfordshire/Buckinghamshire showed the strongest growth at 74 per cent and Surrey saw the number of starts decline by around one-third (-30 per cent).
- **Engineering** apprenticeships also revealed relatively small growth. Hampshire/Isle of Wight showed relatively strong growth at 24 per cent, and Berkshire recorded the weakest growth with a slight fall in the number of starts (-21 per cent).
- The growth in apprenticeship starts more than doubled in **retailing** (growth of 104 per cent). In Berkshire growth rate was 172 per cent and the lowest growth rate was in Hampshire/Isle of Wight but even here the number of starts recorded a 61 per cent growth.
- Growth in **construction** apprenticeship starts was five per cent and varied from -9 per cent in Hampshire/Isle of Wight (the lowest) to 24 per cent in Milton Keynes/Oxfordshire/Buckinghamshire. Similarly, growth in **plumbing** apprenticeship starts was relatively low at two per cent and varied from -18 per cent in Surrey to 28 per cent in Kent and Medway.
- **Hairdressing** apprenticeship starts increased by 22 per cent: from zero per cent in Milton Keynes/Oxfordshire/ Buckinghamshire (the lowest) to 35 per cent in Sussex (the highest).
- Apprenticeship starts in **hospitality and catering** nearly doubled over the period (88 per cent growth) and varied between LSC areas from 67 per cent in Hampshire/Isle of Wight to 114 per cent in Milton Keynes/Oxfordshire/Buckinghamshire.
- **Active leisure and learning** apprenticeships also more than doubled over the period. Berkshire recorded the lowest growth at 32 per cent and Kent and Medway the highest at 187 per cent.
- In August to January 2008/09 many LSC regions recorded no starts in **automotive industry** apprenticeships. Overall, the number of starts fell by around a half over the period (-92 per cent) from a relatively small base.
- **Health and social care** apprenticeship starts recorded a growth rate of (96 per cent), though this varied between LSC areas from 18 per cent in Kent and Medway (the lowest) to 169 per cent in Hampshire/Isle of Wight.
- **Management** apprenticeship starts increased most of all (269 per cent). The highest growth was recorded in Hampshire/Isle of Wight which recorded growth of 378 per cent and the lowest growth was in Milton Keynes/Oxfordshire/ Buckinghamshire but even here the lowest rate of growth was 214 per cent.

- **Customer service** apprenticeship starts nearly doubled over the period (87 per cent). Growth was weakest in Milton Keynes/Oxfordshire/Buckinghamshire at 51 per cent and highest in Sussex at 157 per cent.
- **Vehicle maintenance and repair** showed relatively weak growth over the period of -10 per cent. In Kent and Medway the number of apprenticeship starts fell (by -17 per cent) and the weakest contraction was -1 per cent in Hampshire/Isle of Wight.

Highest growth in apprenticeship starts is in higher skilled occupations…

Table 5.4 shows the number of apprenticeship course starts linked to the occupational aim of the apprenticeship. It reveals the relatively strong growth in course starts related to management, associate professional and technical, administrative, and sales occupations.

Table 5.4: Apprenticeship course starts, by occupation

	Aug-Jan 2007/08	Aug-Jan 2008/09	Change	% Change
Managers	536	2,043	1,507	281
Professionals	859	1,434	575	67
Associate Professional and Technical	1,884	4,421	2,537	135
Administrative	1,260	2,713	1,453	115
Skilled Trade	10,852	14,618	3,766	35
Personal	6,242	11,407	5,165	83
Sales	2,358	5,894	3,536	150
Process	269	479	210	78
Elementary Occupations	1,063	1,441	378	36

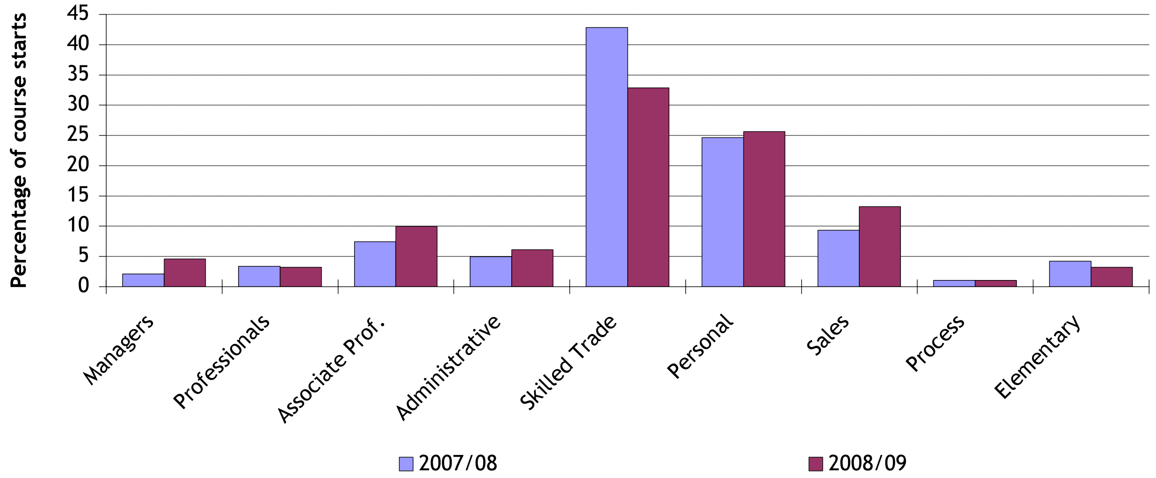
Note: Numbers may not be consistent with other data in the table, because all numbers have been rounded to nearest 10. There is a large amount of missing data reported by occupation, hence, base numbers are not consistent with other data reported in this section.

Source: ILR

…but the overall share of apprenticeships remains highest in skilled trades

Figure 5.7 shows the occupational distribution for the August–January period in 2007/08 and 2008/09 respectively. It reveals that despite the substantial increase in the number of management related course starts revealed in Table 5.4, skilled trades is the most dominant occupational group, even if the number of course starts it accounts for has been in decline.

Figure 5.7: Inflow into apprenticeship course starts, by occupation

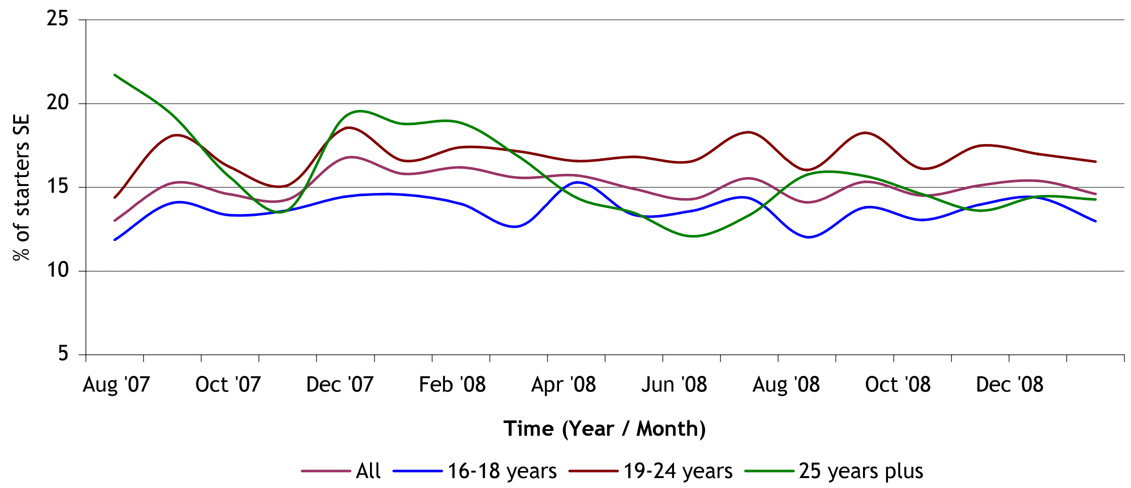


Source: ILR

There is a slight decrease in the share of apprenticeships started by people aged over 25 in the South East compared to England

Figure 5.8 shows the percentage of apprenticeship course starts in the South East as a percentage of all starts in England. This reveals the extent to which growth in apprenticeships is keeping pace with national patterns. Overall, the results show that the South East has kept pace with the overall growth in apprenticeship starts, but there is a slight downward shift in the share of apprenticeship starts for people aged over 25 years.

Figure 5.8: South East's share of apprenticeship starts



Source: ILR

5.5 Participation in Train to Gain

The skills policy agenda very much focuses policy on the supply side being more responsive to demand. In this context Train to Gain is important for a number of reasons:

- Employers' training needs are assessed with respect to the requirements of the business by an external adviser (the skills broker).
- Training is delivered which is appropriate to the needs of the business.
- Training is supplied that will benefit the employee by providing portable skills.
- There is follow-up support to those employers which make the Skills Pledge.

To date, initial evaluations of Train to Gain have demonstrated that it:

- increases the volume of training undertaken even if there is high deadweight associated with it (ie the training would have taken place even without Train to Gain)[1]
- has obtained the participation of hard-to-reach employers[2]
- is valued by employers.[3]

Participation in Train to Gain has experienced significant growth as a result of expanded eligibility criteria

Train to Gain has its foundations in policy designed to counter the low-skills equilibrium by establishing a base qualification level at NQF Level 2 with the provision of training very much linked to the business need of the employer. Given the favourable evaluation of Train to Gain during 2008 a new plan was rolled out to increase its take-up, especially so amongst larger organisations. During a recessionary period one may expect Train to Gain to attenuate any decline in training because of the subsidy it provides to the employer. The extent to which Train to Gain safeguards training volumes during a recession is a function of the extent to which the marginal propensity of the employer to engage in training is reduced less than it would be otherwise as a consequence of Train to Gain. The data shows that in fact there has been strong growth in Train to Gain course starts (see Figure 5.9). Between August and January 2007/08 to the corresponding

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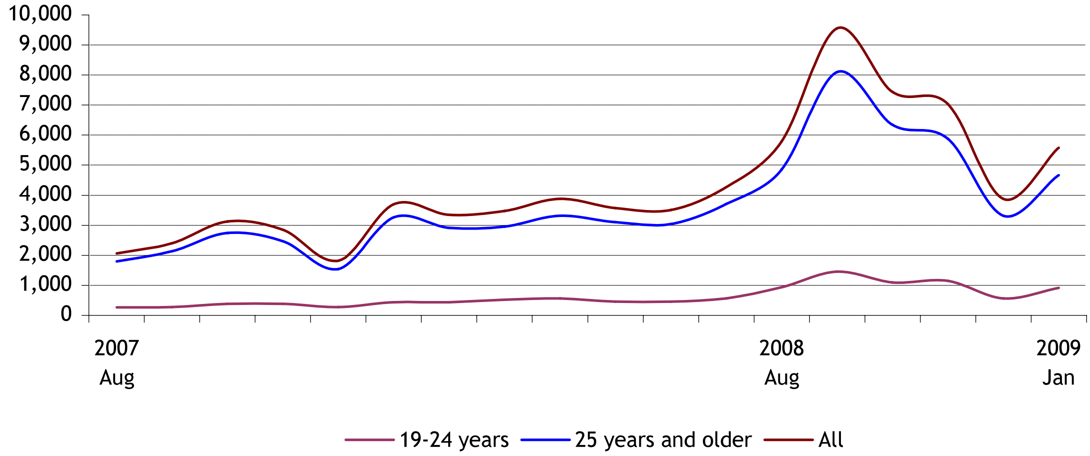
[1] Hillage J, Loukas G, Newton B and Tamkin P (2005), Platform for Progression: Employer Training Pilots Year 2 Evaluation Report, London: DfES, HM Treasury and the Learning and Skills Council; Abramovsky L, Battistin E, Fitzsimons E, Goodman A, Simpson H (2005), The Impact of the Employer Training Pilots on the take-up of training among employers and employees, DfES Research Report 694; Hillage J, Loukas G, Newton B and Tamkin P (2006), Employer Training Pilots: Final Evaluation, London: DfES, Research Report 774.

[2] IFF (2009), Train to Gain Employer Evaluation: Sweep 2 Research Report, Learning and Skills Council, Coventry.

[3] IFF (2009), ibid; Hillage et al. (2006), ibid.

period in 2008/09 there has been a near tripling of course starts through Train to Gain.

Figure 5.9: Train to Gain course starts in the South East: August 2007 to January 2009



Source: ILR

Growth rates in participation in Train to Gain have been variable but strong across the whole South East region

The total inflow into Train to Gain course starts by LSC area is shown in Table 5.5. It reveals that there has been a substantial increase in the number of people starting courses through Train to Gain in every LSC area. The lowest percentage growth was recorded in Sussex (but even here the number of entrants doubled at 115 per cent growth) and the highest growth was in Hampshire/Isle of Wight where there was growth of 159 per cent. A more local view is provided in Figure 5.10 which shows the change in the number of course starts at the local authority level. Here there is much more variation (for example, if one compares the highest growth areas Basingstoke and Wycombe to the lowest growth areas of South Buckinghamshire and East Hampshire) but even the areas with the lowest rate of growth are showing growth of 50 per cent or more over the period.

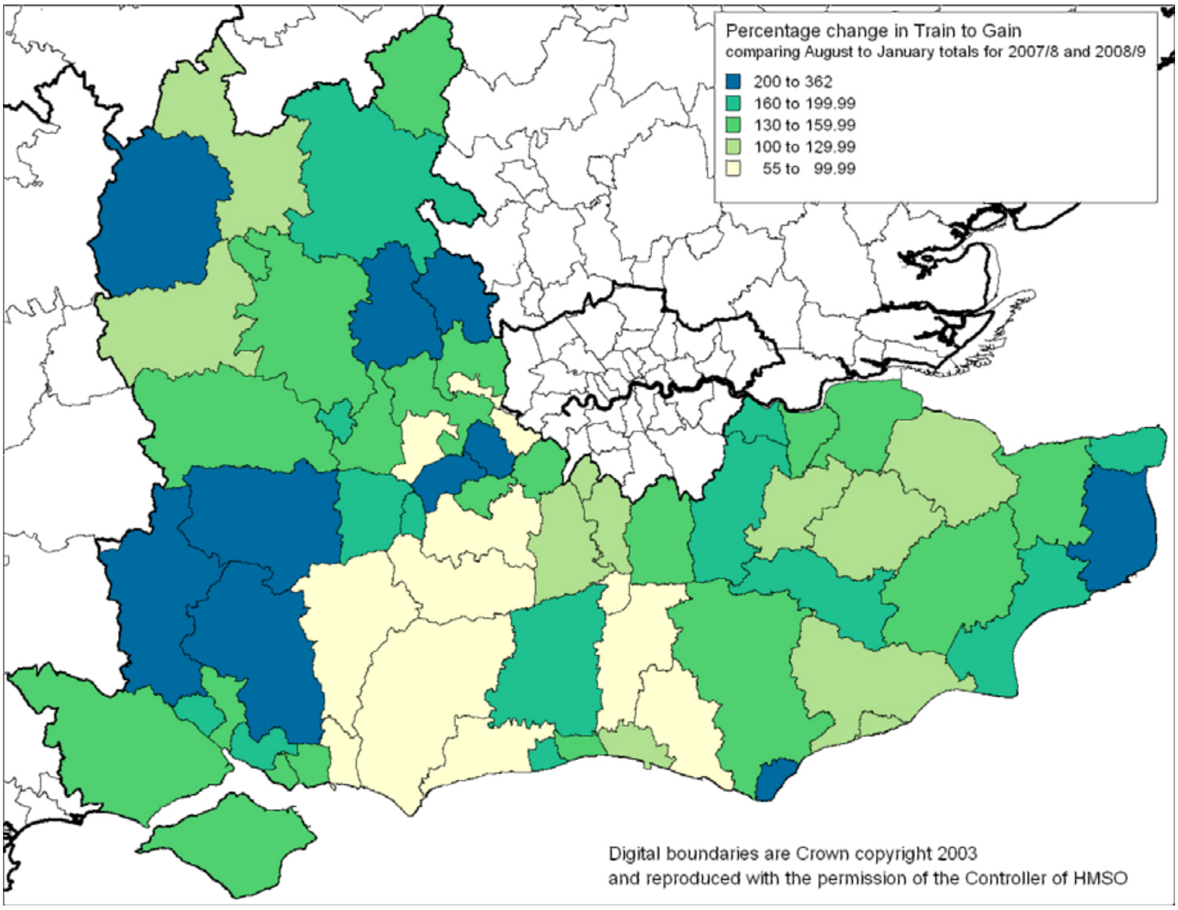
Table 5.5: Change in the number of course starts into Train to Gain course starts, by LSC area: Aug-Jan 2007/08 to Aug–Jan 2008/09

	Aug–Jan 2007/08	Aug–Jan 2008/09	Change	%
MK Oxon Bucks	2,170	5,490	3,320	153
Berkshire	1,350	3,360	2,010	149
Hampshire/IoW	4,190	10,870	6,670	159
Surrey	1,250	2,850	1,600	127
Sussex	2,670	5,740	3,070	115
Kent And Medway	4,330	10,970	6,640	153
South East	15,960	39,280	23,320	146

Note: Numbers may not be consistent with other data in the table, because all numbers have been rounded to the nearest 10.

Source: ILR

Figure 5.10: Change in the inflow of people into Train to Gain course starts, by Local Authority: Aug-Jan 2007/08 to Aug–Jan 2008/09



Source: ILR

Participation in Train to Gain has been growing strongly in higher skilled occupations…

Table 5.6 shows the number of Train to Gain course starts linked to the occupation to which it is allied. It reveals the relatively strong growth in course starts related to management, professional, and associate professional occupations.

Table 5.6: Train to Gain course starts, by occupation

	Aug-Jan 2007/08	Aug-Jan 2008/09	Change	% Change
Managers	376	924	548	146
Professionals	326	534	208	64
Associate Professional and Technical	332	850	518	156
Administrative	490	1,291	801	163
Skilled Trade	2,134	2,263	129	6
Personal	4,220	7,641	3,421	81
Sales	843	1,658	815	97
Process	2,450	3,941	1,491	61
Elementary Occupations	1,524	3,332	1,808	119

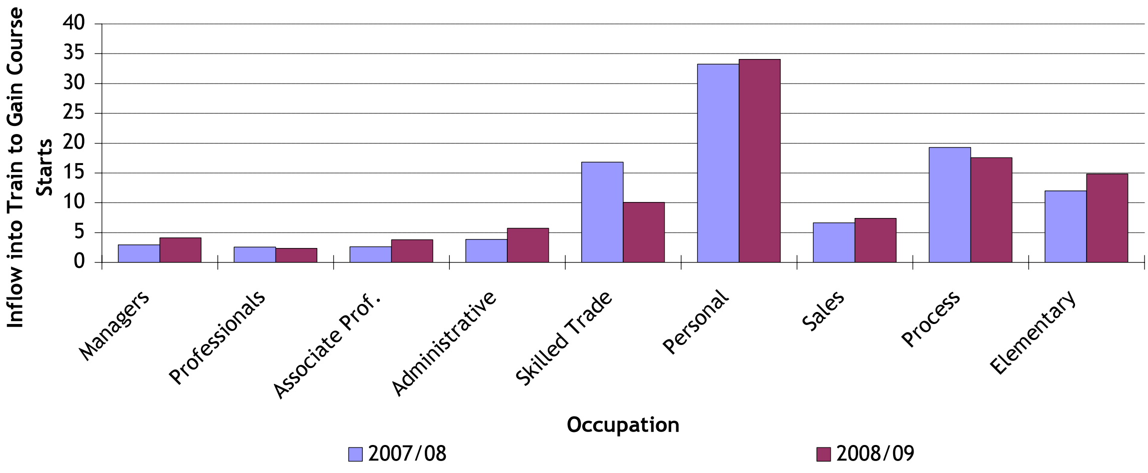
Note: Numbers may not be consistent with other data in the table, because all numbers have been rounded to nearest 10. There is a large amount of missing data reported by occupation hence base numbers are not consistent with other data reported in this section.

Source: ILR

…but the overall share of participation in Train to Gain remains highest in lower skilled occupations

Figure 5.11 shows the occupational distribution for the August–January period in 2007/08 and 2008/09 respectively. It reveals that despite the substantial increase in the number of management and professional related course starts revealed in Table 5.5, most course starts are linked to the relatively less skilled personal service occupations.

Figure 5.11: Inflow into Train to Gain course starts, by occupation



Source: ILR

5.6 Conclusion

Overall, the evidence suggests that economic downturns have a limited impact on training investments because there are factors pushing in different directions: some leading individuals and employers to increase their investments and others to decrease it, plus employers are often inventive in maintaining training volumes despite experiencing reductions in their training budgets. Despite the severity of the current recession the latest evidence suggests that many employers in the South East have been able to maintain their levels of training investment and are confident for the time being that this will be maintained over the next 12 months.

The evidence in relation to both apprenticeships and Train to Gain suggests that the inflow of people being trained through these initiatives has increased as the recession has taken its toll on the labour market. They are able to provide an important source of training as employers elsewhere in the economy have been forced to make reductions in their training budget. The dramatic expansion in take-up of Train to Gain funded courses is likely to be influenced by the large budget funding the scheme, including significant investment that has been made in marketing and promoting it. Overall, the picture in relation to training is remarkably optimistic given the severity of the economic downturn. However, recession is likely to reduce employer willingness to recruit apprentices, so careful policy attention needs to be given to boosting numbers. This may be challenging and sectors may require careful targeting, as reflected in the recommendations at the end of this report.

Appendix to Chapter 5

Table A5.1: Apprenticeship course starts, by broad type and LSC Area: August to January 2007/08 to August to January 2008/09

		Aug-Jan 2007/08	Aug-Jan 2008/09	Change	% change
Business Administration	MK Oxon Bucks	260	670	410	158
	Berkshire	300	430	130	46
	Hamps IoW	670	1,010	340	50
	Surrey	140	280	140	102
	Sussex	260	610	350	133
	Kent And Medway	390	970	580	151
	SE	2,020	3,970	1,950	97
Children's Care Learning and Development	MK Oxon Bucks	810	910	100	13
	Berkshire	830	1,060	230	27
	Hamps IoW	550	910	360	67
	Surrey	380	540	160	43
	Sussex	960	1,250	290	31
	Kent And Medway	410	440	30	7
	SE	3,930	5,110	1,180	30
Electrotechnical	MK Oxon Bucks	430	750	320	74
	Berkshire	380	510	130	37
	Hamps IoW	790	890	100	11
	Surrey	460	320	-140	-30
	Sussex	840	870	30	3
	Kent And Medway	780	810	30	4
	SE	3,670	4,150	470	13
Engineering	MK Oxon Bucks	1,090	1,350	260	24
	Berkshire	4,940	3,920	-1,020	-21
	Hamps IoW	3,210	3,970	760	24
	Surrey	300	340	40	13

		Aug-Jan 2007/08	Aug-Jan 2008/09	Change	% change
	Sussex	670	800	130	19
	Kent And Medway	1,280	1,510	230	18
	SE	11,490	11,890	400	4
Retail	MK Oxon Bucks	340	610	270	81
	Berkshire	180	500	320	172
	Hamps IoW	560	900	340	61
	Surrey	230	390	160	70
	Sussex	440	1,210	770	173
	Kent And Medway	490	950	460	95
	SE	2,240	4,570	2,330	104
Construction	MK Oxon Bucks	910	1,170	260	28
	Berkshire	440	410	-30	-6
	Hamps IoW	1,430	1,310	-120	-9
	Surrey	600	650	50	7
	Sussex	1,210	1,100	-110	-9
	Kent And Medway	1,270	1,530	260	21
	SE	5,860	6,160	300	5
Plumbing	MK Oxon Bucks	530	470	-60	-11
	Berkshire	50	50	-0	-0
	Hamps IoW	410	360	-50	-13
	Surrey	240	200	-50	-18
	Sussex	460	530	60	15
	Kent And Medway	510	650	140	28
	SE	2,200	2,250	50	2
Hairdressing	MK Oxon Bucks	690	690	0	0
	Berkshire	500	620	120	25
	Hamps IoW	1,330	1,690	360	27
	Surrey	510	660	150	29
	Sussex	920	1,240	320	35
	Kent And Medway	880	980	100	11
	SE	4,820	5,880	1,060	22
Hospitality and Catering	MK Oxon Bucks	470	1,010	540	114
	Berkshire	240	450	210	86
	Hamps IoW	1,060	1,780	720	67
	Surrey	220	430	210	93
	Sussex	520	1,070	550	107
	Kent And Medway	390	730	340	88
	SE	2,900	5,460	2,560	88

		Aug-Jan 2007/08	Aug-Jan 2008/09	Change	% change
Active Leisure and Learning	MK Oxon Bucks	190	390	200	106
	Berkshire	210	280	70	32
	Hamps IoW	290	710	420	146
	Surrey	190	390	200	105
	Sussex	320	640	330	103
	Kent And Medway	180	520	340	187
	SE	1,370	2,930	1,560	113
Automotive Industry	MK Oxon Bucks	20	10	-10	-78
	Berkshire	10	0	-10	-100
	Hamps IoW	20	0	-20	-100
	Surrey	10	0	-10	-100
	Sussex	10	0	-10	-100
	Kent And Medway	20	10	-10	-85
	SE	100	10	-90	-92
Health and Social Care	MK Oxon Bucks	100	240	140	135
	Berkshire	160	200	40	26
	Hamps IoW	510	1,370	860	169
	Surrey	310	770	460	144
	Sussex	720	1,290	570	79
	Kent And Medway	430	510	80	18
	SE	2,230	4,370	2,140	96
Management	MK Oxon Bucks	130	400	270	214
	Berkshire	80	290	210	254
	Hamps IoW	210	980	770	378
	Surrey	90	320	230	246
	Sussex	180	590	410	218
	Kent And Medway	160	580	420	256
	SE	860	3,170	2,310	269
Customer Service	MK Oxon Bucks	630	950	320	51
	Berkshire	470	740	270	59
	Hamps IoW	890	1,720	830	92
	Surrey	440	780	340	79
	Sussex	540	1,390	850	157
	Kent And Medway	700	1,290	590	84
	SE	3,670	6,870	3,200	87
Vehicle Maintenance and Repair	MK Oxon Bucks	1,020	880	-140	-14
	Berkshire	580	530	-50	-8
	Hamps IoW	1,330	1,310	-20	-1
	Surrey	590	520	-70	-11

		Aug-Jan 2007/08	Aug-Jan 2008/09	Change	% change
	Sussex	1,090	960	-130	-12
	Kent And Medway	960	790	-170	-17
	SE	5,560	5,010	-550	-10
Other subjects	MK Oxon Bucks	2,220	3,590	1,360	61
	Berkshire	1,400	2,340	940	67
	Hamps IoW	4,310	5,960	1,650	38
	Surrey	1,010	1,610	600	60
	Sussex	1,520	2,330	800	53
	Kent And Medway	1,630	2,330	700	43
	SE	12,100	18,160	6,060	50

Note: Numbers may not be consistent with other data in the table, because all numbers have been rounded to nearest 10.

Source: ILR

6 Analysis of People who are NET and NEET

6.1 Introduction

A key area of interest for the project is the possible impact of the recession on the likelihood of young people entering the labour market and finding work. Two sections of the young adult population of particular interest for economic and social inclusion policy are people Not in Education or Training (NET) and people Not in Education, Employment or Training (NEET). The former would include people outside the training system because they are already in work, but the latter are people potentially ‘doing nothing’ and dependent upon state benefits.

The emergence of recession would be expected to result in an increase in the percentage of young people who are NEET. Here, a preliminary analysis of the data on people who are NET and NEET provided from the Connexions system by the DCSF (on 26 March 2009) is presented.

6.2 The data source

Data from local Connexions services is collated by the Department for Children Schools and Families (DCSF), who manage the National Client Caseload Information System (NCCIS). The project was provided with individual-level data from this system. For each person, a unique personal identifier, their postcode, the ‘lead’ Local Education Authority, an indicator of current activity, their individual circumstances and their date of birth, gender, disability status and ethnicity are recorded. The data covers the whole of England and contains around four million records per month (but this total includes people still in the school system). Data for the months of November, December and January were provided for the academic years 2007/08 and 2008/09. Because of the seasonal nature of participation and recruitment to employment, it is recommended that data for November to January is aggregated. This practice will be followed here and averages for 2007/08 and 2008/09 compared. Though the database includes people aged up to 24, most of the analysis is for **people aged 16 to 18** (the age group of prime policy interest to the LSC).

It is the practice of the DCSF and LSC to apply an adjustment to the status of people whose currency as EET or NEET had lapsed to reflect DfES research findings that some of them would actually be EET or NEET. Unfortunately, the structure of the data provided meant that it was not possible to apply this adjustment to the tables presented here.

6.3 Analysis

6.3.1 Regional-level analysis

The data provided by DCSF provides a detailed breakdown of the activity of people who have reached compulsory school age. Table 6.1 presents the full list of activities for all 16-18 year olds in the South East region in each of the two years, showing an increase of nearly 16 per cent in overall activity during the year. The number engaged in further and higher education increased by nearly one-fifth and nearly half respectively between 2007/08 and 2008/09, while the numbers in employment and training increased markedly. There was an increase of over one-third in the number of part-time employees, and the number on apprenticeships increased by over 10 per cent.

Table 6.1: Detailed activity of 16-18 year olds from the NCCIS database for the South East region, 2007/08 and 2008/09 (average monthly numbers)

	2007/08		2008/09		%
Current activity	**N**	**%**	**N**	**%**	**change**
In education					
School Sixth-Form	62,750	27.6	67,530	25.7	7.6
Sixth-Form College	19,240	8.5	21,240	8.1	10.4
Further Education	69,960	30.8	83,660	31.8	19.6
Higher Education	10,900	4.8	16,290	6.2	49.4
Part-time education	720	0.3	840	0.3	16.1
Gap Year students	1,930	0.9	2,030	0.8	5.1
Other post 16 education	270	0.1	410	0.2	52.9
In Employment					
Employment funded through GST, eg Apprenticeship	7,880	3.5	8,720	3.3	10.7
Employment with training to NVQ 2 or above	3,620	1.6	3,620	1.4	0.0
Employment without training to NVQ 2	9,950	4.4	10,950	4.2	10.1
Employment with locally recognised training	14,600	6.4	15,940	6.1	9.2
Temporary employment	1,360	0.6	1,540	0.6	13.4
Part-time employment	3,420	1.5	4,580	1.7	34.1
In Training					
LSC funded E2E training	1,860	0.8	3,050	1.2	63.8
Other LSC funded training	960	0.4	1,210	0.5	26.1
Other GST, eg LA or ESF funded provision	330	0.1	300	0.1	-9.8

Current Activity	2007/08 N	%	2008/09 N	%	change
New Deal	-	-	80	0.0	-
NEET					
Personal Development Opportunity - allowance/wage	10	0.0	10	0.0	25.0
Other PDOs	210	0.1	180	0.1	-13.5
Those not yet ready for work or learning	330	0.1	760	0.3	133.6
Those awaiting an E2E place	280	0.1	310	0.1	9.1
Requiring sub level 2 training - place not available	110	0.0	70	0.0	-32.1
Requiring level 2 training - place not available	130	0.1	110	0.0	-13.3
Requiring level 3+ training - place not available	30	0.0	30	0.0	-4.2
Start date agreed education, employment or training	110	0.0	140	0.1	24.5
New Deal Gateway or New JSA Stage 3 Regime	-	-	-	-	-
Activity Agreement or Entry to Learning Pilot	90	0.0	80	0.0	-10.9
Seeking employment, education or training	8,160	3.6	10,160	3.9	24.5
Not available to labour market - young carers	40	0.0	50	0.0	20.5
Not available to labour market - teenage parents	1,150	0.5	1,430	0.5	24.0
Not available to labour market - illness	450	0.2	550	0.2	24.3
Not available to labour market - pregnancy	410	0.2	480	0.2	17.1
Not available to labour market on religious grounds	10	0.0	10	0.0	0.0
Not avail to labour market - currently unlikely to be economically active	40	0.0	50	0.0	40.5
Not available to labour market - other reason	90	0.0	70	0.0	-14.1
Other Young People not counted as EET or NEET					
Custody	610	0.3	550	0.2	-10.7
Refugees or Asylum seekers (no citizenship)	20	0.0	20	0.0	-6.9
Current situation not known					
Current situation not known	3,740	1.6	4,230	1.6	12.9
Cannot Be Contacted	1,390	0.6	1,530	0.6	10.3
Refused to disclose activity	210	0.1	350	0.1	62.2
Total	227,370	100.0	263,180	100.0	15.7

Source: NCCIS

Numbers of 16-18 year olds participating in education/training have increased and numbers of those who are NEET but seeking education, employment or training have risen

In the ‘Training’ category, ‘LSC funded Entry to Employment (E2E) training’ grew by 63.8 per cent, but the numbers involved in ‘Other GST, eg LA or ESF funded provision’ declined by nearly one-tenth. The large increase in demand for E2E training is likely to be met partially by the increase in funding which was announced in the Budget in April 2009. The largest component of the NEET category is those ‘seeking employment, education or training’, which increased by a quarter. However, among the smaller categories, the numbers ‘not yet ready for work or learning’ more than doubled between 2007/08 and 2008/09, and the number of teenage parents also increased by 24 per cent. The numbers not EET or NEET declined, but the number of those whose situation was unknown increased.

Female participation rates in education are higher than male, and disabled people are more likely to be NEET than non-disabled people; Black British or Pakistani people are more likely to be NEET than other minority ethnic groups

In the remainder of this chapter, the focus of the analysis will be on the five broad categories of activity: education, employment, training, NEET, not EET or NEET and unknown. Tables 6.2 and 6.3 present labour market states for people classified by gender, disability and ethnicity for the South East as a whole in 2007/08 and 2008/09. The percentage in education is higher for females and the percentage in work higher for males in both years. In both years, disabled people are more likely than non-disabled people to be in work rather than education, slightly more likely to be in training, but much more likely to be NEET. People from minority ethnic groups are more likely to be in education and less likely to be in work than White people in both years. There are differences between minority ethnic groups: Indian and Chinese and Other people are most likely to be in education, while the percentage in work is highest for those of mixed parentage and Pakistani ethnicity. Black or Black British and Pakistani people are more likely to be NEET and Black or Black British people are most likely of all ethnic groups to be not EET or NEET. The percentage of White people and those of mixed parentage in work was slightly lower in 2008/09 than in 2007/08.

Table 6.2: **South East: Percentage of 16-18 year olds in education, employment, training, NEET, not EET or NEET or unknown by characteristic, 2007/08**

	Percentage in each state						
Demographic characteristic	**In education**	**In employment**	**In training**	**NEET**	**Not EET or NEET**	**Not known**	**Monthly average on database**
Female	76.3	15.1	1.2	5.1	0.0	2.3	110,610
Male	69.7	20.7	1.6	5.1	0.5	2.4	116,710
Not disabled	73.8	17.7	1.3	4.7	0.3	2.2	208,870
Disabled	62.5	20.4	2.8	10.2	0.4	3.7	18,500
White	71.8	19.0	1.5	5.4	0.2	2.1	186,540
Black and Minority Ethnic	84.6	7.0	1.3	3.8	1.3	2.0	16,530
Mixed parentage	78.9	10.5	1.6	5.7	1.0	2.2	4,270
Asian or Asian British	88.9	5.6	1.0	2.7	0.4	1.4	7,500
Indian	92.0	4.7	0.5	1.5	-	1.2	2,690
Pakistani	85.3	7.4	1.8	4.0	0.3	1.3	2,730
Bangladeshi	86.9	5.9	1.8	2.9	0.8	1.7	730
Black or Black British	81.3	6.1	1.4	4.1	4.7	2.3	2,740
Chinese or Other	85.4	6.3	1.2	3.2	0.3	3.6	2,020
Refused/not obtained	73.5	17.3	0.9	3.7	0.2	4.4	24,330
All	72.9	18.0	1.4	5.1	0.3	2.4	227,372

Table 6.3: South East: Percentage of 16-18 year olds in education, employment training, NEET, not EET or NEET or unknown by characteristic, 2008/09

	Percentage in each state						
Demographic characteristic	In education	In employment	In training	NEET	Not EET or NEET	Not known	Monthly average on database
Female	76.0	15.0	1.4	5.4	0.0	2.2	128,010
Male	70.1	19.4	2.1	5.6	0.4	2.4	135,110
Not disabled	73.8	17.2	1.6	5.0	0.2	2.2	242,550
Disabled	62.9	18.1	3.5	11.2	0.3	3.9	20,630
White	71.7	18.3	1.9	5.8	0.1	2.2	219,000
Black and Minority Ethnic	85.0	7.0	1.5	3.8	1.1	1.7	20,870
Mixed parentage	79.4	10.2	1.8	5.9	0.6	2.1	5,720
Asian or Asian British	88.7	5.8	1.4	2.7	0.4	1.1	9,390
Indian	92.1	4.6	0.8	1.5	0.2	0.9	3,230
Pakistani	84.5	8.0	2.4	4.0	0.2	0.9	3,370
Bangladeshi	87.6	6.1	1.2	3.4	-	1.3	820
Black or Black British	83.1	5.1	1.6	3.6	4.5	2.1	3,330
Chinese or Other	86.0	6.5	1.0	3.5	0.3	2.7	2,430
Refused/not obtained	74.2	16.0	1.1	4.4	0.2	4.0	23,260
All	73.0	17.2	1.8	5.5	0.2	2.3	263,183

6.3.2 The monthly trend in each year

There are fewer young people who are NEET in the South East region, compared to the rest of England, but this gap is narrowing.

Table 6.4 presents the percentage of people over compulsory school leaving age in education, employment and training in each month of winter 2007/08 and winter 2008/09 for the South East Government Office Region and the remainder of England. There were more people on the Connexions database in 2008/09 than 2007/08, with highest numbers in December in 2007/08 and November in 2008/09. The November total was much higher in 2008/09 and 2007/08 in both the South East and the remainder of England. Except in November, the percentage in education was slightly higher for 2008/09 than for 2007/08 in both the South East and the remainder of England, but this percentage is higher (at around two-thirds) in the South East than in the rest of England. In both years, the percentage in employment was about one per cent higher in the South East than in other regions of England. The percentage who are not EET or NEET is very similar for the South East and the rest of England in both years, while the percentage with unknown situation is slightly lower in the South East than the rest of England. There is a much larger difference (over two per cent) in the percentage of young people who are NEET, with a much lower percentage of young people who are NEET in the South East. However, this gap is narrowing during 2008/09, with the percentage who are NEET in the South East rising to 5.8 per cent in January 2009 (still one per cent below the corresponding figure for the rest of England).

Table 6.4: Activity of 16-18 year olds in the South East GOR and the rest of England

Current Activity Indicator	November 2007	December 2007	January 2008	November 2008	December 2008	January 2009
South East						
In education	78.6	71.0	70.9	73.2	73.0	72.6
In employment	13.2	19.6	19.6	17.2	17.3	17.2
In training	1.4	1.3	1.4	1.6	1.7	1.9
NEET	4.9	5.1	5.3	5.3	5.4	5.8
Not EET or NEET	0.3	0.3	0.3	0.2	0.2	0.2
Unknown	1.6	2.7	2.6	2.4	2.3	2.3
All in South East	174,290	257,780	250,050	270,110	264,140	255,290
Rest of England						
In education	74.8	68.4	68.3	70.1	70.3	70.5
In employment	13.2	18.9	18.9	16.7	16.8	16.7
In training	3.6	3.2	3.3	3.4	3.4	3.6
NEET	6.4	6.8	7.0	6.7	6.8	6.8
Not EET or NEET	0.2	0.2	0.2	0.2	0.2	0.2
Unknown	1.8	2.5	2.4	2.8	2.5	2.3
All in Rest of England	962,050	1,436,370	1,390,790	1,486,910	1,438,840	1,397,750

6.3.3 Regional comparison

Table 6.5: Labour market activity of 16-18 year olds by region, 2007/08

Government Office Region	Percentage in each state: In education	In employment	In training	NEET	Not EET or NEET	Not known	Monthly average on database
South East	*72.9*	*18.0*	*1.4*	*5.1*	*0.3*	*2.4*	*227,370*
South West	70.3	21.3	1.6	5.3	0.1	1.3	142,400
London	79.6	8.5	2.4	6.3	0.2	3.0	188,260
East of England	70.2	19.0	2.4	5.6	0.1	2.6	164,700
West Midlands	69.4	16.7	4.7	7.1	0.1	2.0	168,850
East Midlands	69.6	19.4	3.5	5.4	0.2	2.0	131,730
North West	67.4	19.5	3.4	7.6	0.2	1.8	224,730
Yorkshire and Humber	65.3	19.3	4.2	8.0	0.3	2.9	159,900
North	64.4	16.9	5.7	9.8	0.3	2.8	82,510
England	70.4	17.5	3.1	6.5	0.2	2.3	1,490,440

The South East Government Office region had the lowest percentage of young people who are NEET of any English region in both 2007/08 and 2008/09 (Tables 6.5 and 6.6). The three northern regions and the West Midlands displayed the highest percentages who are NEET. Young people in the South East are much more likely to be in education and slightly more likely to be in work than those in the northern regions. Young people in London are most likely to be in education and least likely to be working compared to all other regions.

Table 6.6: Labour market activity of 16-18 year olds by region, 2008/09

Government Office Region	Percentage in each state: In education	In employment	In training	NEET	Not EET or NEET	Not known	Monthly average on database
South East	*73.0*	*17.2*	*1.8*	*5.5*	*0.2*	*2.3*	*263,180*
South West	70.2	20.7	1.9	5.6	0.2	1.5	164,960
London	80.9	8.2	2.1	5.7	0.3	2.7	215,210
East of England	70.5	18.3	2.3	6.1	0.1	2.7	188,730
West Midlands	69.7	16.0	5.2	7.0	0.1	2.0	185,700
East Midlands	68.8	19.3	3.7	5.3	0.1	2.8	151,810
North West	68.5	17.9	3.8	7.7	0.2	1.9	257,080
Yorkshire and Humber	64.9	18.7	4.2	7.7	0.3	4.2	182,820
North	64.7	16.7	5.8	9.9	0.3	2.6	94,850
England	70.7	16.8	3.2	6.6	0.2	2.5	1,704,350

The percentage NEET increased slightly in the South East between 2007/08 and 2008/09, but declined in London and northern England, as the percentage in education increased. The fall in the percentage in work between 2007/08 and 2008/09 was similar in each region.

6.3.4 Geographical variations within the South East

The Connexions database records the lead LEA and residential postcode of each young person. The lead LEA (grouped into LSC areas) is used here to summarise geographical variations within the South East region.

Table 6.7: Percentage of 16-18 year olds in each labour market category, by lead LEA and LSC area, 2007/08

Lead local education authorities grouped into LSC areas	In education	In employment	In training	NEET	Not EET or NEET	Unknown	Monthly average on database
Buckinghamshire	77.9	15.4	1.8	2.5	0.1	2.3	13,090
Milton Keynes	70.6	19.1	2.7	5.6	0.3	1.8	7,270
Oxfordshire	68.2	23.2	0.9	4.1	2.5	1.2	16,570
Milton Keynes, Oxfordshire and Buckinghamshire LSC	*72.1*	*19.6*	*1.6*	*3.8*	*1.2*	*1.7*	*36,930*
Bracknell Forest	72.5	20.7	1.0	5.3	0.1	0.4	2,470
Windsor & Maidenhead	82.1	13.0	0.7	4.0	0.0	0.2	3,360
West Berkshire	75.5	19.0	1.0	4.4	0.1	0.1	4,400
Reading	73.2	16.6	1.4	8.4	0.2	0.3	4,390
Slough	80.7	12.1	1.2	5.5	0.1	0.4	3,840
Wokingham	72.2	21.7	0.5	5.2	0.1	0.2	2,950
Berkshire LSC	*76.2*	*16.9*	*1.0*	*5.6*	*0.1*	*0.3*	*21,400*
Hampshire	74.7	16.6	1.1	5.0	0.1	2.5	38,060
Portsmouth	61.9	23.8	2.8	9.6	0.4	1.4	3,980
Southampton	63.1	21.8	1.7	10.0	0.5	2.9	5,870
Isle of Wight	73.2	15.9	2.8	5.8	0.2	2.2	3,940
Hampshire & Isle of Wight LSC	72.3	17.7	1.4	6.0	0.2	2.5	51,840
Kent	74.7	16.6	1.5	5.2	0.0	2.0	43,910
Medway	67.7	19.9	3.9	5.6	0.0	2.8	9,250
Kent & Medway LSC	*73.5*	*17.2*	*1.9*	*5.3*	*0.0*	*2.1*	*53,160*
Surrey	76.2	16.4	0.9	3.3	0.1	3.1	25,230
Surrey LSC	*76.2*	*16.4*	*0.9*	*3.3*	*0.1*	*3.1*	*25,230*
East Sussex	68.1	19.1	1.5	7.2	0.1	4.0	13,270
Brighton & Hove	67.3	17.9	1.5	8.8	0.2	4.3	5,900
West Sussex	71.6	20.1	0.6	4.2	0.1	3.5	19,650
Sussex LSC	*69.7*	*19.4*	*1.0*	*5.9*	*0.1*	*3.8*	*38,820*

Lead local education authorities grouped into LSC areas	In education	In employment	In training	NEET	Not EET or NEET	Unknown	Monthly average on database
South East	72.9	18.0	1.4	5.1	0.3	2.4	227,370

Table 6.8: Percentage of 16-18 year olds in each labour market category, by lead LEA and LSC area, 2008/09

Lead local education authorities grouped into LSC areas	In education	In employment	In training	NEET	Not EET or NEET	Unknown	Monthly average on database
Buckinghamshire	78.2	15.2	1.8	3.6	0.1	1.1	14,880
Milton Keynes	71.0	18.7	2.2	5.8	0.2	2.2	8,460
Oxfordshire	68.2	22.0	1.0	6.1	1.7	1.0	18,770
Milton Keynes, Oxfordshire and Buckinghamshire LSC	72.3	18.9	1.5	5.2	0.8	1.3	42,110
Bracknell Forest	71.3	20.7	0.8	7.0	0.1	0.1	2,840
Windsor & Maidenhead	79.9	14.3	0.6	5.1	0.1	0.1	3,660
West Berkshire	75.3	18.4	1.5	4.8	0.1	0.0	5,130
Reading	72.3	16.2	2.5	8.7	0.4	0.0	4,940
Slough	82.2	10.4	1.6	5.4	0.2	0.3	4,470
Wokingham	71.0	21.6	1.3	6.0	0.1	0.1	3,370
Berkshire LSC	*75.6*	*16.6*	*1.5*	*6.2*	*0.2*	*0.1*	*24,420*
Hampshire	75.5	14.7	1.3	5.3	0.1	3.2	43,560
Portsmouth	62.5	20.7	2.7	9.4	0.3	4.3	4,400
Southampton	68.0	17.3	2.6	9.3	0.5	2.2	6,800
Isle Of Wight	70.5	17.0	4.7	5.6	0.2	2.1	4,410
Hampshire & Isle of Wight LSC	*73.3*	*15.6*	*1.8*	*6.1*	*0.2*	*3.1*	*59,170*
Kent	72.8	18.3	2.7	4.7	0.0	1.5	50,200
Medway	66.2	18.3	3.5	9.3	0.1	2.4	10,170
Kent & Medway LSC	*71.7*	*18.3*	*2.8*	*5.4*	*0.0*	*1.7*	*60,370*
Surrey	76.6	15.8	0.8	3.3	0.0	3.5	30,630

Lead local education authorities grouped into LSC areas	**In education**	**In employment**	**In training**	**NEET**	**Not EET or NEET**	**Unknown**	**Monthly average on database**
Surrey LSC	*76.6*	*15.8*	*0.8*	*3.3*	*0.0*	*3.5*	*30,630*
East Sussex	70.1	16.9	2.0	7.0	0.1	3.9	16,500
Brighton & Hove	72.5	14.1	1.3	7.7	0.2	4.2	7,790
West Sussex	71.1	19.5	1.0	5.3	0.1	3.1	22,200
Sussex LSC	*71.0*	*17.7*	*1.4*	*6.3*	*0.1*	*3.6*	*46,490*
South East	73.0	17.2	1.8	5.5	0.2	2.3	263,180

Turning to geographical variations within the South East[1]:

- The percentage in education was highest in Windsor & Maidenhead, Slough, Buckinghamshire and Surrey LEAs, and lowest in Portsmouth, Southampton, Brighton & Hove, Medway and East Sussex in 2007/08 (Table 6.7). This percentage increased slightly in the region as a whole by 2008/09, with the spatial pattern very similar, but the percentage in education fell slightly in Windsor & Maidenhead, Medway, Reading and Surrey (Table 6.8).
- The percentage in employment was highest in Portsmouth, Oxfordshire, Southampton, Wokingham, Bracknell Forest and West Sussex in 2007/08, and while still highest in these areas in 2008/09, the actual percentages were lower, declining fastest in Portsmouth and Southampton. The percentage in employment tends to be lowest where rates of educational participation are highest; eg in Slough it was 12.1 per cent in 2007/08 and 10.4 per cent in 2008/09.
- The percentage in training was highest in Medway, Portsmouth, the Isle of Wight and Milton Keynes, in 2007/08, increasing most in the Isle of Wight and Reading and declining in Medway by 2008/09.
- The percentage who are NEET was highest in Southampton, Portsmouth, Brighton & Hove, Reading and East Sussex in 2007/08. These areas also displayed the highest percentages in 2008/09, when they were joined by Medway.

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1 Please note that the percentage whose status is unknown is affected by differences in recording practice between local Connexions services. The geographical pattern is therefore not interpreted here.

Table 6.9: Change in 16-18 year olds in employment and NEET status, 2007/08 to 2008/09, by LEA

	In employment (monthly average)			NEET(monthly average)		
Lead local education authorities grouped into LSC areas	**2007/08**	**2008/09**	**% Change**	**2007/08**	**2008/09**	**% Change**
Buckinghamshire	2,020	2,268	12.3	330	540	63.5
Milton Keynes	1,385	1,579	14.0	405	490	20.9
Oxfordshire	3,849	4,129	7.3	672	1,144	70.2
Milton Keynes, Oxfordshire and Buckinghamshire LSC	*7,254*	*7,976*	*9.9*	*1,408*	*2,174*	*54.4*
Bracknell Forest	510	589	15.4	132	198	50.1
Windsor & Maidenhead	437	522	19.5	134	187	39.9
West Berkshire	835	941	12.7	194	246	27.0
Reading	728	798	9.6	369	429	16.4
Slough	465	465	0.1	212	241	13.7
Wokingham	640	727	13.7	154	202	30.9
Berkshire LSC	*3,615*	*4,043*	*11.8*	*1,195*	*1,504*	*25.8*
Hampshire	6,308	6,390	1.3	1,904	2,324	22.1
Portsmouth	948	911	-3.9	383	415	8.4
Southampton	1,278	1,179	-7.8	584	635	8.6
Isle Of Wight	625	749	20.0	226	246	8.7
Hampshire & Isle of Wight LSC	*9,158*	*9,230*	*0.8*	*3,098*	*3,620*	*16.8*
Kent	7,284	9,208	26.4	2,273	2,340	3.0
Medway	1,843	1,865	1.2	522	948	81.4
Kent & Medway LSC	*9,127*	*11,073*	*21.3*	*2,795*	*3,288*	*17.6*
Surrey	4,137	4,827	16.7	837	1,004	20.0
Surrey LSC	*4,137*	*4,827*	*16.7*	*837*	*1,004*	*20.0*
East Sussex	2,532	2,783	9.9	961	1,147	19.4
Brighton & Hove	1,057	1,101	4.2	517	597	15.5
West Sussex	3,949	4,327	9.6	824	1,169	41.9
Sussex LSC	7,538	8,211	8.9	2,302	2,913	26.6
South East	40,829	45,359	11.1	11,634	14,502	24.7

Table 6.9 compares the numbers of 16-18 year olds in employment with those who are NEET in the winter months of 2007/08 and 2008/09 across LEAs and LSC areas.

More 16-18 year olds were NEET in the South East in 2008/09 compared to the previous year

- Employment was 11.1 per cent higher in 2008/09 than 2007/08 in the South East as a whole.

- The number employed increased in all LEAs except for Portsmouth and Southampton.
- Elsewhere, employment grew very slowly in Reading, Hampshire and Medway.
- Employment increased fastest in Kent, the Isle of Wight and Windsor & Maidenhead.
- The number of 16-18 year olds who are NEET in the South East GOR increased by 24.7 per cent.
- The percentage increase was slowest in Kent & Medway, Portsmouth, Southampton and the Isle of Wight.
- The numbers who are NEET increased by 81.4 per cent in Medway, 70.2 per cent in Oxfordshire, 63.5 per cent in Buckinghamshire and over half in Bracknell Forest. At the LSC level, the largest increase in numbers who are NEET occurred in Milton Keynes, Oxfordshire & Buckinghamshire.

Using the unit postcode, it is possible to link indicators of local prosperity to individual records in the database in order to explore the association between prosperity and labour market activity. Experian produced a report on the geographical distribution of people who are NEET in 2006/07, using their proprietary Mosaic classification to identify local concentrations of this population.[1] Here, the Department for Communities and Local Government Index of Multiple Deprivation (IMD) for 2007[2] and the Office for National Statistics 'Output Area Classification'[3] of small areas (both of which are in the public domain) are used. The former can be used to broadly indicate levels of poverty or prosperity, with the c. 32,500 small areas in England for which the index is calculated ('lower level super output areas' defined by the 2001 Census) divided up into ten broad bands. The latter summarises the socio-economic characteristics of 'output areas', using data from the 2001 Census of Population, creating 21 'Groups' which classify areas in terms of their urban or rural location, demography and economic character.

Tables 6.10 to 6.13 present contrasts in the activity of young people across different types of environment within the South East in 2007/08 and 2008/09, using each of these geographical classifications.[4]

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1 Experian (2008), Targeting young people not in education, employment or training (NEET): South East England. Report to the South East LSC.

2 See: www.communities.gov.uk/communities/neighbourhoodrenewal/deprivation/deprivation07/

3 See: http://areaclassification.org.uk/ and www.statistics.gov.uk/about/methodology_by_theme/area_classification/default.asp

4 The regional totals for the two classifications differ slightly. This is because some of the postcoded records could not be matched to the Output Area and Lower Super Output Areas used for the Output Area Classification and IMD 2007 respectively.

NEET status is associated with living in an area of deprivation

The IMD highlights the stark association between prosperity and life chances for young people leaving compulsory education. Just over half of those living in the most deprived one-tenth of neighbourhoods in the region remained in education in 2007/08, compared with 81.9 per cent in the most prosperous one-tenth. This percentage increased as the prosperity of the neighbourhood increased (Table 6.11). These percentages were slightly higher in 2008/09 (except in the most prosperous decile), reflecting the general increase in the probability of staying in education relative to 2007/08. The inverse pattern was found for the percentage who are NEET: in 2007/08, while 14.7 per cent of people in the most deprived one-tenth of neighbourhoods were NEET, only 1.9 per cent of those in the most prosperous one-tenth of areas were NEET. Furthermore, the percentage with status unknown described the same trend. The differential between areas was slightly narrower in 2008/09 (Table 6.13).

Table 6.10: South-East: labour market status of 16-18 year olds, by ONS OA group, 2007/08

ONS OA classification Group	In education	In employment	In training	NEET	Not EET or NEET	Unknown	Monthly average on database
Terraced Blue Collar	60.2	23.9	2.9	9.7	0.1	3.1	5,660
Younger Blue Collar	61.4	23.0	2.8	10.1	0.2	2.6	11,190
Older Blue Collar	65.1	24.2	1.7	6.5	0.1	2.6	11,170
Transient Communities	55.2	12.8	3.2	15.8	0.9	12.1	1,180
Settled in the City	71.4	12.6	1.6	8.6	0.5	5.3	6,100
Village Life	71.5	17.4	0.9	3.2	5.0	1.9	7,700
Agricultural	79.1	16.3	0.7	2.0	0.1	1.8	1,960
Accessible Countryside	81.4	14.5	0.5	2.0	0.0	1.6	8,420
Prospering Younger Families	81.8	14.4	0.6	2.1	0.0	1.1	11,140
Prospering Older Families	84.8	12.2	0.5	1.6	0.0	0.9	14,190
Prospering Semis	77.7	17.4	0.8	2.6	0.1	1.3	8,540
Thriving Suburbs	83.7	12.6	0.5	1.9	0.0	1.4	14,220
Senior Communities	64.0	19.1	3.5	10.4	0.1	2.9	510
Older Workers	63.3	21.6	2.5	8.7	0.2	3.7	11,380
Public Housing	56.7	21.1	3.5	14.3	0.4	4.0	3,110
Settled Households	74.4	19.2	1.1	3.6	0.1	1.7	10,630
Least Divergent	73.0	18.5	1.2	4.8	0.1	2.3	12,710
Young Families in Terraced Homes	71.0	18.0	2.4	6.1	0.1	2.4	9,210
Aspiring Households	80.5	14.3	0.7	2.6	0.1	1.7	13,740
Asian Communities	72.9	14.9	2.1	7.8	0.3	2.0	8,670
African-Caribbean Communities	65.6	16.4	2.9	12.0	0.3	2.8	1,190
All localities	72.9	18.0	1.4	5.1	0.3	2.4	227,370

Table 6.11: South-East: labour market status of 16-18 year olds by decile of IMD 2007, 2007/08

IMD 2007 decile	In education	In employment	In training	NEET	Not EET or NEET	Unknown	Monthly average on database
Most deprived tenth	54.8	19.7	3.9	14.7	0.2	6.7	5,740
Second most deprived	60.1	20.7	3.0	11.9	0.3	4.1	12,450
Third most deprived	63.9	20.4	2.8	9.6	0.2	3.0	16,870
Fourth most deprived	66.0	20.5	2.2	7.9	0.2	3.3	20,160
Fifth most deprived	68.7	20.2	1.8	6.5	0.2	2.7	22,230
Sixth most deprived	70.7	20.4	1.3	5.3	0.1	2.2	22,360
Seventh most deprived	73.5	19.2	1.1	4.1	0.1	2.1	24,080
Eighth most deprived	76.4	17.4	0.9	3.2	0.1	2.1	26,910
Ninth most deprived	76.2	17.1	0.8	2.9	1.3	1.8	31,310
Most prosperous tenth	81.9	14.2	0.5	1.9	0.0	1.4	49,110
All localities	72.7	18.1	1.4	5.1	0.3	2.4	231,220

Table 6.12: South-East: labour market status of 16-18 year olds, by ONS OA group, 2008/09

ONS OA classification Group	In education	In employment	In training	NEET	Not EET or NEET	Unknown	Monthly average on database
Terraced Blue Collar	60.4	23.7	3.0	9.8	0.1	3.0	8,860
Younger Blue Collar	61.2	21.9	3.7	10.3	0.2	2.7	16,510
Older Blue Collar	63.2	24.5	2.2	7.5	0.1	2.7	17,450
Transient Communities	57.8	11.0	3.5	16.2	0.9	10.5	1,720
Settled in the City	71.6	12.1	2.0	8.9	0.4	4.9	9,130
Village Life	73.1	17.6	1.3	3.6	2.5	1.9	12,050
Agricultural	77.9	16.0	1.0	3.1	0.1	2.1	3,200
Accessible Countryside	80.4	14.7	0.8	2.6	0.0	1.5	13,420
Prospering Younger Families	80.6	14.9	0.8	2.3	0.0	1.3	17,620
Prospering Older Families	82.8	13.4	0.6	1.9	0.0	1.2	21,980
Prospering Semis	75.9	18.1	1.2	3.3	0.0	1.3	13,120
Thriving Suburbs	83.0	12.7	0.6	2.3	0.0	1.4	21,530
Senior Communities	66.2	18.2	3.4	9.6	0.1	2.6	820
Older Workers	62.4	21.4	2.9	9.5	0.2	3.6	17,260
Public Housing	55.8	19.6	4.3	14.9	0.3	5.2	4,560
Settled Households	73.2	19.3	1.5	4.1	0.0	1.9	15,870
Least Divergent	72.1	18.4	1.6	5.3	0.1	2.6	19,730
Young Families in Terraced Homes	69.2	17.6	3.0	7.2	0.1	2.9	13,370
Aspiring Households	79.2	14.5	0.8	3.2	0.1	2.2	20,930
Asian Communities	73.3	13.6	3.0	8.2	0.3	1.6	11,900
African-Caribbean Communities	65.5	16.8	3.2	10.6	0.6	3.3	1,530
All localities	73.0	17.2	1.8	5.5	0.2	2.3	263,180

Table 6.13: South-East: labour market status of 16-18 year olds, by decile of IMD 2007, 2008/09

IMD 2007 decile	In education	In employment	In training	NEET	Not EET or NEET	Unknown	Monthly average on database
Most deprived tenth	56.5	18.5	5.0	14.3	0.3	5.5	6,190
Second most deprived	61.2	19.0	3.9	11.8	0.3	3.8	13,940
Third most deprived	64.4	19.1	3.7	9.7	0.2	2.9	19,350
Fourth most deprived	67.1	18.8	2.8	8.2	0.2	3.0	22,620
Fifth most deprived	69.1	18.9	2.3	7.0	0.2	2.6	25,400
Sixth most deprived	70.5	19.4	1.7	5.9	0.1	2.4	25,100
Seventh most deprived	73.7	18.2	1.4	4.6	0.1	2.0	27,430
Eighth most deprived	76.0	16.9	1.2	3.8	0.0	2.2	30,840
Ninth most deprived	76.6	16.4	0.9	3.4	0.9	1.8	35,590
Most prosperous tenth	81.6	14.0	0.6	2.4	0.0	1.5	56,070
All localities	73.0	17.2	1.8	5.5	0.2	2.3	262,540

Highest percentages of people who are NEET are found in transient communities, those with public housing, African-Caribbean communities and senior communities (coastal areas)

The ONS classification provides a little more detail on the characteristics of areas with different types of labour market experience. Table 6.10 reveals that the percentage staying in education in 2007/08 was highest in areas of ‘Prospering Older Families’, ‘Thriving Suburbs’, ‘Prospering Younger Families’, ‘Accessible Countryside’ and ‘Aspiring Households’: all areas with higher income populations, working in higher status occupations, located in suburban or semi-rural areas. The lowest percentage was found in ‘Transient Communities’ (deprived inner city areas with high population turnover) and areas of ‘Public Housing’, with ‘Blue Collar’, ‘Older Workers’, ‘Senior Communities’ (highlighting coastal retirement areas) and ‘African-Caribbean Communities’ also recording low percentages. The percentage who are NEET was highest in ‘Transient Communities’, ‘Public Housing’, ‘African-Caribbean Communities’, ‘Senior Communities’ and ‘Younger Blue Collar’. In ‘Transient Communities’, the status of 12.1 per cent of 16-18 year olds was unknown. The percentage in employment in 2007/08 was highest in the three ‘Blue Collar’ groups ‘Older Workers’ and ‘Public Housing’. It was lowest in ‘Settled in the City’, ‘Thriving Suburbs’ and ‘Transient Communities’; in the first two because of the high percentage in education, and in the third because of the high percentage NEET and Unknown. These differentials were largely repeated in the data for 2008/09, but the percentage NEET and with status unknown increased in the ‘Transient’ and ‘Public Housing’ groups.

Decreases in employment were highest in blue collar, senior and transient communities across all LSC areas

Local variations within the regional pattern can be seen in Tables 6.14 and 6.15, which present changes in employment and NEET respectively for 16-18 year olds between 2007/08 and 2008/09 by LSC area and ONS Output Area Classification Group. Decreases in employment were highest in ‘Blue Collar’, ‘Senior Communities’ and ‘Transient Communities’ neighbourhoods across all LSCs (Table 6.14). However, employment decline was most prevalent in Hampshire and the Isle of Wight, with employment declining by 21.4 per cent in ‘African-Caribbean Communities’ and 10.4 per cent in ‘Asian Communities’. In Milton Keynes, Oxfordshire & Buckinghamshire, employment loss was concentrated in ‘Blue Collar’ neighbourhoods, ‘Public Housing’ and ‘Senior Communities’. In general, employment increased most rapidly in more prosperous neighbourhoods.

There were some extremely high percentage increases in 16-18 year olds NEET, particularly in Milton Keynes, Oxfordshire & Buckinghamshire. The increase was greatest in ‘Agricultural’ across all LSCs (but involving small numbers of people) and more prosperous neighbourhoods in Milton Keynes, Oxfordshire & Buckinghamshire and Berkshire (Table 6.15). There were few declines, with no clear pattern.

Table 6.14: Percentage change in 16-18 year olds employed, by LSC area and ONS OA classification group between 2007/08 and 2008/09

	LSC area					
ONS OA classification Group	**Milton Keynes, Oxfordshire & Buckinghamshire**	**Berkshire**	**Hampshire and Isle of Wight**	**Kent and Medway**	**Surrey**	**Sussex**
Terraced Blue Collar	-1.1	7.8	-2.5	21.9	1.4	9.6
Younger Blue Collar	-4.2	0.9	-7.2	12.3	19.7	5.0
Older Blue Collar	6.1	12.6	1.6	21.0	13.1	7.5
Transient Communities	-7.7	-35.5	-9.3	14.8	-6.7	10.9
Settled in the City	4.5	19.2	12.4	10.6	10.3	-5.5
Village Life	10.0	8.7	-0.5	10.9	-2.8	8.2
Agricultural	19.9	7.7	-7.0	13.3	33.3	-0.8
Accessible Countryside	9.2	9.0	3.4	16.7	1.2	11.9
Prospering Younger Families	12.9	16.3	2.1	30.1	11.5	-0.7
Prospering Older Families	19.4	13.5	-0.2	29.5	34.7	16.3
Prospering Semis	7.5	12.0	-2.9	26.3	2.6	7.7
Thriving Suburbs	5.6	12.6	4.0	12.9	16.7	1.7
Senior Communities	-23.1	19.0	-7.6	13.0	-26.7	22.1
Older Workers	5.1	8.9	-4.2	13.1	15.9	6.4
Public Housing	-2.1	53.1	-7.6	13.8	-2.7	-1.4
Settled Households	6.8	2.3	0.7	14.4	11.9	8.8
Least Divergent	16.1	14.2	-7.3	19.6	6.9	-2.0
Young Families in Terraced Homes	3.0	7.5	-4.7	11.1	9.4	12.4
Aspiring Households	8.3	6.0	2.8	23.9	16.1	6.3
Asian Communities	1.0	5.7	-10.4	7.7	-3.5	-11.2
African-Caribbean Communities	21.9	9.9	-21.7	8.6	34.7	-17.7
All localities	6.2	9.4	-1.9	17.3	13.0	4.8

Table 6.15 Percentage change of those 16-18 year olds who are NEET, by LSC area and ONS OA classification Group, between 2007/08 and 2008/09

	LSC area					
ONS OA classification Group	**Milton Keynes, Oxfordshire & Buckinghamshire**	**Berkshire**	**Hampshire and Isle of Wight**	**Kent and Medway**	**Surrey**	**Sussex**
Terraced Blue Collar	36.7	25.0	8.3	3.2	14.5	3.2
Younger Blue Collar	41.3	17.6	3.5	17.6	7.0	13.6
Older Blue Collar	94.6	13.1	22.1	10.4	14.8	43.3
Transient Communities	39.8	-9.1	15.1	12.0	100.0	19.7
Settled in the City	53.0	41.2	28.9	-14.9	-0.7	13.6
Village Life	68.1	48.6	21.1	4.7	9.4	8.5
Agricultural	240.0	416.7	30.5	30.0	600.0	52.3
Accessible Countryside	97.7	36.5	11.8	11.8	68.3	54.7
Prospering Younger Families	70.8	21.0	10.2	29.4	-11.1	25.5
Prospering Older Families	120.3	39.6	17.2	0.0	-3.4	44.1
Prospering Semis	107.5	27.8	46.8	20.8	33.3	21.7
Thriving Suburbs	109.3	27.1	17.3	39.0	29.9	27.0
Senior Communities	50.0	-12.5	-6.5	5.9	27.3	7.4
Older Workers	51.9	36.5	11.1	21.1	3.7	26.9
Public Housing	61.6	57.1	24.4	3.9	-2.7	18.0
Settled Households	60.1	37.9	-8.0	39.0	58.6	15.9
Least Divergent	58.9	14.1	16.1	11.3	27.3	26.1
Young Families in Terraced Homes	67.6	-11.4	23.0	27.9	63.6	24.8
Aspiring Households	52.2	20.2	18.9	-2.8	45.0	69.9
Asian Communities	20.5	16.7	0.4	21.1	12.9	21.1
African-Caribbean Communities	-14.4	-12.0	-10.3	55.9	131.3	11.4
All localities	50.5	21.3	14.1	15.5	18.2	22.6

6.3.5 Individual-level labour market transitions, 2007-8

Table 6.16: Individual-level labour market transitions in the South East region, November 2007 to November 2008

		Current activity November 2008					
Current activity November 2007	**All**	**Education**	**Employment**	**Training**	**NEET**	**Not EET or NEET**	**Not known**
In education	146,580	83.4	10.6	0.7	2.4	0.0	2.9
In employment	41,770	4.8	88.7	0.7	3.8	0.1	1.9
In training	2,500	12.7	30.0	35.1	19.0	0.3	2.9
NEET	10,290	9.9	32.5	5.2	43.0	0.6	8.7
Not EET or NEET	310	6.1	9.6	4.2	16.3	60.4	3.5
Not known	5,040	7.7	9.2	0.7	4.6	0.1	77.8
Total	206,500	61.0	27.7	1.3	5.0	0.2	4.8

In this section, the focus of the analysis switches to **all** people in the NCCIS database. Using the young person identifier, individuals were matched in the data files for November 2007 and November 2008 in order to identify how their situation had changed over the year. The pattern is summarised for the 206,500 individuals present in both data files in the South East as a whole in Table 6.16 (this analysis excludes people who moved away from the region during the year).

Over 40 per cent of people who were NEET in November 2007 were NEET in November 2008, but around one-third who were NEET in November 2007 entered employment within the next year

There is a high level of stability in this pattern. Around seven-eighths of people in employment in 2007 were still in employment in 2008, and 83.4 per cent were in education at both dates. Of those who left education, the most common destination was employment, but 2.4 per cent became NEET. For those who left employment, most went into education, but 3.8 per cent became NEET. People were least likely to remain in training a year later, and while 30 per cent found employment, nearly one-fifth became NEET. More than two-fifths of those who were NEET in November 2007 were still in this state a year later, but one-third were successful in finding employment. People who were neither EET nor NEET or whose situation was unknown were highly likely to remain in this state or become NEET, but nearly one-tenth of each of those in these small categories in November 2007 had found work a year later.

There is significant variation in transitions between employment, education/training and NEET status across different local areas within the South East

Table 6.17 presents similar transition matrices for the people living in one of the six LSC areas in November 2007 and still living somewhere in the South East in November 2008. In 2007 people who lived in Hampshire & the Isle of Wight and

Berkshire were most likely to remain in education and those least likely to do so lived in Sussex and Surrey. They were least likely to move into employment in Hampshire & the Isle of Wight and Berkshire. The percentage remaining in employment was lowest in Sussex and Surrey; in both the most common destination was education. The percentage of people in work in November 2007 who were NEET in November 2008 was highest in Berkshire. The probability of moving from training to employment was highest in Surrey and Milton Keynes, Oxfordshire & Buckinghamshire. People in Hampshire & Isle of Wight and Kent & Medway were most likely to remain in training, but the percentage of trainees in November 2007 becoming NEET by November 2008 was highest in Milton Keynes, Oxfordshire & Buckinghamshire and Berkshire. The percentage who were NEET at both dates was considerably lower in Surrey and Sussex than elsewhere, but in these LSC areas the percentage moving from being NEET to having an unknown status was highest.

Table 6.17: Individual-level labour market transitions, by LSC area, November 2007 to November 2008

		Current activity November 2008					
Current activity November 2007	**All**	**Education**	**Employment**	**Training**	**NEET**	**Not EET or NEET**	**Not known**
Milton Keynes, Oxfordshire and Buckinghamshire LSC							
In education	12,070	83.1	12.7	0.4	3.0	0.0	0.7
In employment	4,590	3.3	91.8	0.4	3.7	0.1	0.6
In training	150	10.5	39.2	13.1	34.6	0.7	2.0
NEET	720	9.6	36.1	3.6	46.8	0.7	3.2
Not EET or NEET	50	13.0	13.0	3.7	7.4	57.4	5.6
Not known	230	5.2	16.4	0.4	7.3	0.4	70.3
Total	17,820	57.8	34.3	0.7	5.3	0.2	1.7
Berkshire LSC							
In education	18,160	84.7	8.6	0.6	2.8	0.1	3.3
In employment	4,200	5.0	87.4	0.7	6.8	0.1	0.0
In training	200	17.2	33.5	13.3	35.0	0.5	0.5
NEET	1,330	10.0	40.0	4.3	44.8	0.9	0.0
Not EET or NEET	30	3.3	10.0	3.3	23.3	60.0	0.0
Not known	80	20.7	20.7	1.2	23.2	0.0	34.1
Total	24,010	65.7	24.4	0.9	6.2	0.2	2.6
Hampshire & Isle of Wight LSC							
In education	44,950	89.1	6.4	0.7	2.5	0.0	1.3
In employment	13,990	4.1	91.3	0.5	3.0	0.0	1.1
In training	950	11.4	25.3	41.4	17.7	0.4	3.8
NEET	3,850	8.8	29.3	4.3	41.7	0.9	15.0
Not EET or NEET	180	5.0	8.9	2.8	19.0	60.9	3.4
Not known	1,990	3.8	6.7	0.6	4.8	0.2	84.0
Total	65,910	62.4	26.1	1.5	5.2	0.3	4.6

Current activity November 2007	Current activity November 2008 All	Education	Employment	Training	NEET	Not EET or NEET	Not known
Kent & Medway LSC							
In education	35,810	81.8	13.2	1.1	2.6	0.0	1.3
In employment	9,440	6.0	88.2	1.2	3.9	0.0	0.6
In training	850	13.8	29.6	41.2	14.4	0.1	0.8
NEET	2,640	10.8	30.3	8.2	47.4	0.1	3.3
Not EET or NEET	10	0.0	9.1	27.3	9.1	54.5	0.0
Not known	860	7.4	13.0	1.1	3.9	0.0	74.8
Total	49,610	61.1	28.7	2.2	5.4	0.0	2.6
Surrey LSC							
In education	20,720	78.5	12.5	0.3	1.5	0.0	7.1
In employment	4,810	4.1	86.7	0.5	2.9	0.1	5.7
In training	230	9.9	43.5	23.7	15.5	0.0	7.3
NEET	850	7.2	38.8	4.2	35.4	0.6	13.7
Not EET or NEET	10	0.0	0.0	0.0	14.3	85.7	0.0
Not known	1,070	9.9	7.1	0.3	2.3	0.0	80.4
Total	27,690	60.1	26.2	0.7	3.0	0.1	9.9
Sussex LSC							
In education	14,880	75.6	14.8	0.3	2.5	0.0	6.7
In employment	4,760	6.5	82.6	0.5	4.5	0.1	5.7
In training	110	16.2	26.1	27.9	22.5	0.0	7.2
NEET	890	14.4	33.5	4.3	37.3	0.4	10.1
Not EET or NEET	30	8.0	12.0	8.0	12.0	52.0	8.0
Not known	820	14.0	10.8	1.0	4.9	0.0	69.3
Total	21,470	55.1	30.5	0.7	4.6	0.1	9.0

6.4 Conclusion

The data provided by DCSF reveals that people aged 16 to 18 were more likely to be in work in 2008/09 than in 2007/08. In the more prosperous parts of the region, there has been an increase in the percentage in education. There is a strong association with prosperity; the likelihood of being in education was much higher in more prosperous parts of the region.

There has also been an increase in the percentage of people who are NEET. The rate of increase has been rapid in some areas which have suffered employment decline (eg Oxfordshire), but the increase has been slower (or reversed) in some of the LEAs with a larger number of young people who are NEET. The probability of being NEET is strongly associated with low income and living in a transient community.

7 What is the Impact of Recession on Employers' Current and Future Skills Needs and Training Practices, and What are the Implications?

To complement the quantitative data and literature review on the impact of recession on training, this chapter uses data from interviews with stakeholders and employers to explore implications of current and future skills needs.

7.1 What are the past trends in skills needs in the South East region?

Stakeholders reported that there has traditionally been strong demand in the South East for high level skills, in particular among professional, associate professional and technical occupations. There has been a growth in graduate jobs in recent years, while numbers of jobs in elementary occupations have decreased due to automation of production and diminishing activity in sectors such as agriculture and manufacturing. However, the growth of the retail sector, including supermarkets, has stimulated demand for some low and semi-skilled jobs.

There are strong regional variations in demand for particular occupations within the South East, described by one stakeholder as a *'mosaic economy'*. For instance, stakeholders reported that West Sussex has a strong tourism industry and a high demand for low-skilled and semi-skilled jobs in hospitality and personal services, while the Milton Keynes area hosts numerous company headquarters, creating demand for managers, administration, sales and customer service staff.

Extensive development in the South East over the past several years has also meant that the demands of the economy are continually changing. In Kent, one stakeholder pointed to a large number of construction and engineering projects, which has created a surge in demand for skilled construction and engineering staff.

7.2 What are the major trends in employers' training practices?

Summary

Historically, larger organisations and those in industries with skills shortages tend to 'grow their own' skills by taking on apprentices and other trainees, whereas smaller organisations and businesses undergoing rapid change or growth are more likely to buy in skilled staff.

Training within smaller organisations is more likely to be unstructured and ad hoc but large and small employers alike choose training providers through word of mouth, reputation and convenience.

Employers often attach more value to attitudinal traits that cannot be learned and are sometimes willing to train recruits in technical skills which can be taught. Employers prefer accredited qualifications for technical skills, and non-accredited training for 'soft' skills, because the latter are often firm-specific. Employers in low skills sectors and/or those without a history of requiring qualifications may not attach much importance to qualifications or training.

The recession has had varied effects on organisations. Larger organisations hit by the recession tend to lay off staff but continue to train their existing staff. Small organisations are more likely to cut training and retain staff. Commitment to training varies by sector.

The long-term shift towards funded, accredited programmes has been shaken by the recession as employers turn to more cost-effective means of training staff and employees push for qualifications that recognise their existing skills. There is an increased demand for 'bite-sized' training courses as businesses re-skill staff to meet the changing demands of their organisations in recession.

Businesses are becoming more selective in choosing which members of staff receive training. Those most likely to benefit are trainees (including apprentices), senior staff and those working in business support roles. Employers are seeking more creative ways to train staff in-house, through internal workshops, buddying, mentoring and internal coaching.

7.2.1 How have organisations traditionally acquired the skills they need?

Larger employers are more likely to meet skills needs by using external training provision to develop staff; smaller employers are more likely to recruit staff who already possess skills needed

On the whole, stakeholders felt that larger organisations have traditionally preferred to 'grow their own' skills by participating in schemes such as apprenticeships and Train to Gain, and through developing their own non-accredited programmes that are delivered in-house or through local training providers. Larger organisations are also more likely to use accredited qualifications, possibly because these map onto more clearly defined career paths and qualifications provide evidence that criteria for promotion are being met.

Conversely, smaller businesses have historically been more likely to recruit skilled staff because they lack both the purchasing power to design and commission bespoke courses through training providers, and the resources to offer extensive training in-house. This is exacerbated by an enduring perception amongst smaller employers that trainees may be ‘poached’ before the business has been able to recoup its investment. However, smaller organisations do train their staff and stakeholders recognised that much ‘hidden’ training takes place at SMEs, whereby individuals progress upwards – or laterally – within the organisation through learning on the job, although this is not structured or even billed as ‘training’.

Both large and small employers choose training providers based on word of mouth recommendation, convenience of location and expertise

Large and small employers choose training providers based on word of mouth recommendations, convenience in terms of proximity to the organisation’s location or specialist expertise. While organisations were seeking to deliver training in-house where possible, if external provision was required, cost was a less important factor, with fitness for purpose of the training provision regarded as paramount. This included capacity to customise it to the employer’s specific needs.

Employers seek staff with traits that cannot be learned and will train recruits in technical skills

However, this picture is affected by a number of factors including the legacy and current experience of the sector, and the type of skills required by different job roles. Stakeholders reported that organisations in sectors undergoing a period of rapid growth are more likely to buy in ready skilled staff who can make an immediate contribution to the business. On the other hand, employers in sectors with skills shortages, such as IT and certain areas of manufacturing, reported a preference for junior staff with a positive attitude and potential to learn, who could be trained in the technical skills required. As an employer in the IT sector commented *‘IT people tend to be quite geeky and it’s rare to find people who also have those customer-facing skills… We prefer to get someone with those soft skills, then teach them the technical stuff from scratch’.*

Employers in sectors without a history of requiring qualifications may not demand them

Much may also depend on the tradition of the sector. For instance, stakeholders reported a continuing perception amongst employers that apprenticeships are more suitable for traditional manufacturing occupations and that occupations in retail and hospitality sectors do not require qualifications. Some expressed concern that such deep-rooted views would make it difficult to persuade employers to offer apprenticeship training or qualifications in sectors without a history of demand for certified skills.

Employers prefer non-accredited customised training for soft skills

Finally, the type of role or skill may also affect the type of training provided. For soft skills such as sales and customer service, learning providers reported that employers tend to prefer short, non-accredited programmes which can be tailored to their requirements, while for higher-level technical skills, they may prefer a qualification. Employers themselves commented that this pattern reflects employees' demands for qualifications in technical competencies, rather than their own preferences, which are determined by quality rather than accreditation.

7.2.2 How has the recession affected employer training practices?

Small organisations are reported to be more likely to reduce training investment than large firms and commitment to training varies by sector

Stakeholders and learning providers reported that most employers have reduced their training budgets. However, surveys undertaken by membership organisations such as the Federation of Small Businesses and Chambers of Commerce show that a large majority still recognise the value of training during a recession and that, rather than abandoning their training plans completely, they are seeking more cost-effective and creative methods of developing the same skills. This is also confirmed by data from the CIPD[1] which showed a mixed picture of employer behaviour with regard to investment in training.

Stakeholders suggested that those most likely to reduce training significantly were small organisations that had been hit hard by the recession and were responding by adopting a 'fire-fighting' mentality in order to keep the business afloat and avoid laying off staff. Interestingly, other stakeholders suggested that it was the same kinds of organisations that were most likely to *increase* their spend on training; for instance, by boosting their employees' sales and marketing skills in order to increase productivity. One LSC representative felt that this contradiction could be explained by the different corporate cultures of businesses. He commented that employers who believe strongly in the potential of human capital as a means of increasing productivity are likely to take advantage of economic downturn in order to set themselves apart from the competition, while those who perceive training as an *'indulgence'* are more likely to cut back. There was some evidence that employers who hold Investors in People accreditation were more likely to express commitment to continued investment in training as a key part of their business plan during recession.

Large businesses were less likely to cut back on training, even where they had downsized. Some of the explanations advanced for this are that bigger organisations typically offer on-the-job training that requires little time away from the workplace, have a structured training plan that often forms part of individuals' contracts, and an HR or learning department that will shield the training budget from cuts. Evidence from the interviews with employers confirmed this.

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1 CIPD (2009), *War on Talent Survey*, (CIPD, Wimbledon).

For instance, a large manufacturer reported commitment to continue training throughout the organisation, including apprenticeships, even though hundreds of staff had been laid off.

Employer commitment to investment in training varies by sector and occupation

Training patterns also have a sectoral and occupational dimension. For instance, stakeholders felt that businesses in sectors suffering from a shortage of specific technical skills pre-recession, such as engineering, were more likely to continue investing in training in order to maintain and build on these skills for the upturn. Similarly, in sectors that rely heavily on changing technology, such as IT, continued training is necessary to enable the business to remain competitive.

Conversely, businesses operating in sectors that have been badly hit by the recession, such as construction, are more likely to decrease their investment in trainees because of the increasing pool of skilled, work-ready labour available (this is discussed further in Section 7.2.3).

7.2.3 Are businesses changing the way they train?

Stakeholders reported several changes in the way employers undertake training, both in terms of the amount of training provided and the way it is carried out. Again, there is some variation according to the impact of the recession on the business or sector, the size of the organisation and the job role.

There has been a shift towards using accredited, funded programmes but uncertainty about whether this will continue

Many stakeholders believed this was a long-term trend driven by legislation, the increased availability of government funding through Train to Gain in the past several years and employee demands for qualifications that recognise their skills. They believed that this strategy was coming under pressure as employers turn to more cost-effective means of training staff while employees, perhaps fearing redundancy, bargain harder for qualifications that recognise their existing skills.

For some sectors, this has been positive; for instance, one estate agent claimed that a funded NVQ had enabled staff to continue building their skills after the company’s own non-accredited training programme was discontinued due to funding cuts.

However, some stakeholders have expressed concern that such a shift will cause sectoral skills shortages in the long-term, since specific industry-relevant training is being sacrificed for more generic funded qualifications. This is supported by training providers who claim that those courses most likely to be cut are the bespoke training programmes tailored to businesses’ needs. Employers reported an increasing reliance on government-funded qualifications, despite recognising that they may add little value to their business. A handful claimed that the qualifications serve to boost staff morale and increase motivation, and are therefore *'better than nothing'*. Many, however, called for flexibility on government funding, allowing employers to opt for more relevant training.

There is an increased demand for 'short and sharp' courses

In contrast, some stakeholders felt that organisations are now more likely to engage in shorter, non-accredited programmes that directly target their needs. Learning providers support this view, reporting a rise in demand for 'bite-sized' courses. This is because organisations are reducing numbers of staff and cutting their training budgets, and are therefore no longer in a position to pay for or release staff for training that is not directly relevant to their short-term business needs. In particular, organisations with smaller workforces need to provide quick, targeted training for staff taking on the roles of redundant colleagues. Learning providers also noted that with a reduced workforce, employers find it very difficult to release staff to train.

A further explanation is that businesses are *'attacking the recession'* by diversifying or increasing their competitive edge, and have identified specific skills needs that will help them meet these changing demands. For instance, one employer in the retail industry reported that his business was diversifying in order to minimise the impact of falling sales figures on the company's bottom line. Staff therefore needed training to enable them to carry out new tasks as quickly as possible. Similarly, a business in the IT sector was hoping to increase its competitiveness by enrolling staff on short courses to improve their sales and marketing skills.

Training opportunities are being targeted at senior staff and trainees

There is evidence that some organisations are prioritising staff for training, rather than reducing training activities across the board. While there are variations by size and sector, stakeholders report that, on the whole, organisations are most likely to invest in two groups of staff: senior managers and apprentices and trainees.

Employers and stakeholders gave a number of reasons why senior staff may be more likely to receive training opportunities, based on a combination of demand and supply side pressures. On the demand side are changing business needs and costs considerations. People in charge of managing organisational change or diversification tend to be employed at senior levels, and may need training to enable them to do this. In addition, senior staff with advanced technical skills are often needed to train apprentices, for which they may require training. Organisations may also be reluctant to make senior staff redundant, either for cost reasons or because they are keen to retain those skills in preparation for the upturn and may therefore use quieter periods to invest in developing their skills. On the supply side, the recent introduction of government funding for leadership and management courses is making such courses more attractive to businesses.

Continued investment in developing apprentices and trainees is regarded as necessary because they carry out the bulk of the operational work and their skills will be needed to support the business after the recession. This pattern is most apparent in sectors where skills shortages persist in spite of the recession. Three employers in the engineering and manufacturing industries respectively, claimed to have increased their investment in young trainees – in spite of falling profits – because they were concerned that the skills would otherwise be lost. As one commented:

> *'If you let go of [apprentices] now, you mortgage what you do in four years time. You don't want an organisation that has restricted its investment in people to such an extent that it can't move quickly after the recession.'*

Some training is being offered to staff in business support roles

Stakeholders and employers reported that individuals in support roles such as finance, administration and HR were more likely to receive training. In some cases this is to cope with the demands that recession is placing on handling regulatory issues, eg in finance, and redundancies. In smaller organisations much of the additional training provided involves cross-skilling, enabling them to take on work that was previously contracted out, such as training.

Some employers are seeking more creative ways to train staff in-house

Learning providers reported a reduction in the amount of bespoke training carried out by employers and observed that much of this training is being replaced with funded courses. However, a small number of employers who reported that they were ineligible for funded training, or that it did not suit their needs, were therefore seeking alternative, cost-effective ways to train staff in-house.

One employer, who claimed his sales had fallen by 50 per cent, set up a series of internal workshops in order to develop employees' skills, while another commented that his organisation was relying more on 'shadowing' rather than sending staff on external training courses as they had done previously. Other stakeholders noted an increase in informal mentoring, whereby senior staff could train junior staff as and when skills were required. A number of organisations reported plans to develop internal coaching programmes.

Some stakeholders representing employers reported that employer concerns about training 'costs' may take a variety of forms and constitute a coded reference to a mismatch between training sought and training available. This can render the training actually on offer less attractive and therefore less worthy of expenditure than 'ideal' training. Factors affecting perceptions of cost include convenience of timing, location, impact on work patterns, paperwork and lack of technical understanding on the part of the training provider which can lead to inappropriate provision. This can also lead to employers seeking alternative strategies to train staff beyond conventional sourcing of external courses.

7.3 Are recent skills shortages changing and are employers' recruitment practices affected by recession?

Summary

Sectors which were suffering from skills shortages before the recession continue to do so (with some notable exceptions, eg construction). The recent exodus of migrant workers has created local pockets of demand for low skilled workers, particularly in warehouses and the hospitality industry. A bigger labour pool in industries suffering large scale redundancy has made it easier for employers to recruit skilled staff, resulting in reduced training opportunities for trainees and apprentices. Employers are placing more emphasis on qualifications to discriminate between candidates for vacancies as they are inundated with job applications.

7.3.1 Continuing skills shortages and skills surplus

Almost all stakeholders could identify areas of their sector or region that were suffering from skills shortages prior to the recession, and on the whole these shortages persist. The majority of those mentioned were specific engineering skills, high level IT skills, and skills in some areas of manufacturing, while specific occupations in demand included town planners, social workers, teachers, and head chefs.

Some stakeholders pointed to skills shortages that they felt had been created or exacerbated by the recession. For instance, vacancies in employment law, accountancy and business planning are increasingly in demand as employers adapt their businesses to the changing economic conditions. Many stakeholders have noted an increasing appetite for generic skills such as sales and customer service, one commenting that: *'[These] skills have always been important but when the economy is buoyant, they are overlooked… it's more problematic now as good customer service is what sets businesses apart from their competitors'.*

While most of the shortages identified related to skilled jobs, some stakeholders observed that the recession had created shortages of unskilled or semi-skilled workers in pockets of the South East, particularly warehouse staff and unskilled jobs in hospitality. This was attributed primarily to the fact that many migrant workers, who had held a large proportion of these posts, have returned home.

However, there is some evidence that skills shortages have reduced due to the recession, particularly in sectors that have experienced a dramatic decline in activity, such as construction and some subsectors of manufacturing and engineering.

7.3.2 How is recession affecting employers' recruitment patterns and practices?

Recruitment patterns are uneven, with evidence that employers are benefiting from a slacker labour market

Some employers, especially those with long-term, often public sector, contracts are still recruiting and finding it easier to obtain skilled staff due to large-scale redundancies in particular sectors, most notably construction and manufacturing. In Kent, one stakeholder observed that managers of a large construction project, which is going ahead in spite of the recession, had filled thousands of vacancies with relative ease. Similarly, an employer in the manufacturing industry commented that his organisation had recruited a number of skilled individuals into senior posts after they had been made redundant from other firms. This increased labour pool in some sectors may explain why employer appetite to hire apprentices and, on occasions, graduates, is diminishing.

A diminishing migrant labour pool, and mismatches between vacancies and available labour, is resulting in some skills shortages

Some stakeholders and employers report that it has been more difficult to recruit to certain roles. One reason for this is a reported reduction in the numbers of migrant workers creating vacancies in elementary occupations. This effect is extremely localised: one stakeholder in East Sussex claimed that a large supermarket was struggling to fill warehouse vacancies, while an employer in Hampshire had received more than 100 applications for a similar role.

In some local areas, there is a mismatch between vacancies and available labour. One stakeholder commented that in Milton Keynes the vast majority of current vacancies are for skilled, technical or professional occupations, while many people looking for work have been made redundant from elementary occupations requiring low or no qualifications/skills.

Employers have not changed their recruitment methods, but few in the sample used the public employment service to fill vacancies

Most employers reported that the recession had not affected their methods of advertising for new recruits. Most advertised vacancies on their website and in the local press, relied on staff referrals and word of mouth, and attended jobs fairs at schools and universities. Few employers placed positions with JobCentre Plus[1] and a small number of employers who had used these services in the past commented that they had ceased to do so because the quality of applicants was poor. A number of employers commented that they were realising the benefit of *'making rather than buying'* skills and were starting to increase their focus on school leavers rather than graduates. However, this is a long-term trend which

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1 This is consistent with data from the British Chambers of Commerce Workforce Survey (April 2009) which showed that only 28 per cent of employers use JobCentre Plus.

predates the recession and employers claim it results from a shortage of work-ready, appropriately skilled graduates.

Employers are receiving high numbers of applications and using tighter screening criteria

The rise in unemployment has led to employers receiving a high volume of applications, the majority of which they claim are unsuitable. One public sector employer claimed to have received 300 applications for a junior administrative role which had attracted just 20 when it was last advertised a year ago, while a hotel manager who advertised for a head chef received an unprecedented number of applications, none of which was appropriate. Employers report that this has placed a further administrative burden on businesses, resulting in an increasing reliance on qualifications when shortlisting candidates. This is in spite of employers' unanimous claims that qualifications are of secondary importance to relevant experience, ability to do the job and interpersonal/soft skills.

7.4 Skills in demand in the context of the recession

Summary

Skills needs identified by employers and stakeholders were extremely diverse and reflected in many cases, sectoral, occupational and firm-specific preferences.

Some organisations were experiencing 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 were experiencing shifts in skills needs, recession is heightening and creating demands for management skills. Additionally, employers sought better marketing and sales skills from staff as markets became more competitive and multi-skilling needs were developing as a result of expansion or contraction of business. For individuals, employability skills were increasingly important to secure work and retain jobs.

Some organisations are experiencing no change in skills needs due to insulation from the effects of recession or adoption of long-term strategies for skills development

Many interviewees reported that employers' skills needs were substantially unchanged despite the economic downturn. Around half the employers who were interviewed believed that recession was having no effect on the skills required in their organisation. Several reasons accounted for this. First, some businesses were not susceptible to the effects of the economic cycle, such as those providing residential care for the elderly. These businesses experience a continued demand unconnected with consumer or business spending. Second, a number of other employers reported confidence in being able to survive recession and stressed the need to pursue existing plans for a long-term strategy on skills development for their staff as a key part of their approach to survival. Employers taking this standpoint were primarily from sectors providing higher value-added and specialised manufacturing and services, where skill levels required are higher and training periods are consequently longer. This makes strategies of turning labour supply on and off like a tap unfeasible. Third, stakeholders in several parts of the South East confirmed that, at least anecdotally, skills shortages were of declining concern in the slackening labour market. Most recruitment exercises, they heard, were attracting pools of very high quality candidates. Fourth, some organisations experienced other influences which were having a much more significant impact on business performance than recession itself; for example, several businesses pointed out that the poor summer of 2008 had a negative impact on consumer spending in their sectors.

Some survey evidence supported the view that there was no widespread and uniform change in skills needs early in the downturn. The Federation of Small Businesses investigated barriers to business growth in November 2008. It found that the skills needs identified by businesses were the perennial concerns of recent years (literacy and numeracy for the under 25s, and management and higher level IT skills for the over 25s) rather than any new skills shortages arising from the downturn.

Recession is heightening and creating demands for management skills

Both stakeholders and providers frequently stressed the management challenges inherent in weathering the recession and believed that a number of skills needs were unmet. They pointed to a need to raise general management skills, across the SME sector in particular. Given that (with one exception) no employers reported any of these skills needs, this suggests that any deficiencies in management skills are *unrecognised* by employers. Some stakeholders stressed that management and leadership training needed to be delivered by individuals with specific sectoral knowledge to gain credibility. They suggested that targeted retraining of experienced staff as management and leadership trainers might be helpful to enable them to deliver training on both management and innovations in new sector specific product/process or service techniques.

There are two points which must be taken into consideration in assessing these claims. First, management capability is a long-established concern evident in international comparative analyses of levels of qualifications held by UK managers relative to other countries, so it is possible that these skills shortages are simply continuations of ones which pre-date recession. Secondly, the availability of public subsidy for management and leadership development training may perpetuate a belief in skills shortages in these areas by virtue of the fact that they have been deemed worthy of public investment. Regardless of these factors however, the specificity of the examples that interviewees were able to provide of management skills shortages suggest that, if nothing else, recession has heightened these needs.

Examples of the kinds of management skills that stakeholders identified as needed included the following:

- The need for financial management skills, including cash-flow forecasting, so that small business managers could better negotiate their way through barriers to finance (based on feedback stakeholders had received from banks).

- The need for business planning skills, especially where organisations were needing to adapt or diversify their products and services to survive (see also discussion of multi-skilling).
- Procurement and contract renegotiation skills in sectors with chains of contractors where established arrangements are in flux because of consolidation or businesses bringing activities in-house (including cleaning[1] and construction).
- Business Improvement Techniques (BIT) and entrepreneurial skills (the benefits of which needed to be communicated to employers).
- Ability among older workers to transfer management expertise from older to younger staff in mature manufacturing industries as a result of ageing workforces. This was recognised by one employer as a skills need.

Better marketing and sales skills are required in more competitive markets

The increased importance of sales capability (and marketing) emerged across interviews with employers, providers and stakeholders. Broadly, they believed that the downturn caused a more competitive business environment in which the ability to maintain sales volumes or, alternatively, the ability to achieve higher value sales despite declining volumes became a critical success factor. A range of examples emerged. In insurance, skills for selling policies and ‘closing’ deals were said to be important. In some customer facing services, such as in catering, restaurant or café environments, strategies to move into more upmarket product ranges, might require short courses for staff in wine or barista skills in the use of professional coffee making equipment. The motivation behind these strategies was to give the consumer a better quality or better experience to build sales volumes in terms of market penetration, repeat or higher value added business.

Multi-skilling needs are developing as a result of expansion or contraction of business

Stakeholders and two employers identified a variety of changes to organisational structures or strategies which could lead to demands for some form of multi-skilling in staff. The need for staff to acquire additional sets of skills could arise from the following circumstances:

- Diversification into different areas of business in order to sustain the business, eg estate agents offering lettings.[2]

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1 This is consistent with the UK wide Asset Skills Employer Barometer (undertaken between July and September 2008) which reported that contract relationship skills and contract and procurement skills were becoming increasingly important.

2 This is consistent with the UK wide Asset Skills Employer Barometer (undertaken between July and September 2008) which reported lettings skills are in demand, especially amongst estate agents who are new to the lettings sector.

- Diversifying into new areas of the same business by reintegrating parts of the production chain that were previously sub-contracted, eg in construction.
- Incorporating various functions that were previously outsourced to make use of capacity arising from reduced turnover (such as administrative support).
- Requiring remaining staff to take on new responsibilities in the aftermath of job cuts.
- Requiring staff to take on a wider range of responsibilities where recruitment has been frozen or where short time working leads to shift disruption.

Skills required were usually specific to the nature of work and often firm-specific, which makes it difficult to identify common trends. However, the kinds of circumstances identified usually focussed on skilled or semi-skilled employees who required additional skills in areas such as quality control, customer service, IT and junior managerial and supervisory duties.

Technical skills

A variety of technical skills were identified as in short supply by employers, providers and stakeholders. Again, some of these predate the recession and some were stimulated by it.

General engineering and IT skills, especially at a high level, were cited by several interviewees, though it was often not clear whether the downturn was the cause of these shortages. This illustrates a requirement for *up-skilling*, as well as *re-skilling* workers in certain parts of the economy.

Similarly, skill shortages identified for care work and hospitality settings (eg chefs) predate the recession and are often attributable to unattractive pay, working time/conditions and the nature of the work itself.

Stakeholders and providers cited numerous specific skills needs which were caused by the downturn. These included the following needs:

- To replace certain low-level skills given the (surmised) departure of Eastern Europeans – this could include skills in kitchens, warehousing and at the supermarket checkout.
- For skills in services that deal with the consequences of the recession, eg providing benefits advice, administering welfare to work programmes or combating anticipated rises in community and family breakdown.
- For transferable skills in industries that are in decline or employers whose current products/services are performing poorly.
- For skills appropriate to conducting the R&D necessary in businesses diversifying into new markets or bringing new products to market.
- To mitigate the risks of highly skilled overseas workers leaving the UK or being unable to enter the country to work (eg in civil engineering).

- For high level science and IT skills, often specific to particular locations such as Oxford[1] and the Thames Valley for IT or the location of a major employer of research scientists (eg metallurgy, medical and pharmaceutical related work).

Employability skills are increasingly important to secure and maintain employment

Lastly, a number of stakeholders observed heightened demand for employability skills. This was particularly marked among interviewees from JobCentre Plus, who perhaps dealt with individuals least likely to hold these skills. Other organisations representing businesses stressed the importance of soft communication skills and a job-ready attitude. One employer reported that resilience and the ability to maintain one's own and others' morale were more important than any new skills needs. This links to the management skills needs reported earlier.

7.5 What kinds of skills will be needed for the upturn?

Summary

Some organisations have not yet begun to plan for the upturn and some are sceptical about the feasibility of forecasting. Rebuilding organisations after recession will require management skills in developing new business and handling expansion. Employability skills and skills in manufacturing occupations will be needed as a result of labour market change. Demands for multi-skilled roles are likely to persist and new skills may be needed for new 'green' jobs.

Some organisations have not yet begun to plan for the upturn and some are sceptical about the feasibility of forecasting

A sizeable minority of employers, providers and stakeholders was adamant that most employers, especially SMEs, were not yet planning for the upturn, whether in relation to skills or indeed to any element of management. This assessment came from a sufficient range of interviewees, including some Chambers of Commerce and Federation of Small Businesses representatives, for it to carry credibility.
A number of stakeholders also maintained it was too early to predict what skills would be required or that these would be in such niche areas as to be impossible to forecast. Where interviewees did forecast future changes in skills (which may or may not have been identified by employers), these were difficult to generalise.

Rebuilding organisations after recession will require management skills in developing new business and handling expansion

Some skills identified as important in rebuilding organisations in the upturn were similar to those required for the downturn, including sales, soft skills, and

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[1] This is consistent with the results of a recent survey of over 1,200 employers in Oxfordshire (Step Ahead Research on behalf of Oxfordshire Economic Partnership (2008), Oxfordshire Employer Skills Research).

managerial skills. These were justified on the grounds that organisations would need to develop capacity to expand activity after a previous period of contraction. This would require managers to plan and manage resources and to recruit, lead, motivate and harness the ideas of junior staff. Stakeholders believed that whole workforces would need to improve the efficiency of expanded production processes to generate economies of scale, to innovate and to develop new products.

Employability skills and skills in manufacturing occupations will be needed as a result of labour market change

Stakeholders and employers reported that some future skills needs will arise from the changes to the employer's workforce or from the wider labour market. Thus, restoring growth in highly cyclical manufacturing businesses with an ageing workforce will require significant initial training in high level skills among junior staff to fill gaps left by senior staff on retirement.

More widely, if one or more cohorts of young people have delayed their entry into the world of work as a result of their poor labour market prospects during the recession and an increased age for mandatory participation in education, there will be a higher demand for employability skills, referring to teamwork, communication, self-motivation, personal organisation and time management. This may apply even to those who spent time before employment in enforced, full-time, classroom-based education rather than in unemployment or inactivity. Similarly, there will be more adults who have had long spells out of work with consequent employability skills and possibly skills for life needs.

Demands for multi-skilled roles are likely to persist

A number of stakeholders predicted that, having tried multi-skilling in the downturn, many employers would be keen to continue with this model in the upturn, leading to a requirement for hybrid qualifications, such as in cleaning and maintenance.

New skills may be needed for new 'green' jobs

Interviewees mentioned 'green skills' most frequently out of all new skills identified. This is a very difficult area of demand to predict as it is often not clear whether the likely demand relates to whole jobs or parts of jobs and whether the skills themselves are entirely new or simply use existing skills applied to 'green' technologies. While stakeholders recognised the demand for skills in these areas, some warned of risks of over-supply and the need to pay careful attention to the skills levels required. Very specific skills might be required in particular geographical locations, such as in developing and producing marine composites and aluminium on the Isle of Wight, or skills related to wind-turbine management and maintenance if the Hastings Bank wind turbine centre becomes operational. The need for some smaller sets of skills appear to be both more generalised and more geographically dispersed and may arise in the form of additional modules on qualifications in the building trades to incorporate higher environmental standards etc.

7.6 What are the implications of changes in skills need for training provision?

Summary

Trends in training provision concerning flexibility of timing and delivery and content which predate the recession will continue including employer demand for short courses delivered at a range of convenient times and locations. Employers may need help in diagnosing future skills requirements and training content sought is likely to be hybrid and modular in design. Providers will need to be confident that investment in new courses will pay off.

Providers will need to be confident of the security of funding if they pro-actively invest in developing new courses and types of provision and training provider capacity will need to be maintained especially in sectors which are worst affected by recession, such as construction.

Trends in training provision concerning flexibility of timing and delivery and content which predate the recession will continue

Most of the insights on possible future adaptation required to training provision came from the stakeholder interviews and were very varied. Many stakeholders voiced perennial concerns about the responsiveness of training provision to market demand from employers, and it was not clear that these were directly related to skills needs in the upturn. Thus, a range of stakeholders emphasised that employers would need bite-sized courses, delivered in a convenient location, including online and distance-learning methods, and at suitable times to accommodate both full-time standard working hours and shift work. There was an emphasis on the need for courses, even in generic skills such as marketing, to be tailored to individual business circumstances, and stakeholders emphasised the need for better market intelligence through discussion with employers to ensure individual firm requirements are satisfied. Employer perceptions of training ‘cost’ may actually reflect perceptions of ‘value for money’, so addressing concerns about tailoring provision to meet employer needs may be important.

Employers may need help in diagnosing future skills requirements

Stakeholders also noted that businesses which are seeking to grow may need help in diagnosing their skills requirements. This may be especially important for any new micro-businesses set up by people made redundant as a result of recession.

Training content sought is likely to be hybrid and modular in design

In addition to the specific skills needs predicted for the upturn, a number of implications for training provision can be inferred connected to a range of skills needs and speed of delivery. If demand for multi-skilled employees increases and is sustained, then training provision may need to adapt. Some employers may require initial training that covers several skills at once and also hybrid qualifications made up of elements of existing qualifications. This approach is likely to be supported by the ongoing Vocational Qualifications Reform Programme, which is seeking to break down qualifications into modular components which can be packaged into different configurations to meet employer needs. If skills needs evolve quickly during economic recovery, then providers will need to be able to develop and schedule courses quickly to meet demand.

Providers need to be confident that investment in new courses will pay off

Providers will need to be confident of the security of funding if they pro-actively invest in developing new courses and types of provision.

Maintaining training provision for the future

One specific scenario was suggested in relation to provision capacity in construction which may apply more broadly. Based on current job prospects and learner numbers, there might be an assessment that there is excess capacity in provision for certain construction trades. But a long-term view may be required. If provision is cut back in such a way that capacity is lost, scaling up again will be problematic in the upturn, especially given the long lags involved.

7.7 What actions can be taken to maintain and rebuild the skills base?

Interviews with employers, providers and stakeholders identified a range of future actions that the various parties might take in order to maintain or rebuild skills in the South East. Actions proposed were often targeted at solving various longstanding issues in the education and training system and were therefore not always directly related to the recession and its aftermath. Most proposed actions were supported by a rationale, but no interviewees supplied any evidence that such approaches would work. The conclusions and recommendations to this report draw on insights and knowledge from the wider body of research into labour market policies in an effort to identify policies which are most likely to be successful in this respect.

7.7.1 What should employers do to maintain and rebuild the skills base?

Employers' incentives to maintain and renew skills may decline during the downturn and in the slack labour market conditions that are likely to follow it. Skilled staff are hard to retain when job options are plentiful, but in current conditions they have fewer choices and less chance of finding alternative work. Consequently, stakeholders believed that employers were currently able to access a strong applicant pool when recruiting, which could provide a cheaper alternative to training existing staff. Some noted that although employers have an incentive to maintain skills in their workforce, they may not regard contributing to a regional skills base as their responsibility.

Employers should continue to train staff

Stakeholders emphasised that employers should be encouraged to use staff development as a strategy to sustain performance and help them survive recession. This included advice to businesses to maintain their focus on success factors, including training, and include them in business planning processes. In particular, stakeholders believed that employers should continue to recruit new apprentices, even if some employers had reservations about spending money on training while some staff were being made redundant.

Employers should make use of existing support for training and business financing

Stakeholders were keen to encourage employers to maintain contact with the local support services, to work with SSCs to develop relevant qualifications, and to communicate with providers to develop training provision which would meet their needs. They believed that employers should look for training opportunities, make appropriate use of Business Link and brokerage services and to take up the public subsidies offered to them. Although it may seem counter-intuitive, when there is a shortage of business and staff have more time available, this could be devoted to training. Stakeholders also observed that during periods of recession, SMEs in particular risked becoming isolated from business trends and innovations due to a need to focus on keeping their businesses going and should maintain networking efforts to develop collective solutions to shared problems. This might include sharing training provision and using common facilities, eg premises made available by local authorities. They also urged employers who might encounter financial difficulties to seek business support and financial advice as early as possible. A number of stakeholders reported examples of businesses failing because managers were recognising financial problems when it was too late to prevent business closure.

Employers should voice their needs to influence skills and employment policy development

Recession is leading to policy interventions at national and regional levels, but one stakeholder pointed out that to make these effective, employer views should shape policy formation and skills issues must be considered fully. One interviewee also pointed out that recession could provide the opportunity for employers to enrich or enlarge traditionally low-skilled and narrowly defined jobs. This could occur in a number of ways, including multi-skilling strategies described earlier or as a result of changes in organisational strategies to offer higher value-added goods and services, where these demand higher level skills.

7.7.2 What are regional stakeholders and training providers doing and what should they do?

Most of the actions recommended for training providers have been identified in relation to skills needs discussed in Section 2.3. Only two recommendations were made for actions that should be taken by training providers, in addition to the implications identified earlier of responding to changes in employers' skills needs. However, some collaborative activities to tackle the consequences of recession for the skills base were also already taking place and involved training providers.

Some stakeholders, particularly those with responsibilities relating to the construction industry, were anxious to avoid loss of capacity due to providers ceasing trading in a period of low demand, only to find insufficient provision when demand for training resumes in the upturn. This has policy implications for allocation and prioritising of funding from the LSC and other major funding bodies, which are discussed in the conclusions.

There was also an example of an employer calling for an improvement in the quality of NVQ assessors but it was not clear why this need was driven by the recession. Most providers did not, as yet, report planning specific changes in provision. One was considering running courses in more intermediate and higher level skills, including the setting up of an 'e-platform' for supervisors and managers.

Some stakeholders are collaborating on schemes to tackle the employment consequences of recession and position local economies for the upturn

In Brighton & Hove, two skills programmes were in place, one in construction and the other in tourism. These seek to bring provision to groups of employers. In the case of tourism, the aim is to achieve cultural change in what has traditionally been a low skilled sector. The Federation of Small Businesses was planning to make its own contribution through promoting the Skills Pledge.

A range of stakeholders were still in the process of identifying future actions and developing action plans. In Milton Keynes, a jobs club initiative was being implemented (rebranded as 'New Opportunities'). Additionally, research was taking place to predict future economic developments in order to position Milton Keynes at the forefront of the upturn. The purpose of this was to develop a package of measures to give businesses confidence to invest in the knowledge that public support would prevent the local economy from declining.

Connexions is planning to identify geographical areas with employment growth potential as possible hosts for apprentices and will be re-evaluating their plans to see whether providers are equipped to deliver those skill sets which will be in demand. The service wishes to develop a much better understanding of the labour market and believes there is potential to grow the number of apprenticeship places in some sectors and occupations which have historically taken on few apprentices.

7.7.3 What should government do to help maintain and rebuild the skills base in the South East?

Most interviewees had a number of recommendations they wished to make for government action. Many stakeholders praised initiatives that were already in place, such as the JCP Local Employer Partnerships, the JCP Rapid Response Service for large numbers of redundancies, and the flexibilities in Train to Gain. Some policies outside the skills area, such as the emerging activist industrial policy[1], were felt to provide opportunities for the promotion of skills priorities that should not be missed.

The dominant issue that many stakeholders reported as being most significant for businesses was to restore normal lending conditions and boost the economy. Ultimately, without these conditions being fulfilled, employer training spend would inevitably reduce, however good the training provision available.

Employers proposed a number of specific improvements in policy, particularly relating to funding of training. These included introducing (even) more flexibility into Train to Gain through allowing funding to be used to support pursuit of quality standards such as ISO9001, grants for small traders and increased funding for apprenticeships, particularly among employers who wanted adult apprentices. (It should be noted that the government, through the LSC, has provided recent additional funding for apprenticeships taken by those aged 19+.) A number of stakeholders expected that employers, especially SMEs, would seek wage subsidies for training extending beyond apprenticeships.

There were widespread calls from employers for simplification of paperwork and processes required to participate in government-supported training and many stakeholders stressed the importance of 'hiding the wiring'. When employers are under additional pressures to keep businesses afloat, they have even less time than usual to navigate the maze of courses, qualifications and funding options. Stakeholders noted that this demanded more active promotion of available support in as simple a way as possible for employers. These actions could contribute to supporting the critical message to employers about the importance and benefits of training in a tough economic climate.

Further notable suggestions for government action included:

- To provide services quicker and in a more joined-up fashion when firms are moving towards redundancies. This would ensure that employees' transferable skills are identified before they are out of work and potentially allow them to undertake training required to help them to move into other sectors.
- To provide funding for cheaper, shorter, bite-sized training courses. Many stakeholders felt this was essential to engaging SMEs.
- Developing area or sector-based schemes to build up skills and promote and support clusters of high performing businesses. Some stakeholders felt this would be a good approach to help foster business growth in the upturn.
- To make maximum effort to retain apprentices and to find them alternative activities when they are made redundant. A wide range of stakeholders regarded this as an extremely important priority.
- To maintain and strengthen local control and commissioning of training provision. Several providers and stakeholders reported this as important and also proposed delaying the restructuring of the LSC until there are signs of

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1 The new activist industrial policy is set out in the recent publication DBIS (2009), *Building Britain's Future: New Industry, New Jobs*, (TSO, London).

economic recovery. One provider believed that the competitive tendering process required to secure contracts inhibited development of trust among providers and between providers and commissioners.

- To consolidate and concentrate the contracting of training provision. One provider believed that the sector was more responsive to employer needs when provider organisations held multiple contract lines encompassing a range of qualifications and funding streams. This led to a virtuous circle of closer engagement with employers, better customised training and a perception of greater economies of scale when investing time in tailoring course provision. This could then result in increased business from employers. Otherwise, providers felt there was a danger of certain training options being promoted heavily simply because they are available.
- To promote sharing of expertise between businesses through ‘skills exchange’ schemes. This would involve suitable stakeholders facilitating specific skills development workshops with input from managers to share their skills between each other. These schemes might be helpful for employers in geographical areas where travel to training providers is more difficult.
- More generally, one provider felt it was important to avoid duplication between existing partners such as colleges, private providers, local authorities, brokerage services attempting to support employers, as this was not cost-effective and exacerbated employer confusion about the function of different support services.
- One stakeholder recommended providing start-up grants for entrepreneurs.
- To improve the training and employment options for those out of work through back to-work, pre-employment training, a temporary relaxation of benefits rules limiting training to 16 hours per week and financial incentives for hiring in smaller businesses.
- To maintain skills among redundant workers through volunteering, for instance in social enterprise. This would require a small amount of administrative support and brokerage-style support and would need to be compliant with benefits rules.
- Opportunities for redundant workers whose skills will be required by future generations to train trainers and assessors who will be required for the upturn.

8 What is the Emerging Impact of Recession on LSC Programmes and Priority Groups?

8.1 What is the impact of recession on employer and individual participation in LSC Programmes?

8.1.1 Employer willingness to participate in Train to Gain

Many stakeholders and providers reported that they were finding that employers are showing more interest in Train to Gain since January 2009, but the major factor driving this change in attitudes does not appear to be recession. Instead, relaxation in eligibility criteria for Train to Gain funding is responsible. Train to Gain funding can now be used for a person's second Level 2 qualification and for some Level 3 qualifications.

Stakeholders with direct contact with employers reported that employers have enthusiastically welcomed and used the new Train to Gain flexibilities in offering training available under this scheme to employees. They also anticipated that initiatives such as Sector Compacts and the Joint Investment Fund in the Health Service would make a major difference to uptake of Train to Gain training. The Sector Compact will enable learners to undertake a second Level 2 or 3 qualification under Train to Gain and the Joint Investment Fund will support training in specific skills areas identified as shortages in the NHS. Both of these schemes will mean that more people can use Train to Gain funding to access training in the right skills areas needed by organisations and at the right level. Stakeholders felt that the availability of Train to Gain was helpful in persuading employers to recruit people who did not match personnel specifications exactly because they can use Train to Gain to upskill new staff. Most employers interviewed were aware of Train to Gain, approximately one-third had accessed training through the scheme, all of whom were positive about the process.

However, for some employers, Train to Gain was not seen to be relevant as they had few staff who would qualify for funding. These employers were from a cross-section of sectors including finance, manufacturing, property and business services. They have in common a specialisation of staff who require above Level 2 qualifications to enter, or professionally accredited qualifications such as the financial management qualification from the Chartered Institute of Management Accounts (CIMA) or from the Chartered Insurance Institute (CII).

In the current economic climate, it is unsurprising that providers also reported that employers are making increased use of Train to Gain. They believed this was happening because employers are reducing in-house training teams or trying to reduce training costs by more actively seeking funding for courses that they would have previously paid for themselves. This was certainly the case for one estate agent who used Train to Gain to deliver general skills required in Business Administration and Management. One provider reported an increase in demand for more general and transferable skills, such as customer service, management and IT, as employers seek people who are multi-skilled and people facing redundancy seek transferable skills. In contrast, among employers interviewed, there was little evidence of using Train to Gain to deliver skills to help employers cope with recession or any evidence that firms were making greater use of Train to Gain. This lack of apparent change is likely to be due to the small sample of employers interviewed and therefore data from the providers is likely to be more credible.

8.1.2 Employer willingness to participate in apprenticeships

Demand for apprenticeships is uneven across sectors

One of the reasons for the reduction in apprenticeship places is that the sectors that are being hit hardest by the recession are those that have traditionally taken on apprentices, such as engineering, manufacturing and construction. Providers reported that employers are finding it too hard to justify spending money on apprentices when they are cutting staff. Large companies, which have taken on large numbers of apprentices in the past, are now also taking on fewer apprentices. Another trend is that apprentices themselves are being made redundant, as employers can no longer afford the staff resource to train them, which was reported by both providers and Connexions staff from different parts of the region. Some training providers are reporting that apprentices do not always report that they have been made redundant.

Among the employers who were still taking on apprentices, a number of reasons were identified for their continuing commitment to long-term investment in young staff. Providers reported that employers with vacancies in occupations with statutory training requirements were still likely to take on apprentices. Two employers reported that they have recently implemented apprenticeship programmes for the first time; both had undertaken apprenticeships themselves and therefore recognised the benefits the programme could offer both individuals and organisations. Two employers reported that the range of apprenticeships that they offer had increased, from traditional craft-based apprenticeships in production and manual occupations to administration and sales roles. One employer regarded apprentice recruitment as part of its long-term planning for economic upturn, in particular, due to the time taken before apprentices were fully competent. Elsewhere stakeholders observed that in sectors without a history of apprenticeship such as financial services, demand was starting to grow, but some noted that in service sectors without a history of apprenticeships or belief in the need for qualifications, it was hard to stimulate demand.

One interviewee from the LSC expected that employer willingness to offer apprenticeships will increase if employers realise that apprentices are a source of cheap labour that can be trained to meet specific skills needs of their business. Some employers also reflected the views of the LSC in that they felt that young people are cheaper to recruit than older workers are and they could be trained in exactly the way the business needs them to be.

Perceived bureaucracy in apprenticeship paperwork is a deterrent for some employers

Providers and employers both reported that support from providers to deliver apprenticeships was important due to the large amount of paperwork and perceived bureaucracy involved. One employer explicitly mentioned working in partnership with a local college to deliver their apprenticeship programme, despite having staff that would be qualified to do it, because of the amount of time it would take to process the paperwork. Bureaucracy in administration of apprenticeship was compared unfavourably to Train to Gain (see next point).

Apprenticeships may be promoted less strongly and be less attractive to employers than Train to Gain

Many providers reported that Train to Gain had been promoted heavily, and indeed much more so than apprenticeships, which may explain the higher take-up rates. Some employers also reported that Train to Gain is an easier programme to implement than apprenticeships and indeed delivering Train to Gain usually involves shorter and less intensive employer commitment. One provider commented that it is likely to be easier for employers to take on someone older (with experience) and train them using Train to Gain rather than taking on an apprentice.

The apprenticeship publicity campaign has been successful but there are pressures on funding

Providers and stakeholders reported that employer interest in apprenticeships in general has increased following the recent publicity campaign. However, they have concerns that the increased interest has not been matched by increased funding and some training providers have already met their planned places. Demands on training budgets for providers as well as employers are growing; because budgets have been cut, they now have to stay within the maximum contract value. Providers stated that there are going to be limits on how much further adult provision can grow given the budget allocation while demand for adult apprenticeship is growing. This means that they are now going to have to prioritise those people not in employment and those who stand the best chance of progressing.

Providers are hoping that the increased publicity, increased interest and the new National Apprenticeship Service will result in more apprenticeship places with employers becoming available. However, it is doubtful whether increased employer interest has translated into actual provision of apprenticeships, as a small number of providers were reporting fewer places being provided by employers than before the recession. One stakeholder mentioned just 600 apprenticeships places in their area for a cohort of 18,000 young people, although this includes young people who would be more likely to pursue ‘A’ level and HE courses in preference to apprenticeships. Connexions staff and providers commented that it is now taking much more work to place apprentices.

Some stakeholders reported that national targets for funding of apprenticeships according to, say, different age groups was unhelpful as it was sometimes difficult to match centralised targets with local demand.

8.2 What is the impact of recession on priority groups?

The LSC is making significant funding available for the priority groups and this was recognised by providers who reported that there are plenty of training opportunities available. However, competition to access training is likely to tighten during recession which will disadvantage priority groups with low/no skills/qualifications and the major question for priority groups is whether jobs will be available on completion of training. Interviewees were asked how the current economic climate was affecting perceptions of priority groups and employment and training opportunities. We now report on each of these in turn.

8.2.1 Is young people’s use of the Connexions service and career aspirations changing?

Stakeholders reported an increase in the numbers of young people using Connexions. Two reasons were put forward to account for this. First, Connexions has increased the range of services on offer and young people have become more aware of Connexions as a resource for careers and employment advice. However, increased numbers were in the main attributed to the current economic climate. Connexions staff expect that numbers will continue to rise during the summer of 2009 as young people leave school. Connexions advisers in some locations which have historically had low levels of NEETs but which have risen dramatically, were concerned that the service lacked the infrastructure and resources to meet rising levels of demand.

Connexions staff described young people as more likely to be staying on in education or even returning to education because they cannot find jobs or because they realise that more jobs need qualifications. Young people were showing an awareness of the economic context through changes in their career interests. Most Connexions advisers reported that young people were no longer asking about apprenticeships in construction or engineering, but were instead asking about hairdressing and care work.

8.2.2 What are the prospects for employment opportunities for young people?

Connexions staff reported that young people were previously able to fall back on employment opportunities in retail, but this sector now has few vacancies. They also reported a reduction in vacancies in construction and engineering. One person from Connexions stated that across all sectors, the volume of jobs that are notified to them in their area has reduced by 20 per cent. Connexions staff reported that there are still some vacancies suitable for young people in office/ICT, catering and hospitality, health and beauty and care and this was corroborated by employers from these sectors who reported having vacancies. Some providers commented that it was very hard to fill places on social care courses, suggesting some degree of mismatch between vacancies and interests.

8.2.3 How does the impact of recession vary across priority groups?

- Interviewees from stakeholder groups reported that the composition of young people not in education employment or training (NEET) is changing, as more young people with skills and qualifications are unable to find work. In one area learners with learning difficulties and/or disabilities (LLDD), young people are becoming a larger part of the NEET group, because they are not entering education or employment as quickly as they were in the past.
- Stakeholders in contact with young people from vulnerable groups, including those with **LLDD, teenage mothers, and those leaving care** believed that these groups are now facing greater competition for work and training places from other **young people who are NEET** but possess higher levels of skills and qualifications. For example, young people with ‘A’ levels are reported to be more willing to consider lower paid, lower skilled roles than prior to recession. Employers, stakeholders and providers all stated that employers could afford to be more selective in their recruitment choices as they have a wider pool of potential staff from which to choose, as a consequence of a slacker labour market during recession. Some employers stated that the chances of them recruiting from this age group have decreased because there are more older people with qualifications applying for the positions and, given the choice, they will recruit staff who can be operational straight away. However, one employer said they are more likely to recruit young people as their lower costs outweighed considerations about their immediate productivity.
- Recession is likely to have a differential impact on the sexes. Career opportunities traditionally pursued by **young men** were reported as being reduced because the industries they have traditionally entered are bearing the brunt of redundancies – such as construction and manufacturing. Young men also suffer from multiple disadvantages, as they are more likely to have lower educational qualifications at school and therefore disproportionately likely to be NEET. By extension, older male workers with low qualifications and long tenure in lower skilled occupations may also find it harder to gain work, in part due to

salary expectations. Recent data from ONS[1] confirms that to date, within the current recession, men are more likely to be made redundant than women.

- **Young people aged 16-18** with lower levels of educational achievement are affected because higher standards are being implemented as entry criteria to training and education provision. More young people are choosing to stay on at college, as they perceive this to be a 'safer' option. However, colleges have become more selective about who they take, now requiring five GCSEs at grade A-C, which excludes many young people. Training providers who deliver schemes such as Entry to Employment (E2E) are also implementing tougher recruitment criteria to courses, because they need to achieve outcome-related funding targets and to maintain their credibility in providing a high quality supply of labour to local employers. This is resulting in more disagreements between Connexions and training providers about the suitability of young people whom Connexions are referring to training programmes and whether they will be able to progress into employment or training within allocated target timescales. Employers generally did not explicitly focus on whether young people were NET or NEET prior to recruiting them. However, increased employer use of qualifications as a filtering or screening criterion for selection, coupled with a demand for 'oven-ready' staff who would be fully productive as quickly as possible means that young people who are NET or NEET are likely to find it harder to gain employment in a slack labour market.
- For **young people aged 19-24**, evidence from providers indicated that people from this category may not be able to secure apprenticeship places during the recession. Some employers have less money available for training and there is no funding for this age group. Most employers from our sample stated that their recruitment from this group had not changed any more than from all groups, but the number of employers interviewed is small and therefore the evidence from providers who come into contact with more employers is more likely to be valid.
- Among **older workers aged over 40**, providers reported that more were receiving training through Train to Gain, and this was not attributed to the recession. One employer said they are less likely to recruit from this group because they believed that recently redundant workers would lack transferable skills and might be less willing to take a lower salary.
- People with **lower levels of skills and long-term unemployed** may have previously tried for work experience or voluntary work, however, providers are reporting that employers are not taking on volunteers while they are making redundancies. Employers reported a rise in credentialism and certification of competence for roles that previously did not require them. Examples of roles were given, such as drivers, where qualifications are now required. The long-term unemployed face similar barriers and are being pushed further away from the labour market by increased numbers of unemployed people who have more recent experience of work.

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[1] Office for National Statistics (2008) *The Impact of the Recession on the Labour Market*, ONS, London.

- Most employers reported that, to their knowledge, they had not recently recruited any **workers with disabilities** to their knowledge: many stated that they had not received applications from people with disabilities. Only two employers reported recruiting disabled employees and said that this had not changed in the current economic climate. Connexions staff reported that employers were now less likely to recruit young people who, due to learning difficulties or disabilities, require **supported employment**.
- Two employers had recruited **ex-offenders** in the past couple of years. Most employers reported not considering criminal convictions at the point of recruitment, with the exception of those recruiting to jobs where a genuine occupational qualification made discrimination against some ex-offenders justifiable (depending upon the nature of the offence), in roles such as finance or care of vulnerable people.
- **Women or men in roles traditionally done by the opposite sex**; most employers stated that they had limited occupational segregation on the grounds of sex. Some employers had consciously tried to recruit staff into sex-atypical roles, with mixed success. Interviewees did not identify the recession as having any impact on occupational segregation by sex. However, the widespread redundancies in traditionally male-dominated occupations such as construction and engineering may mean that more men enter some of the service sector occupations which have traditionally been female-dominated, doing so, potentially, for lower pay.

8.2.4 Are any additional training schemes on offer for young people?

Connexions interviewees described a situation of fewer opportunities in general, both in employment and in training. One Connexions interviewee stated that they often encountered young people who had exhausted all available programmes, though it was not clear whether they had completed them successfully or dropped out. The following programmes were named as schemes being used to help young people gain skills and employment. Some have been implemented in response to the recession while some were in existence beforehand.

Table 8.1: Schemes to help young people gain skills and employment

Name of programme	Information
E2E (Entry to Employment)	Entry requirements have been tightened, young people are staying on it longer as there are no jobs to go to. In one area, an extended E2E for young people with LLDD.
LEAP (Localities, Engagement, Achievement, Progression)*	Tailored training for hard to reach groups delivered by Connexions with ESF funding
Help with transport costs for young people to access training/employment in rural areas	Funded with NEET fighting fund from LSC
Linkage between builders and an 'apprenticeship shop' in a shopping centre	Funded with NEET fighting fund from LSC
'Include' programme*	Personal development
Set4Life and Set4Success	Getting young people into education or employment by training up to NVQ 1, or to build confidence and social skills for care leavers, in Surrey
Pre-NEET mentoring system	Chamber of Commerce in Surrey

Note: *reported as a response to the recession

Source: IES, 2009

9 Conclusions and Recommendations

9.1 Overview of the project

This chapter presents the conclusions from the research and identifies our recommendations for the LSC, SEEDA and other key stakeholders in the learning and skills sector in the South East.

The chapter summarises the likely main impact of the recession on the South East labour market and employers' training activity and skills demands: the effect of the recession on LSC priority programmes, young people and other priority groups; and the key actions that stakeholders should take to maintain and rebuild the skills base.

The conclusions are based on analysis of data from the Individual Learner Record which provided information on Train to Gain and apprenticeship participation, NOMIS data on unemployment statistics, NCCIS data from the DCSF on young people's status, and interviews conducted with ten training providers, 20 employers and 41 stakeholders from organisations including the LSC, Employment and Skill Boards, Connexions, Sector Skills Councils, the EEF, the CIPD, the Federation of Small Businesses, Chambers of Commerce, BusinessLink and JobCentre Plus. A degree of caution needs to be applied to the interpretation of these findings since they are based partly on qualitative evidence which may not be representative of all sectors and localities within the South East region.

Some of the conclusions and recommendations will be unsurprising to readers, because some of the implications of the findings pre-date the recession and are already being addressed by stakeholders and wider policymaking bodies. In some cases, recommendations are made because stakeholders recognise existing activity but feel more could be done, while other priorities have been heightened or caused by the economic downturn. The report seeks, where possible, to identify the most appropriate agencies to lead implementation of the recommendations.

9.2 The nature of the current recession

Although available indicators point to the impact of the recession on the labour market in the South East being less abject than in other parts of the UK, the effects are nevertheless severe with unemployment rising and the employment rate in decline. More positively, the region's industrial base appears more resilient to recession than elsewhere and the economy is relatively well placed to take advantage of the recovery once it commences in earnest (most likely in 2011). Growth is likely to be driven by the service sector and, eventually, construction, but even sectors such as manufacturing, where the long-run decline in employment has been accelerated by the recession, are likely to have strong positive replacement labour demands over the medium-term. The risk now is that business closures, redundancies, and failure to provide initial vocational education and training for young people will contribute to future skill shortages which could hamper the pace of economic recovery.

The current recession is deep by recent experience with the Bank of England reporting that the decline in the economy was steeper than expected in 2009. From previous experience recovery in employment can be slow: following the recession in 1980/81 unemployment continued to grow until 1986 and employment did not recover its pre-recession level until 1990. Economists have learnt much from the previous recessions and, combined with the increased level of flexibility in the labour market, there is every reason to believe that employment levels will recover more quickly. Flexibility in the labour market may have reduced the level of job loss as some employers seek to avoid lay-offs and redundancies through cutting working hours and/or wages, offering periods of extended unpaid leave, etc. But it must be stressed that there remains considerable uncertainty about the current economic situation and how it will develop over the short-term with respect to job losses and unemployment.

Unemployment during this recession is rising rapidly in both the country as a whole and in the South East. During a recession there are more people chasing fewer jobs so employers are more likely to recruit those people who are more skilled and have lower costs attached to their employment (for example, those who are fully trained and experienced). This clearly places some groups at risk, in particular LSC priority groups and there is a particular concern regarding youth unemployment (see discussion below).

9.3 What is the current scale and impact of the recession on jobs in the South East?

The concentration of relatively high growth, high value industries in the South East may have some protective effect against the impact of recession compared to other parts of the UK. This is reflected in Labour Force Survey data which shows that while claimant count figures have risen sharply, they are low in comparison to any other English region.

Data for the final quarter of 2008 shows that the manufacturing sector accounted for most redundancy notifications (mainly because of a decline in demand). During January 2009 retail and construction accounted for increasing shares of the total number of redundancy notifications, but by February 2009 this had fallen away and manufacturing was once again accounting for a large share of all notified redundancies.

There is some evidence of a particular emerging impact on youth unemployment. The percentage increase of people aged 18-24 who were entering unemployment in March 2009 was sharper in the South East than in the UK as a whole and worse than other age groups in the same period.

Unemployment is unevenly spread across the region. Claimant count figures show that Reading, West Berkshire and West Sussex have experienced a 50 per cent increase in unemployment between January and April 2009, as have Epsom and Ewell, Wokingham, Hart and Elmbridge, but we should note that these are rises from low base levels.

9.4 What are the future prospects for jobs and when will the upturn come?

Recession measured on output should end in 2011 in the South East but unemployment is likely to remain at a higher level than in the 2000s until 2020

The recession is projected to end in 2011 using production output as a measure. However, there is usually a delay before the resumption of employment growth after economic growth has been renewed. The literature review reported predictions that unemployment will affect 4.3 per cent of the workforce in 2009, 5.5 per cent in 2010, 4.4 per cent by 2015 and 3.9 per cent by 2020. These levels are lower than in any of the other English regions or nations of the UK, but high when compared to the average over the 2000s when unemployment in the region hovered just under the two per cent mark. They are, however, low compared to previous recessions.

Forecasts suggest that sectors which are likely to lead the recovery are construction, business services, banking and finance, and education and health

Employment in finance and construction has been hard hit by the recession but forecasts predict that these sectors will generate jobs in the recovery since the likelihood of long-term growth in these sectors remains. The concentration of business services and financial services organisations within and in proximity to London will continue to offer growth opportunities once the sector recovers from the financial crisis. The weakest areas of growth will be in manufacturing, especially engineering. However, the prevalence of an ageing workforce in these industries is likely to offset reduced demand and a supply of replacement workers will still be needed in these areas. Demand for personal service roles in teaching and care occupations will persist, due to the difficulty of replacing people with technology to undertake this work, and the needs of an ageing population.

In addition, there is likely to be growth in tourism and hospitality industries, concentrated in particular on the Olympics in 2012, and there may be some localised development of ‘green’ industries. Investment in digital media and technology, coupled with London’s position as the UK’s cultural capital, may lead to economic expansion in these sectors.

9.5 What is the impact of recession on employers' recruitment and training practices and skills needs?

The South East has traditionally experienced high demand for skilled staff, particularly in professional and technical occupations. Its major sectors include retail, hospitality, property, finance, construction and IT: business growth in the region over recent years has resulted in rapidly-changing skills needs.

There are differences between the methods used to address skills needs in large organisations, those experiencing skills shortages and small firms or those with rapid changes in skills needs

Larger organisations and those in industries with skills shortages tend to 'grow their own' skills by taking on apprentices and other trainees. Smaller organisations and businesses undergoing rapid change or growth are more likely to buy in skilled staff. Training within smaller organisations is more likely to be informal, unstructured and on the job. Employers prefer accredited qualifications for technical skills, and non-accredited training for 'soft' skills. This is possibly because organisations tend to think of the latter as firm-specific and the training requires customising to their particular needs. Employers tend to seek staff with traits that cannot be learned and will train recruits in technical skills that are more easily taught. Employers in sectors without a history of requiring qualifications such as retail and hospitality may not demand them, placing greater weight on experience.

Most sectors with skills shortages are continuing to suffer them. These include high level IT and specific scientific skills and lower skilled jobs in retail, warehouse work, hospitality and catering

High level skill shortages persist in scientific occupations such as medical, pharmaceutical and engineering roles. Some stakeholders were also reporting local pockets of demand for low skilled workers, particularly in warehouses and the hospitality industry, due to departures of migrant workers from the UK. A bigger labour pool in industries suffering large scale redundancy has made it easier for employers to recruit skilled staff, resulting in reduced training opportunities for young people, including apprentices.

Many organisations are experiencing no change in skills needs due to insulation from the effects of recession or adoption of long-term strategies to skills development

Many interviewees reported that employers' skills needs were substantially unchanged despite the economic downturn. Around half the employers who were interviewed believed that recession was having no effect on the skills required in their organisation for a number of reasons. These factors included organisations' products and services being immune to the impact of consumer spending; some employers being committed to long-term investment in skills due to the nature of their sectors which required long periods of training; and others being committed to training as a means of surviving recession. *This suggests that a wholesale* *change in **LSC strategy** away from its core activities of supporting priority groups and programmes is not required.* Indeed, targeting employers in sectors which are less affected by recession could be a helpful strategy in achieving LSC aims and objectives with respect to priority groups.

Employers are seeking shorter bite-sized training provision

Larger organisations hit by the recession tend to lay off staff but continue to train their existing staff. Small organisations are more likely to cut training and retain staff. The long-term shift towards funded, accredited programmes is subject to conflicting pressures during the recession; employers are turning to more cost-effective means of training staff but employees are seeking qualifications that recognise their existing skills, mindful of the need to ensure their market value to other employers in a climate of reduced job security. There is an increased demand for 'bite-sized' training courses as businesses re-skill staff to meet the changing demands of their organisations in recession. *This re-emphasises the moves towards a unitised approach to training envisaged by the new* ***UK Qualification and Credit Framework****.*

Employers are being more selective in targeting training at particular staff groups…

Employers are more likely to provide training to senior staff who are responsible for business survival and to new and/or young trainees who are doing operational roles or are key to future business growth. Some training is being offered to staff in business support roles to cope with additional demands arising from recession-related activity such as handling financial issues and redundancies. Some employers are converting bespoke in-house courses to funded training courses, where possible, to take advantage of subsidies or bringing training which receives no public funding in-house. Other employers are seeking more creative ways to train staff in-house by using internal workshops, mentoring, shadowing, buddying and internal coaching.

…and employer commitment to investment in training varies by sector and occupation

Businesses in sectors suffering from a shortage of specific technical skills pre-recession, such as engineering, are more likely to continue investing in training in order to maintain and build on these skills for the upturn. In sectors that rely heavily on changing technology, such as IT, continued training is necessary to enable the business to remain competitive. Conversely, businesses operating in sectors that have been badly hit by the recession, such as construction, are more likely to reduce their investment in skills.

Recruitment patterns are uneven, with evidence that employers are benefiting from a slacker labour market

Some employers, especially those with long-term, often public sector, contracts are still recruiting and finding it easier to obtain skilled staff due to large-scale redundancies in particular sectors, most notably construction and manufacturing.

A diminishing migrant labour pool and mismatches between vacancies and available labour is resulting in some skills shortages

Some stakeholders and employers report that it has been more difficult to recruit to certain roles due to localised departures of migrants which has created vacancies in elementary occupations. In sub-regional areas with demands for high level skills, higher level roles remain vacant but there are significant numbers of people seeking work who have been made redundant from elementary occupations requiring low or no qualifications/skills.

Employers have not changed their recruitment methods, but few in the sample used the public employment service to fill vacancies

Most employers advertised vacancies on their website and in the local press, relied on staff referrals and word of mouth and attended jobs fairs at schools and universities. Some have reported unsatisfactory experiences of attempting to recruit through JCP in the past.

Employers are receiving high numbers of applications and using tighter screening criteria

High numbers of applications are placing an administrative burden on employers; they are therefore using qualifications as a screening criteria, although they accept these may not be the most useful or suitable way of discriminating between the quality of different applicants.

Recession is heightening, if not creating, demands for management skills

Both stakeholders and providers frequently stressed the management challenges inherent in weathering the recession and believed that a number of skills needs were unmet. They pointed to a need to raise general management skills, across the SME sector in particular. Given that (with one exception) no employers reported any of these skills needs, this suggests that any deficiencies in management skills are *unrecognised* by employers, although we must recognise the growth in uptake of funding for management courses through the Train to Gain initiative. The management skills needed were varied and included business and financial planning, negotiation and procurement skills, and skills in training younger workers.

Better marketing and sales skills are required in more competitive markets

The increased importance of sales capability (and marketing) emerged across interviews with employers, providers and stakeholders as important to survival, along with customer service as part of business strategies adopted to maintain income. These covered a broad range of staff including those outside as well as within direct sales roles.

Multi-skilling needs are developing as a result of expansion or contraction of business

Stakeholders and a few employers identified a variety of changes to organisational structures or strategies which could lead to demands for some form of multi-skilling in staff. The need for staff to acquire additional sets of skills could arise from diversification or the need to expand the jobs of remaining staff following redundancies. Skills required were usually specific to the nature of work and often firm-specific, which makes it difficult to identify common trends. However, the kinds of circumstances identified usually focussed on skilled or semi-skilled employees who required additional skills in areas such as quality control, customer service, IT and junior managerial and supervisory duties.

Employability skills are increasingly important to secure and maintain employment

A number of stakeholders observed heightened demand for employability skills such as communication, motivation and punctuality. This was particularly marked among interviewees from JobCentre Plus, who perhaps dealt with individuals least likely to hold these skills. It will be particularly important for those out of work to maintain some kind of activity to substitute for employment in order to maintain currency of skills and avoid demotivation. This could be achieved through volunteering and work experience placements for example. This will be especially important for those young people with limited or no work experience. The UK Commission for Employment and Skills is currently undertaking a project on employability skills, and the outputs may be of interest in this context.

9.6 What kinds of skills will be needed for the upturn?

Some organisations have not yet begun to plan for the upturn and some are sceptical about the feasibility of forecasting

SMEs in particular are not yet planning for the upturn and some stakeholders felt it was too early or too difficult to predict skills likely to be required. However, long-term skill needs identified are likely to persist and these could form the focus of planning training provision for the upturn.

Rebuilding organisations after recession will require management skills in developing new business and handling expansion

Some skills identified as important in rebuilding organisations in the upturn were similar to those required for the downturn, including sales, soft skills, and managerial skills. This would require managers to plan and manage resources and to recruit, lead, motivate and harness the ideas of junior staff.

Skills in manufacturing occupations will be needed as a result of labour market change

Stakeholders and employers reported that some future skills needs will arise from changes to the employer’s workforce or from the wider labour market. Thus, restoring growth in highly cyclical manufacturing businesses with an ageing workforce will require significant initial training in high level skills among junior staff to fill gaps left by senior staff on retirement.

Demands for multi-skilled roles are likely to persist

A number of stakeholders predicted that, having tried multi-skilling in the downturn, many employers would be keen to continue with this model in the upturn, leading to a requirement for hybrid qualifications, such as in cleaning and maintenance.

New skills may be needed for new ‘green’ jobs

Interviewees mentioned ‘green skills’ most frequently out of all new skills identified. This is a very difficult area of demand to predict as it is often not clear whether the likely demand relates to whole jobs or parts of jobs and whether the skills themselves are entirely new or simply use existing skills applied to ‘green’ technologies. The need for some smaller sets of skills appear to be both more generalised and more geographically dispersed and may arise in the form of additional modules on qualifications in the building trades to incorporate higher environmental standards etc. Further research will be required to identify kinds of skills needed at a regional and sub-regional level.

9.7 What are the implications of changes in skills need for training provision?

Trends in training provision concerning flexibility of timing and delivery and content which predate the recession will continue

Most of the insights on possible future adaptation required to training provision came from the stakeholder interviews and were very varied. Many stakeholders voiced perennial concerns about the responsiveness of training provision to market demand from employers, and it was not clear that these were directly related to skills needs in the upturn. Thus, a range of stakeholders emphasised that employers would need bite-sized courses, delivered in a convenient location, including online and distance-learning methods, and at suitable times to accommodate both full-time standard working hours and shift work. There was an emphasis on the need for courses, even in generic skills such as marketing, to be tailored to individual business circumstances. Stakeholders emphasised the need for better market intelligence through discussion with employers to ensure individual firm requirements are satisfied. Employer perceptions of training 'cost' may actually reflect perceptions of 'value for money', so addressing concerns about tailoring provision to meet employer needs may be important.

Employers may need help in diagnosing future skills requirements

Stakeholders also noted that businesses which are seeking to grow may need help in diagnosing their skills requirements. This may be especially important for any new micro-businesses set up by people made redundant as a result of recession. Such support is likely to be available from skills brokers working within Business Link. Intelligence gained from Business Link should be shared as useful labour market intelligence to inform training provision, for example through SSCs, National Skills Academies and Chambers of Commerce.

Training content sought is likely to be hybrid and modular in design

Needs in training provision can be inferred from the range of skills needs and employer desires for ongoing changes in delivery mechanisms. If demand for multi-skilled employees increases and is sustained, then training provision may need to adapt. Some employers may require initial training that covers several skills at once and also hybrid qualifications made up of elements of existing qualifications.

Providers need to be confident that investment in new courses will pay off

Providers will need to be confident of the security of funding if they pro-actively invest in developing new courses and types of provision.

Maintaining training provision for the future

The data has shown that construction is particularly badly affected by recession but it will be essential to maintain capacity during the downturn, in order to ensure that sufficient capacity is available once the upturn comes.

9.8 What is the impact of recession on young people who are NET or NEET?

The Government Office for the South East region still has the lowest percentage of NEETs compared to other English regions in 2008/09, but the numbers of young people who are NEET has increased since 2007/08.

Analysis of DCSF data on young people aged 18-24 between November 2008 and February 2009 in the South East region showed that the percentage of young people NEET was highest in Southampton, Portsmouth, Brighton & Hove and East

Sussex in 2007/08, and the same areas, joined by Medway were highest (with slightly higher percentages) in 2008/09.

Numbers of young people aged 16-17 who are in employment increased in the region over the past year, but the proportion of young people who are NEET is also increasing in the region

Overall, there were increases in the number of young people in employment in all parts of the region between 2007/08 and 2008/09 except Portsmouth and Southampton. However, there was also an increase in the percentage of young people who are NEET.

Variations in the levels of young people who are NEET across different parts of the region are mostly consistent across 2007/08 and 2008/09 in that those with high levels last year still have high levels this year. The areas suffering the biggest increases are Medway, Buckinghamshire and Oxfordshire.

There are also consistent patterns of areas with high proportions of young people in education and training; the percentage in education was highest in Slough, Buckinghamshire and Berkshire. The percentage in employment was highest in Oxfordshire, Southampton, Portsmouth, Wokingham, Bracknell Forest and West Sussex.

People with multiple disadvantages in the labour market are more likely to be NEET and will find it hardest to access employment and training

There are some demographic associations with NEET status: people who are disabled are more likely to be NEET, and among those under the age of 25, people with NEET status are more likely to be in the 17-19 age group. With respect to racial group, those who are NEET are disproportionately found in the Black British and Pakistani groups.

People who are NEET are also more likely to be concentrated in particular types of communities: they are more likely to live in deprived areas. These are especially likely to be areas with a transient population, those with a significant proportion of African-Caribbean residents and neighbourhoods located in coastal districts.

In the more prosperous parts of the region, there has been an increase in the percentage in education, which may be a response to the decline in employment opportunities. There is a strong association with prosperity; the likelihood of being in education was much higher in more prosperous parts of the region.

Stakeholders believed that young people who are NET and NEET would find it harder to gain access to both training and employment as a result of recession and were already starting to see this happen as the labour market for young people slackens. Employers generally did not explicitly focus on whether young people were NET or NEET prior to recruiting them. However, increased employer use of qualifications as a filtering or screening criterion for selection, coupled with a demand for 'oven-ready' staff who would be fully productive as quickly as possible, means that young people who are NET or NEET are likely to find it harder to gain employment in a slack labour market. There is some degree of churn in and out of NEET/NET status and the impact is likely to be most marked on those with multiple disadvantages at the bottom of the ability range.

9.9 What is the impact of recession on LSC priority programmes?

9.9.1 Apprenticeships

This report has provided evidence of early indications that young people are vulnerable to unemployment as a result of recession, which raises policy questions of how to ensure they are best supported to maximise their chances of employment both during the recession and once economic recovery begins. There has been recent concern about the level of demand for apprenticeships against the backdrop of government plans for significant expansion in apprenticeship places both prior to the onset of recession and as a more recent policy response to the prospective problems of tackling youth unemployment. Recession is likely to reduce employer willingness to recruit apprentices so careful policy attention needs to be given to boosting numbers. This may be challenging and sectors may require careful targeting, reflected in the recommendations at the end of this report.

Apprenticeship starts have been growing but with an uneven distribution across geographical areas

The numbers of apprenticeship starts in the South East in 2008 is similar to the pattern for the rest of England. The average growth rate in apprenticeship starts in the South East was 32 per cent, with a smaller decline in numbers in 2008/09 after the usual annual influx at the start of the educational year in September than in the previous year.

The growth in apprenticeship starts has been largely driven by increased numbers of older apprentices over the age of 25 and this is consistent with some of the interview data which reported unmet employer demand for older apprentices. Employers are reported to be seeking older staff with more work experience. However, the share of apprenticeship starts by people aged over 25 has decreased since August 2007 in the South East compared to the rest of England, further justifying the likelihood of unmet demand.

There is increased demand for apprenticeships among workers aged over 25 and in service sector occupations, particularly management

Increased demand for apprenticeships for older workers aged over 25, despite limited funding for this age group, is also consistent with changes in the types of apprenticeship started. Starts on apprenticeships related to management, which older workers may be more likely to seek, have experienced the highest growth. The numbers of new starts for manufacturing and construction apprenticeships have declined, which is consistent with the quantitative and qualitative evidence which this report has presented on patterns of sectoral job loss. Highest rates of growth in apprenticeship starts were in general terms across the service sector, in particular, hospitality and catering; customer service; business administration; active leisure and learning; retail; and health and social care. Because funding for older apprentices is limited, this is creating a mismatch between demand and supply, and it remains to be seen whether the demand for apprentices continues into the Autumn of 2009.

There is uneven demand for apprenticeships across sectors

Evidence from interviews with stakeholders and employers supports the patterns of growth and decline in apprenticeships evident in the quantitative data. Sectors that are being hit hardest by the recession are those that have traditionally taken on apprentices, such as engineering, manufacturing and construction. Employers in sectors without a tradition of apprenticeship may require convincing of the value of the qualification to stimulate demand, although the quantitative data suggests that apprenticeship numbers in these sectors are starting to rise.

9.9.2 Train to Gain

Train to Gain's combination of brokering to identify training needs coupled with government subsidy of Level 2 (and some Level 3) qualifications has proved popular with employers including some of those from harder-to-reach groups, although it has sustained some criticism for deadweight effects. The budget for Train to Gain was underspent in the late summer of 2008, but funding rules have been relaxed to permit smaller units of training to be funded and to include access to management and leadership training for small businesses. This has led to much higher levels of participation in Train to Gain and significant pressure on the budget, which will come under increasing pressure due to constraints on public sector spending.

Train to Gain starts have increased substantially across all geographical areas and workers of all ages

Train to Gain starts have almost tripled across the South East as a whole and at least doubled in all LSC areas between the period from August 2007–January 2008 to August 2008–January 2009. Local Authority areas experiencing lowest growth rates in Train to Gain course starts, such as South Bucks and East Hampshire, still have growth rates of at least 50 per cent, while areas with highest growth rates like Basingstoke and Wycombe have experienced increases of over 300 per cent. The LSC area of lowest growth was Surrey and the areas of highest growth were Hampshire/Isle of Wight.

Evidence from stakeholder interviews supported the quantitative evidence that Train to Gain's popularity has increased significantly and provided reasons to explain this. The major factor has been the relaxation in funding rules. The courses can be short and stakeholders commented that the lower volume of paperwork compared to apprenticeships makes Train to Gain more popular with employers.

Train to Gain starts have increased substantially in higher skilled occupations…

The highest growth in Train to Gain starts over the year to January 2009 has taken place in management and associate professional occupations.

…but the overall participation in Train to Gain courses is highest in lower skilled occupations

The overall share of Train to Gain courses is highest among personal services, elementary and process occupations.

9.10 What is the impact of recession on LSC priority groups in addition to young people who are NET or NEET?

There is widespread evidence that people who are more disadvantaged in the labour market are being negatively affected by the increase in numbers of more highly skilled or otherwise desirable applicants as a result of redundancies.

- Connexions staff reported that employers were now less likely to recruit young people who due to learning difficulties or disabilities require supported employment. This is likely to be due to employer perceptions of the need to spend increased time and resources on supervising and mentoring these recruits, as some stakeholders were noting that employers were reluctant to recruit apprentices with additional support needs for the same reason.
- Young people aged 16-18 with lower levels of educational achievement are finding it harder to access education because more young people are choosing to delay entry to the labour market while the economy is weak. Training providers funded through output-related assessment are implementing tougher recruitment criteria.
- Stakeholders in contact with young people from vulnerable groups, including those with LLDD, teenage mothers, and those leaving care believed that these groups are now facing greater competition for work and training places from other young people who are NEET but possess higher levels of skills and qualifications.
- Stakeholders reported that young men were disproportionately likely to be affected, firstly, because they leave school with lower levels of qualifications, and secondly, because recession was affecting industries with male-dominated low-skilled occupations such as in manufacturing and construction. Older male workers with low qualifications and long tenure in lower skilled occupations may also find it harder to gain work, in part due to salary expectations.
- Young people aged 19 and over were finding it harder to gain apprenticeships due to lack of funding. (It should be noted that a funding regime change announced in March has now provided some funding for apprentices aged 19

and over.) However, given reports of diminishing employer appetite for apprentices, it is not certain whether this demand will continue.

- Workers with lower levels of skills and qualifications are finding it harder to gain work due to the slack labour market. Long-term unemployed people seeking work experience or voluntary positions are finding that employers are not offering voluntary work while redundancy programmes are being implemented.

9.11 What action should be taken by employers, stakeholders and government to maintain and rebuild the skills base?

What could employers do to maintain and rebuild the skills base?

- **Employers could continue to train staff** *to sustain business performance* through recession and beyond and to incorporate skills forecasting and training plans into business planning processes. Economic pressures may provide a catalyst to change business strategies, work organisation and move into higher value-added markets for some employers; employers could take the opportunity to re-evaluate their business models where circumstances suggest this is appropriate.
- **Employers could consider how best to retain staff by implementing alternative strategies to redundancies.** There is widespread evidence from the Chartered Institute of Personnel and Development (CIPD) as well as media reports of high profile employers being more creative in their use of alternative strategies to redundancy. These include short-time working, sabbaticals, extended leave, pay cuts, and temporary suspension of additional benefits, such as pensions. These are being used much more extensively than in previous recessions and smaller employers without HR departments may not be familiar with some of the techniques (see recommendations for government and its agencies).
- **Employers could maintain contact with their local business support services such as Business Link** and make use of financial subsidies and support. Employers who are experiencing financial difficulties should take advice as soon as possible. Organisations which are struggling and focussed on survival may find it difficult to maintain networks with other employers, so stakeholder organisations may need to facilitate this.
- To make policy interventions to support skills development effective at national and regional levels, **employers could voice their needs to policy makers** and provide feedback on the impact and applicability of initiatives introduced to stimulate business recovery. For example, employers should make their views heard through SEEDA to inform recommendations that the RDA makes to DBIS on a monthly basis and make use of Employment and Skills Boards, Sector Skills Councils, National Skills Academies and Chambers of Commerce to articulate training and development needs. Again, economic pressures may

make it difficult to do this, so stakeholder organisations may need to seek employer views proactively.

What kind of course provision is needed from providers?

A number of recommendations with implications for training provision flow from the findings of this research. Many of these are not new and are already being addressed by providers and are reflected in wider ongoing reforms of skills policy and delivery. Their re-iteration here reflects in some cases strength of feeling on the part of employers, and possibly a lack of awareness of provision available which might meet their needs, and in some cases heightened needs for particular kinds of training provision as a result of recession.

- **Providers could continue their efforts to develop training courses which are cheaper and shorter***.* This trend predates recession but need for this kind of provision is heightened due to employers seeking small customised training inputs and reduced budgets so funding larger scale training is less attractive. In addition, staff in organisations which have contracted have increased workloads and time pressures. Many stakeholders felt this was essential to engaging SMEs. Redesigning provision in this way will make providers well placed to achieve implementation of the National Vocational Qualifications Reform Programme.
- **Providers could continue their efforts to develop methods of learning delivery and timing to accommodate organisations' needs.** This includes online/distance learning where possible, but also scheduling of courses to accommodate the needs of learners, including evenings for those working full-time standard hours and times which can accommodate shift workers.
- **Providers could continue to develop a range of management skills training,** some of which relates to needs which predate the recession and some of which meets needs heightened by the recession. The SSCs and National Skills Academies may also wish to consider how to develop appropriate management skills development programmes. These training needs are largely unrecognised by managers, so promotion and marketing of these courses may be required, and could be done through branding them as, for example 'Managing in Recession' masterclasses. This could be through advertising with appropriate intermediaries; for example, courses in financial and business planning for SMEs could be promoted by financial service providers to the sector such as accountants and banks/building societies. Specific training identified as needed includes the following:
  - Business planning skills for organisations needing to adapt or diversify their products and services to survive
  - Procurement and contract renegotiation skills in sectors with chains of contractors such as construction or where multiple organisations are providing a service, such as in facilities management
  - Financial planning and managing cash flow, particularly for SMEs

- Handling the effects of recession through sensitive management of redundancies and motivating staff 'survivors', particularly for SMEs without the expertise of HR staff. Many younger managers may never have previously worked during a tough economic climate and have little experience of attempting to maintain staff morale and productivity through tough times
- Continue to promote training for people wishing to start their own businesses, through Business Link support for instance. Wider literature on this topic shows that this needs to be relatively intensive and cover a range of management skills rather than simply advice and guidance on writing a business plan, as the success rate among entrepreneurs measured in terms of business survival is much higher among groups who receive intensive training.[1] Given the low survival rates of business start-ups, it is advisable to use a careful selection process to identify would-be entrepreneurs who would be most likely to benefit.

What are the recommendations for commissioning and organising training provision?

The impact of the recession is taking place at a time of significant structural change in arrangements for funding delivery of learning provision for young people and adults, so the challenge of implementing some of these recommendations is considerable. Tackling some of the actions recommended offers some major opportunities for potential benefits but will require significant effort and a commitment to partnership working across different stakeholders.

- **Learning providers will need to identify and make efforts to find alternative placements for redundant apprentices**.[2] Training providers need to monitor the employment status of apprentices due to reports that apprentices may not admit they have been made redundant. Under recent funding changes, apprentices who are made redundant are now entitled to full funding for up to six months while finding a new employer. The Apprenticeship Ambassadors Network, SSCs, the LSC and National Skills Academies could develop apprentice sharing or rotation schemes between employers and seek to place redundant apprentices with employers as 'backfill' while their usual apprentices are undertaking off-the-job training, eg in colleges.
- **Consideration should be given to how the commissioning of training provision can respond to sub-regional priorities.** This needs to be considered within the formation of the Skills Funding Agency and with respect to how this will work in partnership with local stakeholders, such as Economic Partnerships, Chambers and local authorities.

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[1] Cowling M, Hayward R (2000), Out of Unemployment. Research Centre for Industrial Strategy. Birmingham University.

[2] An ESF project to support redundant apprentices is one example of initiatives in this area.

- **Consolidating and concentrating training provision**, focussing on strategically important providers. This may enable a virtuous circle of closer engagement with employers through ability to meet a wider range of needs, building credibility with organisations through offering better customised training and greater economies of scale for training providers when investing time in tailoring course provision. This could then result in increased business from employers. This is also important to maintain positive relationships which have developed between learning providers and funders and to maintain the engagement of learning providers and commissioners. The LSC, SSCs, National Skills Academies, SEEDA, Business Link and Chambers of Commerce may wish to promote partnerships between learning providers to enable them to offer cost effective, tailored provision.
- Stakeholders are making considerable ongoing efforts to **simplify employer access to training provision and wider sources of business support**. Employers are keen that stakeholders increase their efforts. This would avoid wasting resources through duplication between existing partners such as colleges, private providers, local authorities, brokerage services attempting to support employers, and reduce employers' reported confusion about how to access training provision and the function of different support services. Stakeholders in sub-regional and local areas should agree the most appropriate approaches for their areas and promote these to employers. Business Link could continue to promote suitable resources and support available to employers. For example, the UK Commission for Employment and Skills' new Talent Map is intended to provide a simplified overview of the UK skills and employment system and sources of support to employers.
- It is important to **protect training capacity in some key sectors** for the upturn. Evidence from stakeholders and employers suggests that there is a risk of loss of capacity in training in some sectors, notably construction and allied trades such as plumbing, electricians, carpentry and welding. Funding bodies such as the LSC need to consider how best to ensure that sufficient provision is maintained. Careful consideration should be given to agreeing commissioning of training from South East providers, involving long-term publicly funded projects such as the Olympics and the Thames Gateway redevelopment.
- Learning providers, Sector Skills Councils, the Apprenticeship Ambassadors Network and National Skills Academies may wish to consider **developing materials and further promoting apprenticeship to employers in sectors without a tradition of apprenticeship**, where there is evidence of some growing interest such as financial services. The LSC and Connexions could continue to **explore the placement of young people (particularly 16-18 year olds) in public sector organisations**, following the expansion of apprenticeship places in the sector announced earlier this year, working in partnership with the new National Apprenticeship Service.[1] The possibility of

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[1] The LSC commissioned research to identify sectors with potential for expansion of apprenticeships which include parts of central government, occupations currently not covered by SSCs such as hairdressing, and retailing, hospitality and catering, as well as sectors within the manufacturing and process industries: LSC/Experian (2009) *Sectors with Potential for*

delivering apprenticeships for those in part-time and temporary work could be explored.

- The LSC and National Apprenticeship Service could **monitor the impact of redundancy on apprenticeship completion**; in particular, any impact of the new flexibilities in apprenticeship assessment announced in March 2009.
- Opportunities for **accreditation of employers' training provision** could be promoted by awarding bodies, given that employers are seeking to bring external training in-house and workers who feel their jobs are at risk are likely to place a premium on qualifications.
- Given that demands for multi-skilled roles are likely to persist, awarding bodies and commissioners of qualifications may wish to ensure that **training provision and accreditation is available to meet emerging roles**, after mapping the different tasks being combined into single jobs.

What could the government and its agencies do?

A major focus of policy activity should be on training provision for redundant workers, focussing particularly on those from vulnerable groups, since higher skilled and higher qualified workers will find it easier to re-enter employment. This is already being pursued through the Regional Recovery Plan and the Integrated Employment and Skills service, being led by SEEDA, the LSC and JCP. These initiatives need to be developed in the light of the new activist industrial policy. Some of the recommendations put forward by stakeholders and employers have already been announced as policy intentions, but speed in implementation may be important.

- **More vulnerable groups should continue to receive priority attention in allocation of LSC funding.** Budgets of the LSC and partner organisations are likely to come under significant pressure to respond to redundant workers from a range of skill levels, occupations and sectors seeking support for re-training to re-enter employment, in addition to their usual remit to support priority groups. Evidence from international evaluations of active labour market policies during economic conditions of varying favourability to vulnerable groups shows that less vulnerable workers with higher levels of skills and experience are better equipped to find and sustain employment during or following a difficult economic climate.[1] ***This means that a wholesale change in LSC strategy away from its core activities of supporting priority groups and programmes is not required***. The evidence in this report suggests that the impact of this recession on youth unemployment may be particularly sharp, and the LSC should therefore concentrate its efforts on supporting young people entering the labour

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Expanding Apprenticeships, LSC, Coventry. However, greater effort may be required to convince employers of the benefits of apprenticeships in parts of the service sector without a history of requiring qualifications when recruiting young people.

2 Meager N (2009), 'The Role of Training and Skills Development in Active Labour Market Policies', *International Journal of Training and Development*,13:1, March.

market or with limited work experience. Providers should be incentivised to recruit people for training who are furthest from the labour market, as although demand for support will rise among higher skilled people who have been made redundant, the latter group is likely to find new employment more quickly.

- **Support for intermediary labour market activity such as volunteering opportunities** from stakeholders acting in partnership such as local authorities, Employment and Skills Boards, RDAs, Business Link, JCP, Connexions, the LSC and its successors is likely to be beneficial in developing employability skills among priority groups.
- **Local Authority Children's Trusts could ensure that they are tracking young people who are NEET/NET** *and offering multiple forms of support* to help them move towards training/education which could build on Activity and Learning Agreements.[1]
- The LSC and its successors may wish to **prioritise funding for young people leaving care and those with very low or no qualifications,** given the increasing competition for employment and employers' use of qualifications as selection criteria in recruitment. Financial support through Care to Learn and Learner Support Funds are likely to require expansion to cope with the likely increase in demand. The rise in demand for Entry to Employment courses is likely to be met in part by the increased funding made available in the budget of April 2009.
- The recession is currently having an uneven impact across the economy. Protecting training capacity in a small number of key vulnerable sectors is important but this needs to be accompanied by taking advantage of opportunities for expanding employment in more buoyant industries. **The LSC could target employers and occupations in sectors which are less affected by recession** to enable it to achieve its aims and objectives with respect to priority groups, building on the work which is already being done by Connexions to assess where best to try to place apprentices. These sectors could include social care, social work, wider employment in the public sector, as well as tourism/hospitality and catering which may benefit from the forthcoming Olympic Games. The developing low carbon economy may offer job prospects as well as digital media and creative industries. There are also persistent skills shortages in high level technical occupations in the South East region, especially science, engineering and IT. **The LSC, its successors and relevant Sector Skills Councils could work with HE and FE institutions to consider how best to enable disadvantaged young people to move into these fields**, making use of modular units of attainment to enable progression.
- **Sectors with demands for replacement workers** due to an ageing workforce, such as parts of manufacturing and engineering, **could be promoted to appropriate priority groups**.

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1 See Maguire et al. (2008) *Evaluation of the Activity and Learning Agreement Pilot: Process Evaluation: Year One Report*, DCSF Research Report RW027, TSO; Sheffield

- The LSC and partners such as the Employment and Skills Boards and National Skills Academies could **promote sharing of expertise between businesses through 'skills exchange' schemes**. This would involve suitable stakeholders facilitating specific skills development workshops with input from managers to share their skills between each other. These schemes might be helpful for employers in geographical areas where travel to training providers is more difficult.
- The LSC and partners such as the Sector Skills Councils could **develop area or sector-based training schemes and networks to build up skills and promote and support clusters of high performing businesses** to be ready to take advantage of the upturn. This will require some analysis and forecasting at sub-regional and local level to identify the most appropriate sectors and locations to target, which is being planned by SEEDA. Wider literature shows that supporting inter-employer learning networks can be a very effective way of helping organisations to solve common problems, and as a by-product, stimulates employer investment in training.

Training provision for redundant workers

- JCP and Business Link may wish to consider how best to **promote advice on implementing alternative strategies to redundancy to SMEs** to promote staff retention and prevent loss of skills.
- Stakeholders need to **continue to provide rapid assistance in retraining and finding employment when firms are planning redundancies** with closer working between relevant agencies such as JCP and learning providers. Regional partners, including SEEDA and the LSC, are already working together to provide support to businesses and individuals affected by the recession, with one of the key programmes being the Continuing Employment Support Service run by JCP. These services help ensure that employees' transferable skills are identified before they are out of work and potentially allow them to undertake training required to help them to move sectors. There is potential for the LSC to learn from early experiences of implementing the Sector Employability Toolkits which are currently being rolled out in the retail and hospitality sectors, with care and logistics to follow shortly.
- JCP, Business Link, local authorities, Employment and Skills Boards, SEEDA and Connexions could **partner with third sector organisations to establish volunteering schemes in social enterprise** to support maintenance of skills among redundant workers. This would require a small amount of administrative and brokerage-style support.
- The LSC and awarding bodies could **establish schemes to train redundant workers as trainers and assessors for sectors with ageing workforces,** such as manufacturing/engineering, where there will be demand for replacement skills from future generations in the upturn. Delivering management and leadership training in conjunction with new production/process/service techniques by individuals with specific sectoral knowledge could help improve its credibility and appeal to managers.

- The LSC, Learning and Skills Improvement Service (LSIS), and the Adult Advancement and Careers Service could **quality assure information provided on careers and training to redundant workers by stakeholder partners**, to ensure it is informed by knowledge of local labour market trends and employer needs. Approved providers are already able to apply for Matrix accreditation, as a quality standard for providers of information, advice and guidance. Wider research evidence suggests that training providers may be recruiting individuals to courses which may not lead to employment, due to lack of vacancies or demand for higher level qualifications which individuals are unable to source or attain.
- The LSC and relevant bodies such as the CITB may wish to **subsidise continued training in the construction sector and to provide temporary employment opportunities or 'job creation' schemes for newly trained people** to maintain the supply of construction skills for when the economy recovers. This could involve public sector building maintenance for example.
- JCP and DWP need to work with local providers and Employment and Skills Boards to **ensure the new Jobs Fund is flexible enough to meet local skills needs**.
- JCP and Nextstep need to **prioritise the most vulnerable groups for training through the Integrated Employment and Skills Service** which has been trialled in Hampshire and the Isle of Wight and is being rolled out in other parts of the region.

Outstanding barriers to delivery

- Some stakeholders reported that **national targets for funding of apprenticeships** according to, say, different age groups, were unhelpful as it was sometimes difficult to match centralised targets with local demand. This issue could be reviewed by the National Apprenticeship Service, in the light of the national priority to support young people and the funding differentials for adult Apprenticeships as opposed to Train to Gain.
- To improve the training and employment options for those out of work through back to work, pre-employment training, some stakeholders argued for an **increase in the maximum permitted working hours per week before loss of benefits entitlement**, which could be considered by the DWP and JCP.
- In addition to the incentives to firms for offering internships to graduates who have been unemployed for six months, stakeholders felt that **additional financial incentives for hiring staff should be considered**, **possibly targeted at smaller businesses**. These could be tapered with larger incentives offered for the provision of employment or work placements for more vulnerable groups such as low skilled workers, those with learning disabilities, and young people who are NEET. This could be considered by the new Department for Business, Innovation and Skills.

- **Continued effort in ensuring continuity of the transition in funding arrangements for education and training for young people** between the LSC, LAs, SFA and NAS will be important.
- The **Connexions service may wish to continue to review how it prioritises distribution of its resource** due to concerns about shortages in areas where demand is rapidly rising.
- The Adult Advancement and Careers Service and Connexions may wish to **source up-to-date information on emerging skills needs and demand for replacement workers**, eg from Business Link.
- **Constraints in public sector spending, in particular, use of discretionary funds** by the LSC and others, may limit capacity to support the full range of initiatives identified as potentially desirable. Maximum flexibility in rules governing use of recession-related public funding may be helpful, and rigorous prioritisation of available funding to support most vulnerable groups will be needed on the part of local stakeholders.

Monitoring labour market change and predicting demand

- Stakeholders perceived increasing reluctance among some employers to offer apprenticeships but were finding it difficult to predict where demand would drop and by how much. **The LSC could monitor change in demand for apprentices and Train to Gain courses until early Autumn** in order to be able to prioritise resources for promoting and supporting this training.
- **SEEDA and the LSC and partners could continue to build the evidence base on the state of the economy** and needs of organisations and individuals at a local level and share this information with relevant partners such as Connexions and the Adult Advancement and Careers Service to determine the most appropriate support to organisations and individuals.
- **SEEDA may wish to consider undertaking a more detailed assessment of the development of the 'green' economy and other sectors such as tourism, hospitality, social care and creative/digital media** in the light of government investment in the sectors and/or potential for employment growth. Wider evidence is mixed on the degree of expansion likely in some of these industries and extent to which (new) skills will be needed and it is likely that development will be uneven, making a regional and sub-regional analysis most appropriate.

Influencing employers

- **Stakeholders could encourage employers to retain apprentices** and stress the value of taking a long-term approach to investment in their skills. Using case studies of employers taking this approach in promotional materials may be a helpful strategy. The Learning and Skills Improvement Service (LSIS) may be well placed to provide guidance for learning providers in promoting the merits of apprenticeships to employers.

- Recession is likely to mean that redundant workers with higher levels of skills, qualifications and 'job-readiness' are more likely to engage with JCP than their usual clients. **JCP may want to continue to promote their services to employers tactically** to counteract any existing negative impressions of JCP clients.
- **SEEDA, SSCs, Chambers of Commerce and Business Link could exert influence on organisations to start planning for the upturn, particularly SMEs**. This could also be achieved by influencing intermediaries who have regular contact with SMEs such as accountants and lawyers. Stakeholders believed and some employers admitted that they were not undertaking business planning. This may create risks to business survival where markets or sectors change significantly and employers are not equipped to meet different expectations from customers and/or suppliers.