



RESEARCH BRIEF

EXECUTIVE SUMMARY

*Produced on
behalf of the
South West
Enterprise
and Skills
Alliance
(SWESA)*

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THE SOUTH WEST SKILLS MARKET: A REVIEW OF DEMAND AND SUPPLY

November 2004

Foreword

Skills are critical to our success and prosperity as a region. Developing the skills that individuals and employers need both now and in the future is a major challenge for our region. This comprehensive review of the demand and supply of skills in the South West will assist the South West Enterprise and Skills Alliance (SWESA) to formulate regional strategy and to develop responsive and effective solutions.

Three issues are highlighted in this review that should be the focus of our attention:

- *We must recognise that, whilst the skills needed for employment growth are critical, of greater significance is the impact of replacement demand. This is projected to exceed the impact of employment growth 10 fold up to the period 2012;*
- *We need to work closely with employers to make more productive use of some of the high skilled people in the workforce; and*
- *We need to take action to deal with the problems of skills supply for skilled trades (intermediate) and lower skill level occupations.*

The South West Enterprise and Skills Alliance commends this report to partners and stakeholders in the region and looks forward to a continuing debate on the priorities for action.

Brian Kemp, Chair of the South West Enterprise and Skills Alliance

Introduction

This review of the South West skills market was commissioned on behalf of the partners in the South West Regional Employment Forum (SWREF) and undertaken by the South West Observatory – Skills and Learning Intelligence Module (SLIM) between January and June 2004. The review provides a strategic overview of the skills market in the South West region by examining the demand and supply components of the market and their interaction. The purpose of the review was to:

- develop a collective understanding of what information is available;
- develop an understanding of the links between information and strategy; and
- inform future strategy.

The review presents a quantitative analysis of the demand and supply components of the South West skills market, together with a qualitative analysis of the capacity of the various public sector agencies to anticipate and act upon skills gaps and mismatches. Unfortunately, due to the lack of available data, the review has not been able to provide a comprehensive analysis of the private sector contribution to the skills market and much of the analysis is therefore confined to public sector training suppliers. The review also produces a range of recommendations for action geared to: raising employer demand for skills; aligning skills demand and supply; and joint planning and co-ordination, including improving labour market intelligence (LMI).

Findings

Demand for skills

Current demand for skills

- *There is a need to raise employer demand for the skills that are available in the South West, i.e. higher level skills (NVQ 4+), where the supply of higher level skills currently exceeds demand. Demand for higher level skills is heavily concentrated in mainly public sector employers, such as education and health, and is further constrained by the lack of knowledge-intensive businesses.*
- *Demand exceeds the supply of lower level skills: figures show that as a proportion of all vacancies in the South West, there are greater numbers for lower skilled occupations, such as elementary staff, than for managers and senior officials, professional and associate professionals.*
- *Shortages of craft and skilled trades (intermediate level): there is a prevalence of skill shortage vacancies related to skilled trades within the region. The replacement demand for these skills is projected to be significant.*

Future demand for skills¹

The most important feature of future demand for skills in the region will be the impact of replacement demand needed to infill low to intermediate level employment. Replacement demand is projected to outweigh anticipated decreases in employment for the following occupations: administrative and secretarial; plant and machine operatives, skilled trades and elementary occupations. Replacement demand will accompany anticipated employment growth in the following occupations: corporate managers; professionals; associate professionals; caring and personal services; and sales and customer services. Whilst studies of individual sectors² have identified specific high level skills shortages, this study found that overall the percentage of high skills vacancies in the region was below the UK average, whilst the percentage of high skilled people in the workforce was above average. This does not mean that there are no significant high skills shortages. It may imply that there is an opportunity to make more productive use of some of the high skilled people in the workforce.

Supply of skills

Inequitable take up of training

On the supply side there is inequitable take up of training. Factors determining participation in training include employment status, age (the incidence of training reduces with age and the region has an ageing population), gender and existing skill levels. The nature of the business base (predominantly micro businesses and SMEs) as well as the industrial structure further impacts on the incidence of training within the region.

Skills for Life

Despite the overall picture of a well-qualified workforce, evidence suggests that a significant proportion of the adult population in the region lack skills for life (literacy, language and numeracy). Whilst the

¹ *Forecast and trend data can be unreliable and will need to be revisited and reinterpreted regularly if it is to provide the basis for future planning. The distribution of sectors and occupations varies significantly across the region. The report contains an analysis of forecasting data by sub region (local LSC area), sector and occupation.*

² *For example, South West RDA Select Committee on Advanced Engineering - Report on skills shortages in advanced engineering in the South West*

performance of the region is above that of many other regions, there remain significant numbers, some 22.5% of the population of the region, with below level 2 numeracy or literacy. 16% of young people (16-18) are not in education and training.

Non formal learning

Non-formal learning is becoming an increasingly important feature of the skills market, yet currently this is little understood and is often ill-recognised and unsupported by strategic agencies.

Options for change

The region's skills market is one with clear strengths - a high skills region, experiencing good employment growth, with high levels of economic activity and low unemployment. However, these strengths should not be taken as grounds for complacency. On the contrary, the region will need to work hard to maintain this position and take action to address immediate and future challenges if the ambition of a high skills, high wage, high productivity and equitable region is to be realised.

At the strategic level, the review concludes that policies and strategies are coming together now to address the skills issues at a regional level and there are few complaints among the key agencies in terms of overall strategic direction. However, a range of barriers exist which prevent greater coherence and co-ordination of effort, hampering the ability of agencies within the region to respond to the skills agenda. Indeed, Government has asked that, through the National Skills Strategy and the Regional Skills Partnerships (in our case the SWESA), barriers and challenges be identified with a view to improving the delivery of skills in the region to meet economic and employer demand. The analysis of the vast array of strategies and plans within the region, combined with a series of interviews with key players, indicates that the following changes are required to improve the region's strategic response to the skills market:

- A range of factors influence the skills market. This implies an approach to the skills agenda which is broad-based and which takes into account the interplay between publicly-funded formal learning, formal learning which takes place within the private sector, and a strong role for non-formal learning. Stakeholders have also made a strong plea for greater clarity and focus of strategy and priorities for action. Responding to this requires a new set of coherent actions which are owned by partners and are broadened to reflect the contribution of the private sector and non-formal learning.
- Greater strategic co-ordination is required to produce better coherence of response, reduce confusion and provide more effective mechanisms for joint planning to deal with skills issues. At the strategic level, there is a strong case for merging or aligning funding streams and targets to help improve delivery and outcomes as current arrangements provide a barrier to joint working. Recognising this, the SWESA has prioritized the development of joint planning arrangements, to improve coherence and co-ordination across the region. In addition the appointment of a new Regional LSC Director and new arrangements in LSC/Jobcentre Plus working provide further opportunities for coherence.
- The skills targets for the region are derived and set nationally and there is little scope in reality to amend these to reflect regional and local needs. Significant scope for change may be presented with the opportunity for the SWESA to set Regional targets and the review of PSA targets which will also introduce a Regional dimension.
- There remains significant scope to improve the understanding of the variety of LMI available within the region, and its relevance for decision-making at very local levels. The review concluded that LMI needs to be more effectively co-ordinated and interpreted, with capacity building to improve skills in utilising LMI for planning provision. The proposed SWESA joint planning proposals and the work of the Research Forum provide an opportunity for improvement.
- Partnership is currently variable in quality and is regarded with scepticism by many partners. Considerable scope exists for further streamlining of partnership arrangements.
- Providers of education and learning need to be able to play to their strengths if they are to meet the needs of the market, yet competition between providers often distorts this. Opportunities to address competition issues will exist through the SWESA Board decision-making process.

Recommendations

In developing these recommendations, it is important to acknowledge that a number of the issues raised by this review have already been recognised in a range of recent government policy documents, notably the National Skills Strategy. The recently published proposal to Government for the establishment of the South West Enterprise and Skills Alliance (SWESA) has also identified a number of priority actions, which are also acknowledged in the report. Taken as a whole, the findings of this review support the approach and priority actions identified within the SWESA proposal.

Report Recommendations	Proposed SWESA Actions
1. The review highlights the need to raise employer demand for higher level skills through:	
1.1. Support for an enhanced business brokerage model	Current FRESA activity 1.1.1. SWESA priority action, work currently being undertaken by the Region's BLOs, LLSCs and the RDA
1.2 Focusing action on dealing with replacement demand needs and under-performing sectors	Regional priorities to be set by SWESA as part of the joint planning priority
1.3 Supporting enhanced links between HE institutions and business	Currently a FRESA activity 3.4.2. Linked to SWESA business brokerage priority
2. The review highlights the need to align skills demand and supply through:	
2.1 Improving information advice and guidance	Current FRESA activity 2.1.1. Linked to SWESA priorities on skills for life and leadership and management skills development. LSC responsibility through IAG contracts and GOSW through Connexions contracts
2.2 Up-skilling the unemployed and economically inactive	Current FRESA activity 2.3.4. This will be picked up in the SWESA joint planning process
2.3 Improving participation in craft and intermediate skills training	Current FRESA activity 1.4.1. Regional priorities set by the SWESA will reflect the need for these skills. Skills for Business Network membership of the SWESA will provide input to these priorities
2.4 Providing support for non-formal learning and other innovation approaches to workforce development	Current FRESA activity (2.3.5) in relation to Records of Achievement and Personal Development Planning. SWESA Task and Finish Group to be established
2.5 Developing a greater understanding of the impact of labour migration and mobility issues	Developing this understanding will fall within the SWESA priority on joint planning
3. Joint planning and co-ordination, including improved intelligence should be achieved through:	
3.1 Streamlining and improving the coherence of labour market intelligence	Function of SWESA Research Forum
3.2 Improving the capacity and capability of the workforce of the skills development agencies	SWESA Central Team action to improve internal capacity part of the balance scorecard monitoring of the SWESA
3.3. Improving the relevance of data	Function of SWESA Research Forum
3.4. Better co-ordination of the region's research resources	Function of SWESA Research Forum and SWESA as part of the joint planning priority