

EXECUTIVE SUMMARY

SOUTH WEST HEALTHY LABOUR MARKET REVIEW REPORT 2005

JULY 2005

This South West Healthy Labour Market Review 2005 was commissioned by the South West Enterprise and Skills Alliance (SWESA) and produced by the Skills and Learning Intelligence Module (SLIM). It provides part of the evidence base in support of the work of the SWESA and is one of four elements of the overall 'Balanced Scorecard' for reviewing SWESA progress.

This report presents the findings of the 2005 review on a range of labour market indicators. The indicators are grouped under three broad headings:

- **Broad outcome indicators** – which can be monitored to inform the performance of the regional economy, but over which organisations involved in delivering the SWESA are likely to have little direct influence;
- **Closer to policy indicators** – which can be monitored to inform the performance of the regional strategy, and over which the organisations involved in delivering the SWESA may have some influence;
- **Learning and training indicators** – which may be directly manipulated by organisations involved in delivering the SWESA.

Data was collected from a wide range of nationally available secondary data sources to make comparisons across all of the regions, and also across sub-regions within the South West. Where relevant, time series analysis, international comparisons and information from survey and qualitative sources have been included.

BROAD OUTCOME INDICATORS

Output and productivity

Within the framework of output and productivity indicators measured, the performance of the South West is between average to below average. In terms of output, the South West economy is the sixth largest of the nine English regions. Evidence shows the region has experienced some growth in output between 2000 and 2003. However, output gaps are substantial with London and the South East and relatively large with the North East and the East of England. Under measures of labour productivity, the region shows average performance in terms of GVA per hour worked, ranking it in fifth place amongst the other English regions, whilst performance in GVA per filled job is poor. Significant disparities exist across the region, with the north and east of the region significantly out performing the west of the region. Foreign direct investments and exports appear low although there is evidence that exports are increasing.

Economic activity

The region continues to function both efficiently and effectively with a high employment rate and high and growing levels of employment, low levels of unemployment, and small differentials in employment rates by gender, disability, and ethnicity. However, as with the geographical disparities evident in the indicators of productivity and output, there are significant disparities within the region in terms of employment, unemployment and wage rates.

The industrial profile of employment is broadly similar to the national picture with employment primarily concentrated amongst service-related industries. Employment in this sector is likely to increase, whilst employment decreases are forecast within primary, secondary and manufacturing industries. The agriculture, wholesale and retail, hotels and restaurants, and public service industries in the region employ marginally more people compared to national averages.

The occupational profile of the region also reflects that which is seen nationally although there is more employment in the region amongst skilled trades, and marginally more in elementary occupations and personal services. Employment increases are forecast amongst the higher skilled occupations such as managers and senior officials, professional and associate professional occupational groups, and decreases amongst elementary, administration and secretarial, skilled trade occupations, and process, plant and machine operatives. However, despite these structural changes in employment, replacement demand is of greater significance resulting in net employment requirements across all occupational groups.

Population and migration

Recent growth in population size in the South West is likely to be as a result of inward migration. In the three months

to June 2004, the South West had a net influx from other UK regions of 7,867 people, the highest additive influx of any UK region. The South West is a comparably ageing region with a higher proportion of its residents aged 50 and over than any other region in England. The older population is also increasing at a faster rate in the South West than for England as a whole. This trend, coupled with falling economic activity rates once people reach 50 years, is likely to be a significant issue for the region in terms of both economic functioning and pressure on resources.

CLOSER TO POLICY INDICATORS

Business generation, enterprise and innovation

The review of the closer to policy indicators shows the South West has a relatively healthy level of business functioning. The region has a high level of entrepreneurial activity, a better than average rate of business survival, and a high level of technology and innovation-related business start-ups. In general, business start-ups reflect the industrial pattern of employment in the region with marginally more compared to nationally in agriculture, hotels and catering, and construction.

In terms of R&D expenditure, the region performs somewhere between average and poor, although the data available to measure R&D may not reflect all of the activity taking place in the region. R&D expenditure by businesses in the region is below the national average. Activity by government is average and although the lowest of the southern regions, expenditure is higher in the South West than any of the regions towards the northern half of the country. Expenditure by HEIs in the region is the second lowest of the English regions.

Vacancies

The evidence from the 2003 National Employers Skills Survey shows that the

South West has, as a proportion of total vacancies, the highest proportion of hard-to-fill vacancies and the lowest proportion of skills shortage vacancies of any English region. This may suggest that there is under-developed demand from employers in the region for the skills that are available. This is also reflected in the greater number of vacancies for elementary than managerial occupations. Skills shortage vacancies for skilled trades are also particular to the South West.

Labour Market Turnover

In terms of labour market churn, the South West labour market has a high unemployment outflow rate, and an unemployment inflow rate somewhat lower than the average. Both of these contribute to the region's low unemployment rate. Recent data on inflows of new vacancies suggests that the region has a high rate of vacancy formation compared to other regions. The analysis suggests that the South West sits slightly above the average of UK regions in terms of the efficiency of the labour market. The South West scores highly in terms of how quickly workers move from one job to another (a high rate of reallocation). This, in part, is due to high representation of high turnover industries in the region.

LEARNING AND TRAINING INDICATORS

Participation in learning

Under measures of learning and training, the South West is generally performing well. The region has a high level of participation in learning and training amongst both young people and adults.

Workforce qualifications

The working age population is well qualified with the economically active population more so, and the number of people with higher-level skills is growing. However, participation and attainment is not uniform across the region. For example, the far west of the region tends to have lower levels of

attainment than those seen towards the north and east of the region.

Skills for Life and low skills

Within the South West, 14 per cent of adults surveyed were classified at Entry level 3 or below and could be described as lacking basic literacy. This is slightly lower than the national average and places the region just behind the East of England and the South East. While figures for the South West are lower than average, they still suggest that there are large numbers of adults for whom basic literacy is problematic.

IN CONCLUSION

This analysis of the health of the South West Labour Market across this range of labour market themes paints a picture of a region which continues to enjoy a high degree of labour demand, a well qualified workforce, and efficient and equitable functioning between the demand and supply sides of the market. On these indicators, this region appears to be more 'healthy' than any other region with the exception of the South East.

Yet despite this relatively rosy picture, a number of indicators point to the fact that the region is operating in a low-skills equilibrium. Productivity is low, and lower than one would expect given the region's highly qualified workforce. Employers report few skills gaps within their workforces, and little difficulty recruiting the skills they need from the external workforce.

A significant problem is presented by the markedly differing fortunes of the region. Low output per head, low earning levels and relatively high unemployment dominate the picture for the west of the region, while the reverse is the case for the north and the east of the region.

Changes in key indicators between the 2004 and 2005 Reviews

2004 Baseline HLMR Position		Changes in the 2005 Review
Broad Outcome Indicators		
<i>Economic Activity</i>	<p>High employment, a high number of jobs per working age resident and relatively self-contained.</p> <p>Low levels of unemployment and long-term unemployment. Small differentials in employment by gender, disability and ethnicity.</p> <p>Over-representation of distribution, hotels and restaurants, and the public sector. Under-representation in financial intermediation and business services. Occupational structure similar to the national picture.</p> <p>Employment in knowledge-intensive sectors is below average. Full-time earnings below average.</p>	<p>Employment rate: no change. Slight increase in employment growth.</p> <p>Unemployment rate: no change. Rise in numbers of benefit claimants.</p> <p>Above national average declines: agriculture, utilities, transport and communications.</p> <p>Below national average: manufacturing.</p> <p>Declines in line with national average: financial intermediation.</p> <p>Increases above national average: retail, hotels and restaurants, public administration, education.</p>
<i>Output & Productivity</i>	Low productivity and large divide between the north and south of the region.	5.9% growth in total GVA. 5.3% growth in GVA per head. Move from 6 th to 5 th position in GVA per hour.
<i>Population & Migration</i>	One of smallest regions in population terms. Oldest age profile of all regions.	Highest net influx of people of any UK region.
Closer to Policy Indicators		
<i>Business Generation, Enterprise & Innovation</i>	<p>High rate of business generation.</p> <p>Above average R&D expenditure. Expenditure by HE is low.</p>	<p>Increase in registrations.</p> <p>Slight increase.</p>
<i>Vacancies</i>	High proportion of hard-to-fill vacancies. Lowest proportion of skills-related hard-to-fill vacancies. Low proportion of employers reporting skills gaps.	No new data to assess change. NESS 2005 will allow review in 2006.
<i>Labour Turnover</i>	High degree of labour market flexibility.	No change.
<i>Redundancies</i>	One of the lowest redundancy rates in UK.	No new data to assess change.
Learning and Training Indicators		
<i>Participation</i>	High staying on rates for young people. High adult participation in learning.	No change. Small decline in adult participation but no long-term change.
<i>Qualifications</i>	Highly qualified workforce.	Increase in NVQ 4, 3 and 2. Decrease in NVQ 1 and no qualifications. Long-term trends relatively stable.
<i>Skills for Life</i>	Adult literacy needs below national average. Numeracy problems above nat. average.	No new data to assess change.