

Healthy Labour Market Review 2006 – What's changed?

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

This report presents a summary of what has changed within the labour market indicators since the 2005 review, according to a wide range of data sources¹. The indicators are grouped under three broad headings:

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

BROAD OUTCOME INDICATORS

Output and Productivity

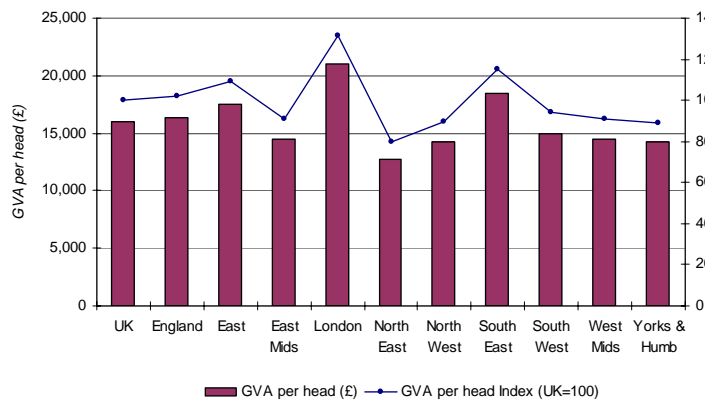
Under the range of measures considered the performance of the South West in terms of output and labour productivity is about average when compared with the other regions in England.

In 2004, the total gross value added (GVA) or output of the South West economy stood at £78.7 billion, the 6th largest regional economy in England. Despite a growth of £3.6 billion, or 4.7% on 2003, growth has slowed. This downturn is evident across all regions in the UK.

There are substantial differences in the size of the regional economies with the North East showing a GVA output of £34.2 billion compared to £165 billion in London. The South East and London account for over 1/3 of the total UK economy.

The fortunes of the South West improve when looking at GVA per head, which removes the population effect. South West GVA per head stood at £15,611 in 2004 compared to a national average of £17,188. This is the 4th largest of the English regions equivalent to 95% of UK output. Although a small growth on 2003, growth has slowed for all UK regions.

GVA at basic prices per head & indexed (UK=100), by region, 2004



Source: ONS, 2006

Notes: Estimates are based on a residence basis. 2004 figures are provisional estimates

Within the South West, output is concentrated towards the north of the region with nearly 40% of South West GVA in North and North East Somerset, South Gloucestershire, Gloucestershire and Bristol. The lowest levels are seen in Plymouth and Torbay.

Looking at labour productivity, the performance of the South West is about average. Under the ONS preferred measure of productivity, GVA per hour worked, the South West is operating at 95% of the national average, 5th of the English regions behind London, South East, East and East Midlands. Growth has slowed with the southern regions, including the South West, which have had the slowest rates of growth between 2003 and 2004.

GVA per filled job in the South West is 93% of the national average with the region 6th of the English regions behind London, South East, East, East Midlands and West Midlands. The South West along with Yorkshire and the Humber, North East and South East has seen a fall in GVA per filled job relative to the national index.

Economic activity

Employment rate and unemployment

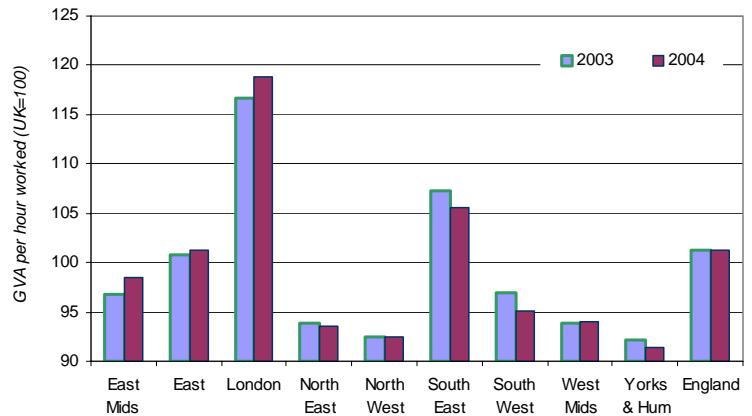
The South West labour market continues to function efficiently and effectively. Rates of economic activity and employment continue to remain high with little change on 2003. Employment is relatively equitable with the differentials in rates of employment by gender, disability and ethnicity small in comparison to the other English regions. The South West also has the lowest rate of unemployment which has remained unchanged on 2003. Long-term unemployment for 6 months and over and 12 months and over is also low in the South West compared with other regions.

Despite this, as would be expected with a region as diverse as the South West, geographical disparities are significant within the region, in terms of employment and unemployment.

Wage rates

Wage rates are also extremely varied within the region. The wage rate in the South West is relatively low at £473 per week for a full-time worker compared to £526 nationally, placing the region behind London, South East, East, North West and West Midlands. Women earn on average £188 less than men per week of full-time work. The pay gap between men and women having shown signs of increasing between 1998 and 2003, has decreased over the last two years. The South West has the 4th smallest pay gap of the English regions, less than the national and UK average. Within the region the pay gap is largest within the major urban centres and northern areas of the region, those areas that have the highest wage rates

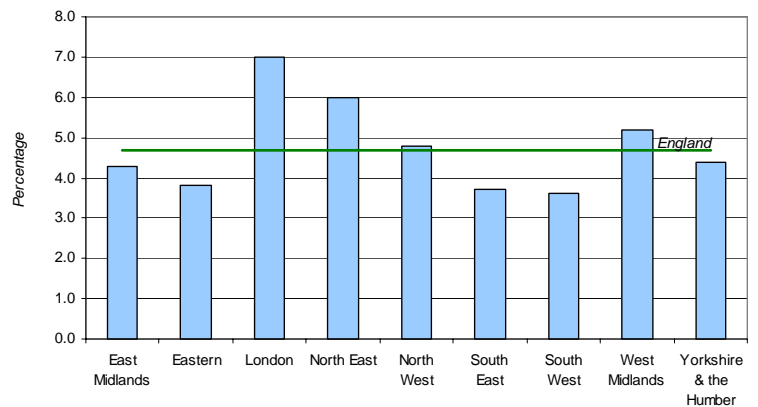
GVA per hour worked (UK=100), by region, 2004



Source: ONS, 2006

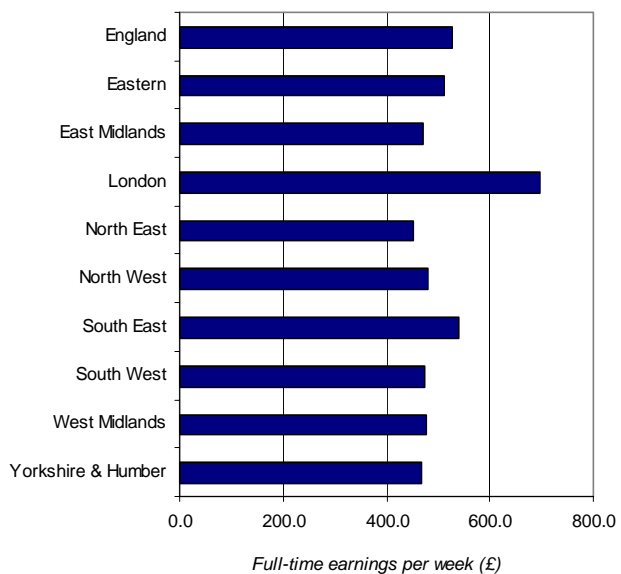
Notes: Estimates are based on a residence basis. 2004 figures are provisional.

Rate of unemployment by region, 2004



Source: ONS, NOMIS data service, 2006

Average weekly full-time earnings, by region, 2005



Source: ASHF ONS 2006

Industrial profile

The industrial profile of employment within the South West is relatively similar to the national average with a small over-representation in health and social work, public administration, hotels and restaurants, wholesale and retail. There is a small under-representation in real estate and renting, transport and communications and financial services. In terms of change from 2003, in general primary and secondary industries have continued to decline in employment terms although the rate of decline is generally slower in the South West. However, agriculture has shown recent growth and this has been stronger than the growth observed nationally. Growth has also been observed across the majority of service industries. The region has experienced, compared to the national picture, strong growth in construction, public administrations and defence, and health and social work.

Occupational profile

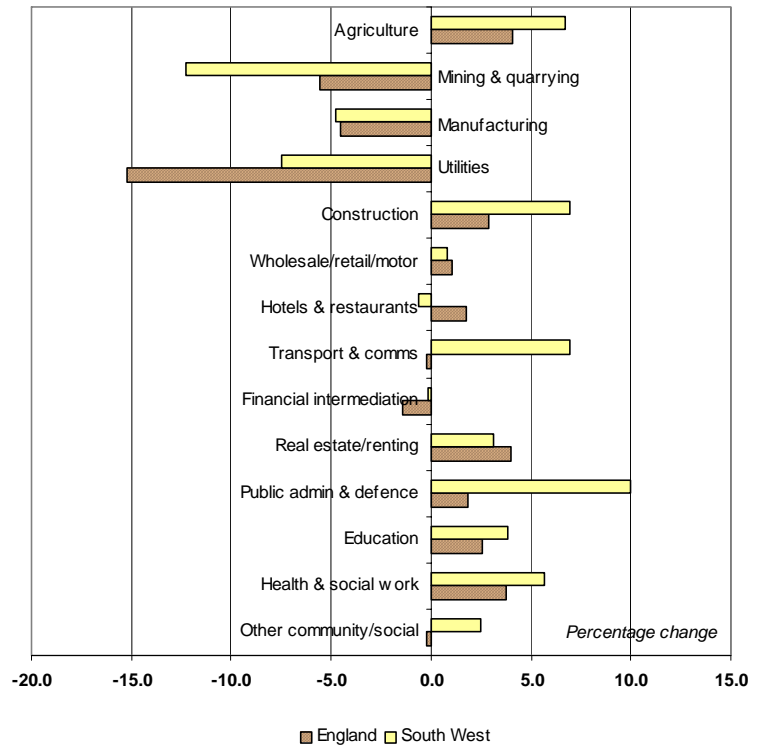
Similarly to the industrial employment, the regional occupational profile is comparable to the national picture with a small over-representation in skilled trades, personal service, and sales and customer service occupations. There is a small under-representation in managers, professional and associate professional occupations. Due to the high levels of employment and low levels of unemployment, growth is generally experienced across all major occupational groups with the exception of elementary occupations. Employment increases are forecast amongst the higher skills level occupations and decreases are forecast amongst lower skilled occupations. However, despite these structural changes in employment patterns, replacement demand is of greater significance resulting in net employment requirements across all occupational groups.

In terms of change on 2003, the South West, in comparison to the national average, has experienced slower growth for managers and professional occupations. The decline in associate professional occupations has also been more evident in the South West. Unlike the national picture, strong growth has been shown for sales and customer service occupations.

Population and migration

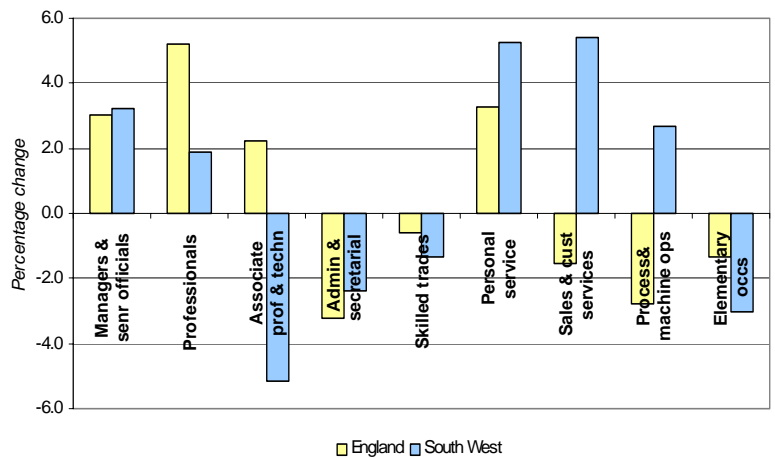
Recent growth in population size in the South West is likely to be as a result of inward migration. In the three months to June 2005, the South West had a net influx from other UK regions of 6,119 people, the 2nd highest additive influx of any UK region. This net influx has, however, been declining since 2002. 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.

Change in employment by industry, 2003 to 2004, South West



Source: ABI, 2006

Change in employment by occupation, 2003 to 2004, South West



Source: ONS, APS, NOMIS data service, 2006.

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, 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 South West has a relatively healthy level of business functioning. The region has a high level of entrepreneurial activity with the 4th highest net increase in new businesses amongst the English regions in 2004. The South West has the highest rate of business survival, a trend consistent over time. In general, business start-ups reflect the industrial pattern of employment in the region with the largest proportion of start-ups in real estate and business services, although the South West has marginally more compared to nationally in agriculture, hotels and restaurants, and construction.

Spending on R&D in the South West is average to below average in relation to the other English regions. In 2003, the region spent £1,782 million, up £89 million on 2002, the 5th highest level of R&D expenditure. Spending by businesses and government in the region is about average. However, spending by HEIs in the region on R&D is poor at only £192 million, the second lowest of the English regions.

Vacancies

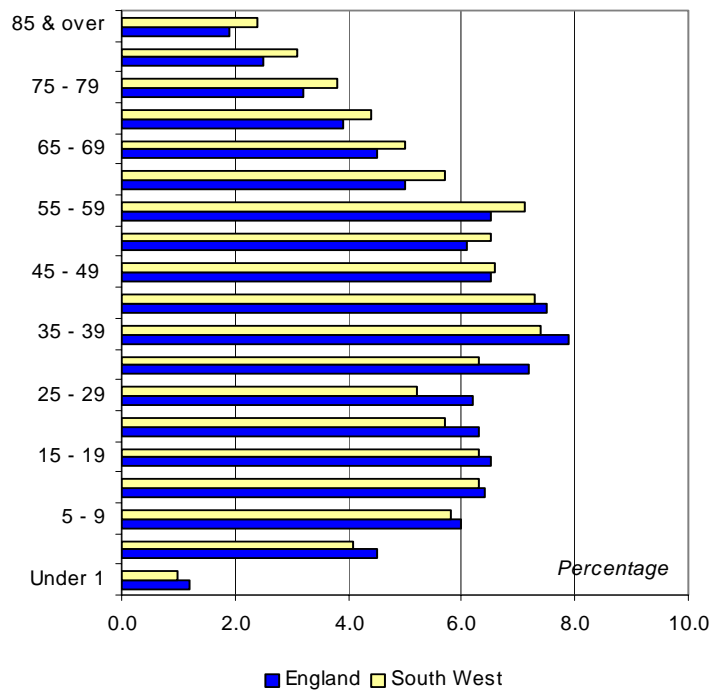
The evidence from the 2005 National Employer Skills Survey indicates that vacancies represent 2.9% of employment, higher than the national average but down on the figure for 2003 of 3.6%.

The South West has also improved in terms of hard-to-fill (HTF) vacancies, which represent 31% of employment in 2005 compared to 47% in 2003. The proportion for 2005 is below the national average unlike the figure for 2003.

The South West still remains a region where employers have little difficulty in finding people with the skills they need. Skills shortage vacancies represent 17.7% of all vacancies, in line with the regional figure for 2003 but lower than the national average of 25%. The gap between the South West and the national average has increased between 2003 and 2005.

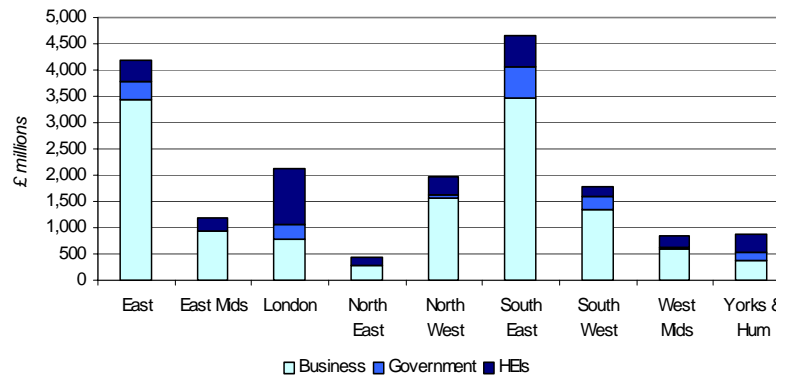
These results can give rise to number of possible interpretations. The lower than average skills shortage vacancies could be because skills is a less critical factor in filling vacant jobs in the

Mid-year population estimates, by age group, South West & England, 2004



Source: ONS, NOMIS data service.

Estimated expenditure in intramural R&D in business, government & HEIs by region, 2003



Source: ONS, Economic Trends 621, Aug 2005.

region than other criteria, such as hours of work, wage rates and so on. It is possible that demand for skills is lower in the South West and this could be evidenced by the industrial and occupational employment structure, the higher level of part-time working, and the lower wage rates, amongst others. The rise nationally in skills shortage vacancies could suggest that skills are becoming more important nationally more quickly than in the South West. An alternative is that the skills supply infrastructure in the SW is more responsive to the nature of demand than elsewhere.

It is possible that the decrease in both vacancies and HTF vacancies, for reasons other than skills, could be because of greater 'slack' in the labour market for non-skills reasons, for example because there is a greater availability of labour, which could be due to factors such as an increase in migration or the return of inactive workers. However, it may also be because employers are better addressing the non-skill issues that lead vacancies to be hard to fill.

Research carried out in 2005 showed that the SW sat 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. There is no new information for 2006 on labour market turnover.

Participation in learning by adults (aged 16 to 69) is relatively high in the South West, the second highest level amongst the English regions. However, the proportion of adults in some form of learning has been in decline over the last few years.



Workforce qualifications

The adult population in the South West is generally well qualified. In comparison to national averages the region has more adults qualified to the highest levels, for example to at least Level 4 and above, and fewer to the lowest levels, for example those without a Level 2 qualification. There has been no significant change in qualification proportions since 2003.

Skills for Life and low skills

Despite the overall picture of a well qualified workforce, evidence suggests that a significant proportion of the adult population lacks Skills for Life. Skills for Life are defined as “the ability to read, write, and speak in English (or Welsh), and to use mathematics at a level necessary to function at work and in society”. Information and communication technology (ICT) and ESOL (English for Speakers of Other Languages) are also recognised and included within the definition of Skills for Life.

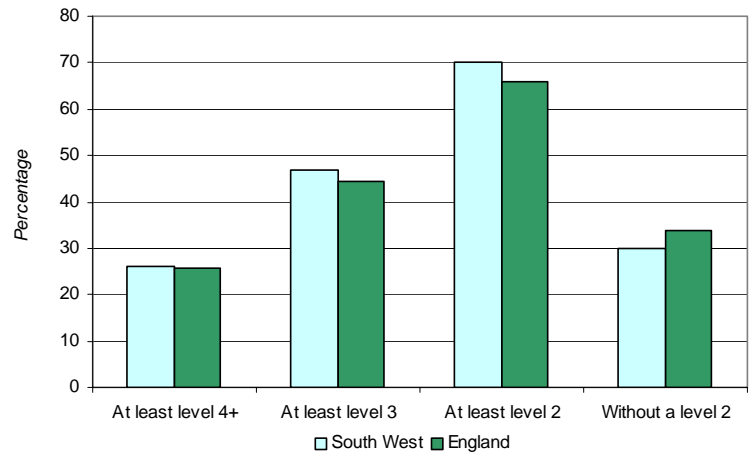
Skills for Life data from the Learning and Skills Council (LSC) shows between August 2004 and July 2005 there were an estimated 32,467 learners achieving at least one Skills for Life learning aim. Cumulative figures from 2001/02 to 2004/05 show a total of 87,371 learners gaining qualifications in literacy, numeracy and/or language skills counting towards the national Skills for Life target through LSC funded provision. These figures include only those that contribute to the government Skills for Life PSA target. It does not include those who do not complete a learning aim and does not measure all qualifications gained. It represents about 1% of the working age population which is similar to the other English regions. Four regions, the North East, West Midlands, Yorkshire & the Humber and the North West have a marginally greater proportion achieving Skills for Life learning aims.

The South West has achieved 73% of the target to 2004 of 75,255 and 56% of the target to 2007 of 155,323.

PSA Targets

Measures against the PSA Targets appear on page 10. These are an addition to the HLMR analysis.

Qualifications of the adult population, South West & England, 2004



Source: APS, ONS, NOMIS data service 2006

Learners gaining target qualifications in literacy, numeracy and/or language skills through LSC funded provision, South West

| | Cumulative total (2001 to 2004/05) | Target to 2004 | % to 2004 target | Target to 2007 | % of 2007 target |
|---------------------|------------------------------------|----------------|------------------|----------------|------------------|
| BDP | 12,941 | 8,981 | 86 | 21,888 | 59 |
| Devon & Cornwall | 24,668 | 23,271 | 62 | 42,571 | 58 |
| Gloucestershire | 8,163 | 8,845 | 57 | 16,495 | 49 |
| Somerset | 10,138 | 7,713 | 79 | 17,736 | 57 |
| West of England | 17,559 | 15,341 | 76 | 33,341 | 53 |
| Wiltshire & Swindon | 13,902 | 11,104 | 89 | 23,292 | 60 |
| South West | 87,371 | 75,255 | 73 | 155,323 | 56 |
| National | 1,129,166 | 763,306 | 98 | 1,532,683 | 74 |

Source: LSC, 2006

In conclusion

This report is intended to highlight changes in the key indicators from previous years. Those changes which have been reported are not large nor are they significant for the most part. The slow down in growth is a reflection of national trends.

The region 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 continues 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.

Change in key indicators between 2005 and 2006 review

| 2005 HLMR POSITION | | CHANGES IN 2006 REVIEW |
|---|---|---|
| Broad Outcome Indicators | | |
| <i>Output & Productivity</i> | <p>Good to average output performance.</p> <p>Average to poor productivity performance.</p> | <p>Downturn in GVA growth across all UK regions including SW, 4.7% in 2004 compared to 5.6% in 2003.</p> <p>No change in position of SW relative to English regions. Growth slowed across UK between 2003 and 2004 but SW with slowest rate of growth.</p> |
| <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>Full-time earnings below average with pay differential evident between men and women.</p> <p>Small over-representation of health & social work, public admin, wholesale & retail, and hotels & restaurants. Small under-representation in financial intermediation and business services.</p> <p>Occupational structure similar to the national picture. Small over-representation in skilled trades, personal service occupations, and sales & customer service occupations. Small under-representation in manager, professional and associate professional occupations.</p> | <p>Employment rate no change.</p> <p>Unemployment rate no change.</p> <p>Wage rates increasing. Pay gap between men and women decreasing.</p> <p>Employment in primary & secondary industries continuing to decline. However, growth observed in agriculture between 2003 and 2004. Stronger than average growth in construction, public admin, and health & social work.</p> <p>Compared to national averages, the SW between 2003 and 2004 experienced slower growth for managers and professional occupations. Decline in associate professional occupations. Strong growth in sales & customer service occupations.</p> |
| <i>Population & Migration</i> | <p>One of smallest regions in population terms. Oldest age profile of all regions.</p> | <p>SW with 2nd highest net influx of people into the region. However, influx in decline since 2002.</p> |
| Closer to Policy Indicators | | |
| <i>Businesses Generation, Enterprise & Innovation</i> | <p>High level of new business creation. Highest rate of business survival.</p> <p>Average level of R&D expenditure by businesses and government. Expenditure by HE is very low.</p> | <p>SW 4th highest net increase of new businesses amongst English regions.</p> <p>Business spending up on 2002. Spending by government and HEIs no change.</p> |
| <i>Vacancies</i> | <p>Higher proportion of vacancies to employment than national average.</p> <p>Below national average proportion of</p> | <p>As a proportion of employment, vacancies down from 2003 figures.</p> <p>In 2003, SW HTF vacancies above national</p> |

| | | |
|--|---|--|
| | hard-to-fill (HTF) vacancies. Skills shortage vacancies lower than national average in SW. | average – so fall in HTF between 2003 and 2005. No change on 2003 but gap between SW and national average grew between 2003 and 2005. |
| <i>Labour Turnover</i> | High degree of labour market flexibility. | No change. |
| <i>Redundancies</i> | One of lowest redundancy rates in UK. | No new data to assess change. |
| <i>Learning and Training Indicators</i> | | |
| <i>Participation</i> | High staying on rates for young people. High adult participation in learning. | No change. Similarly to change between 2002 and 2003, a small decline has been observed in participation by adults. |
| <i>Qualifications</i> | Highly qualified workforce. | No significant change. |
| <i>Skills for Life</i> | - | Skills for Life data from the Learning and Skills Council (LSC) shows between August 2004 and July 2005 there were an estimated 32,467 learners achieving at least one Skills for Life learning aim. Cumulative figures from 2001/02 to 2004/05 show a total of 87,371 learners gaining qualifications in literacy, numeracy and/or language skills counting towards the national Skills for Life target through LSC-funded provision. |

National PSA Target Framework – South West Performance Against Targets

| TARGET | SOUTH WEST |
|---|---|
| Objective II: Raise standards & tackle the attainment gap in schools | |
| By 2006, raise standards in English and maths so that 85% of 11 year-olds achieve Level 4 or above, with this level of performance sustained to 2008 | In 2005, 79% of pupils in the South West reached Level 4 or above in English, and 75% reached Level 4 in maths. |
| By 2008, raise standards in English and maths so that the proportion of schools in which fewer than 65% of pupils achieve Level 4 or above is reduced by 40% | Not known yet at this time. |
| By 2007, 85% of 14 year-olds achieve Level 5 or above in English, maths and ICT (80% in science) nationally, with this level of performance sustained to 2008 | In the South West, 2005 results show 75% of pupils achieving Level 5 in English and maths with 73% in science. |
| By 2008, in all schools at least 50% of pupils achieve Level 5 or above in each of English, maths & science | Not currently known yet. |
| Objective III: All young people to reach 19 ready for skilled employment or higher education | |
| By 2008, 60% of those aged 16 to achieve the equivalent of 5 GCSE grades A*-C; and in all schools, at least 20% of pupils to achieve this standard by 2004, rising to 25% by 2006 & 30% by 2008 | In the South West results for 2005 show 56.1 % of pupils achieving 5+ A*-C grades at GCSE. |
| Increase the proportion of 19 year-olds who achieve at least Level 2 by 3 percentage points between 2004 & 2006, and a further 2 percentage points between 2006 and 2008 | The South West has increased its number of young people aged 19 who achieve at least a Level 2 from 70.5% in 2004 to 73.5% in 2005. |
| Increase the proportion of young people who achieve Level 3 | In the South West the proportion of young people who achieved Level 3 has increased from 44.9% in 2004 to 49.1% in 2005. |
| Reduce the proportion of young people who are not in education, employment or training (NEET) by 2 percentage points by 2010 | Figures show that in general the % of 16-18 year olds NEET has been falling over time. Within the South West, Connexion partnerships have seen NEET figures below the national average. |
| Objective IV: Tackle the adult skills gap | |
| Improving the basic skills levels of 2.25 million adults between the launch of Skills for Life in 2001 and 2010, with a milestone of 1.5 million in 2007 | The cumulative figures to 2004/05 show 87,371 learners gaining qualifications in literacy, numeracy and/or language skills counting towards the national skills for life target through LSC funded provision. The South West has achieved 73% of the target to 2004 of 75,255 and 56% of the target to 2007 of 155,323. |
| Reduce by at least 40% the number of adults in the workforce who lack NVQ2 or equivalent qualifications by 2010. | The proportion of adults without a Level 2 qualification has been decreasing steadily over time, from 33.6% to 31.3% by 2004. |
| Objective V: Raise and widen participation in higher education | |
| By 2010, increase participation in HE towards 50% of those aged between 18 & 30 | Nationally provisional figures for the 2004/05 Higher Education Initial Participation Rate (HEIPR) show 42% of people aged between 18 & 30 participating in HE. No data is available regionally. |
| Make significant progress towards fair access and bear down on rates of non-completion | Not currently known yet. |

FURTHER INFORMATION

This publication and further employment and skills related data, research and sources of information can be found on the SLIM website at <http://www.swslim.org.uk/labourmarket/index.asp>

Further information can also be obtained from, or comments sent to:

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NOTES:

¹ Data for the review is 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 is used.