RSP PERFORMANCE MONITORING REPORT
Highlights – July 2008
SLIM

1. Introduction

This Performance Monitoring Report has been produced by SLIM as part of the process of monitoring RSP and partner progress against the range of indicators included in the RSP Performance Monitoring Framework. As the Board will recall, this Framework consists of four elements.

Framework Indicators	Reporting schedule
RSP priority indicators	Reported half yearly
ESF indicators	To be reported quarterly when available
Partner indicators	Most partners report on a six monthly basis
Strategic Indicators	Annual reporting

An additional briefing on the impact of the economic slowdown on the South West labour market is also summarised in this report.

2. Highlights

This report presents the highlights of the latest round of performance monitoring analysis. Underpinning this are a number of data analysis reports which may be of interest to the Board and are available for download from the SLIM website: http://www.swslim.org.uk/labourmarket/swrsp/monitoring.asp . Links to the individual reports are also provided below. The reports were considered by the Performance Monitoring Group when it met in July and the highlights presented below were identified by the Group as being of interest to the Board.

2.1 RSP Priority Indicators

- **Leadership & Management Skills**

Nationally the proportion of students studying for Business & Administrative studies has risen over the period 2005/6 to 2006/7 (from 10.6% – 10.8%). In the South West, although starting from a higher base, the proportion of all students studying these subjects fell during the same period from 13.5% to 12.3%, continuing a pattern seen since 2002/03.

Regional institutions seeing a fall in numbers over the last year were Bournemouth University, the University of Gloucestershire and University of the West of England. The SW RSP is invited to consider whether it wishes to examine the reasons for such the decline in numbers at these institutions.

- **Enterprise Skills**

VAT Registrations

The South West is the region with the lowest rate of new VAT registrations. Registrations, measured as a % of business stock, were 8.8% in 2006, against a national average of 9.7%. 2006 saw 15,745 new VAT registrations in the South West. This is barely higher than 2002 which saw 15,550 new registrations.

On a positive note, however, business survival rates in the South West are high. The region has comparatively low levels of VAT de-registrations resulting in a positive net change in the VAT registered business stock of +2%, only slightly behind the national figure of +2.1%. This is an improvement on the previous year, which saw a net change of +1.8% in the South West, against a national rise of +2.1%.

Expenditure on Research & Development

In 2006, regional R&D expenditure by businesses rose by 9.6% on the previous year (£1,316 Million). This rate of growth compares favourably with the national growth rate of 6.7% over the same period.

- ***Innovation & Creativity***

HE STEM applications & acceptances

During 2007 applications for STEM subject places to SW Higher Education rose by 8,349 on the previous year. The number of STEM applications received by SW HEIs grew by 21.3% from 2002-2007, faster than the growth in applications for all subjects of 17.2%. In the same period the number of STEM acceptances rose by 18.1%, roughly in line with the 17.7% growth rate in acceptances for all subjects.

Although not conclusive, this data may suggest that demand for STEM places at SW HEIs is rising faster than their supply. This should be examined further by the SW STEM Project Steering Group, as it may have implications for the focus of activities funded under the RSP STEM initiative.

While there has been an 18.1% rise in all STEM acceptances since 2002 this is not shared evenly across all subjects. Engineering acceptances have risen by only 2.5%, while acceptances for Mathematical and Computer Sciences have fallen 15.1%. This is being examined in more detail as part of the STEM research.

Young people not in Education, employment or training (NEET)

The NEET numbers have fallen slightly over the past year. In 2007, 5.5% of young people in the region were NEET (a figure lower than the England average of 6.7%), down from 6% in the previous year. The proportion of all young people whose destinations were 'Not known', (and often assumed to be NEET), also fell from 3.6% in 2006 to 3.3% in 2007.

Download: http://www.swslim.org.uk/documents/monitoring/2008/rsp-performance-july-08.pdf

2.2 ESF Indicators

There is no delivery data to report at this early stage of either the Competitiveness (SW except Cornwall) or the Convergence (Cornwall) programmes. Co-financing organisations have issued tenders and have commissioned or are in the process of finalising contracts with suppliers to deliver 4/7ths of the overall seven year programme.

Total ESF funding allocations to be let by co-financing organisations in the current contracting round are approx:

	Competitiveness	**Convergence**
LSC	£31.6m	£47m
DWP / JC+	£17m	£16m

Contracts with suppliers require the delivery of 4/7ths all outputs and results specified for each measure within the South West programme, e.g. number of participants, lone parents, unemployed participants, people gaining qualifications, jobs etc. Delivery is expected to start in June & July. Progress reporting will follow later in the programme.

2.3 Partner Indicators

2.3.1 Business Link

South West Business Link has performed extremely well in Quarter 4 of 2007/08 – better than any other English region.

- Market Penetration was 18% above target levels;
- The number of intensively assisted businesses was 86% above target;
- Customer satisfaction is very slightly below target, but not to a statistically significant degree.

A strategic decision to focus on intensive assistance around businesses growth and with start-ups and pre-starts accounted for the good performance on intensive assists. This has been achieved while continuing to meet broader, lighter-touch, market penetration targets.

Download: http://www.swslim.org.uk/documents/monitoring/2008/bl-performance-july-08.pdf

2.3.2 Jobcentre Plus

During the period October 2007 to March 2008 Jobcentre plus has seen some growth in the number job losses and redundancies.

	Jan – Mar 08	Oct – Dec 07
Job Losses Notified	8,900	11,450
Designated large-scale redundancies	18	11
Employees made redundant	3,065	1,985

While numbers remain fairly low there is concern that this may be an early result of the ‘credit crunch’ and its associated economic impacts. There are also signs that redundancies may be concentrated in some sectors and some areas, creating significant impacts localities. Printing, the food & drink processing industry and the Swindon area had all been affected.

Jobcentre Plus had been the most successful English region in supporting back into work a) people on Inactive Benefits, including Incapacity Benefit and lone parents, and b) short term Job Seekers Allowance (JSA) claimants. The region ranked 6th among the 9 regions in supporting New Deal and long-term (> 6 months) JSA Claimants back into work.

Download: http://www.swslim.org.uk/documents/monitoring/2008/jcplus-performance-july-08.pdf

An LSC report will be presented at the meeting.

2.4 Strategic Indicators

The Healthy Labour Market Review process, first developed in 2004, is a benchmarking exercise that allows the RSP Board to examine the health of the SW labour market against a range of strategic indicators. This year, on the request of the RSP, significant additional analysis has been added to the, “Qualifications, Skills and Learning” section, showing progress in relation to skills levels and participation in learning. Also included is a new Leitch analysis (based on a methodology developed in the West Midlands), which shows current baselines, required progress to meet 2011 interim targets, progress required to meet full 2020 targets and local authority analysis of these. The projection data used is from Working Futures II[1]. As this is due to be updated in a few months, the projections will be reviewed and any changes reported to the board.

2.4.1 Skills shortages and skills gaps

The key changes to point out this year are in relation to skills shortage vacancies and skills gaps experienced by employers in the region, based on an analysis of the National Employer Skills Survey (NESS) 2007[2]:

- ***Overall vacancies are down***. In 2007 vacancies reported by employers in the region accounted for 2.7% of total employment (58,600), down from 2.9% of employment in 2005 (62,500). Somerset and Wiltshire & Swindon have significantly lower levels of vacancies (2.1 and 2.3% respectively) than Poole, Dorset and Bournemouth, Devon and Cornwall and Gloucestershire at 2.9% (just above the national average).

- The highest proportions of vacancies by occupation, are in sales, elementary and technical occupations. The region has higher proportions of vacancies in administrative, sales and operative occupations, than nationally, and relatively few in higher level (managerial, professional and technical) occupations.

- ***However, the proportion of vacancies which are hard to fill (HTF) have risen.*** In 2007 SW employers reported around 20,500 HTF vacancies, (around 35% of all vacancies), a rise of 4% on 2005 and the highest

[1] The new data will be produced by UKCES.
[2] Source: Derived from National Employer Skills Survey by LSC SW Research Team

rate amongst the English regions. This suggests that employers are finding it increasingly difficult to find suitable employees to fill their vacancies. This most strongly affects employers within manufacturing, construction, transport and land-based industries. Creative industries and the care sector also face significant problems.

- ***Skills shortage vacancies (SSVs) have also risen***. Nearly two thirds of all HTF vacancies (up from 55% in 2005) were difficult to fill due to a lack of skilled applicants (a total of around 12,700 Skills shortage vacancies). The region has the joint second highest level of skills shortage vacancies (22% of all vacancies, up from 17.7% in 2005), a proportion only higher in London (26%). This suggests that vacancies are becoming more of a problem for the region's employers.
- The South West has a higher proportion of SSVs in skilled trades (over 20% of the total), administrative and machine operative occupations (around 16% of the total), compared to the national average. In line with the smaller proportions of vacancies in higher level occupations, these account for a smaller proportion of SSVs compared to nationally. The occupational levels indicate a shortage of level 2 and 3 skills for some employers.
- By industry, the Sector Skills Councils (SSCs) with the most SSVs, in terms of volumes, are:
  - Construction (Construction Skills) – approximately 1,500 SSVs
  - Hospitality (People 1st) – 1,300
  - Retail (Skillsmart) - 800
  - Engineering (SEMTA) - 700
  - Health (Skills for Health) - 700
- However, if we look at the concentration of skill shortages at sector level in the South West, we find that SSVs comprise a higher proportion of vacancies in: Construction (ConstructionSkills); Creative media (Skillset); Land-based industries (Lantra); Building services engineering (SummitSkills); Passenger transport (Goskills); Engineering (SEMTA); Retail Motor Industry (Automotive Skills); Advertising, crafts, music, performing, heritage, design & arts (Creative and Cultural Skills); Fashion & textiles (Skillfast-UK); IT & telecoms (e-skills UK). This is a continuing pattern across the last three NESS surveys.
- ***The proportion of employers reporting that their workforces lack skills has also risen***. In 2007, 16% of employers reported having a skills gap, (137,000 employees assessed as not being fully proficient in their job). This accounted for 6% of total employment, and represents an increase from around 5% in 2005 (107,000 employees), in line with national figures.
- Sales (24%) and elementary occupations (17%) accounted for the highest proportion of the South West's skills gaps in 2007. In comparison to the national picture, the region has a larger proportion of skills gaps in sales, skilled trades, personal service and operative occupations. Here the skills required tend to be employability skills rather than technical skills. Higher level (managerial, professional and technical) occupations account for a lower proportion than nationally, suggesting that the region's managerial and professional workers are less likely to be experiencing skills gaps.
- ***At the same time the levels of work-relating training are falling slightly***. One response to skills shortages and gaps is for employers to provide training for its existing workforce. In the South West latest figures show that 11% of employees had received work-related training of some kind in the last three months (slightly higher than the national average of 10.3%, and is the third highest of the English regions). However, in the last two years, the trend is for a falling level of work-related training, for the South West and its neighbouring regions, in line with the national average.

2.4.2 Skills targets

- 47% of pupils in the region achieved 5 or more GCSE grades at A*-C including Maths and English, improving marginally on 2006 (46.2%). This is above the national average (45.5%) but the gap is narrowing.
- In terms of A levels, the SW continues to be the best performing region.
- The proportion of 19 year olds achieving a level 2 qualifications has increased by 6% between 2004-2007 (76.1%), as has the proportion achieving a Level 3 qualification up 6% to 50.1%. This mirrors national trends, although the SW performs above the national average and is ranked third highest of the English regions.
- The proportion of adults participating in learning has fallen slightly (around 2%), although the SW continues to perform well in relation to other regions.
- The proportion of those of working age with no qualifications continues to decline gradually.
- The region has improved its performance in relation to the proportions of the working age population with skills at Levels 2, 3 and 4 over the previous year.
- Significant local variations continue for all indicators.

Download: http://www.swslim.org.uk/documents/monitoring/2008/hlmr-08-draft.pdf

2.5 Impact of Economic Slowdown

As part of the suite of papers for the Board, SLIM commissioned the Business and Economy Module to produce a briefing on the impact of the economic slowdown on the regional economy and labour market.

- The effects of the credit crunch, high oil and commodity prices, falling house prices and the rising cost of food are converging and an economic slow down in the United Kingdom is now inevitable. Economic growth projections for 2008 and 2009 are low, though a technical recession is not yet being predicted.
- Unemployment is expected to rise. The South West still has a relatively "healthy" labour market and may be less susceptible to an economic downturn, at least at first. Areas of high unemployment are already more vulnerable. Equally, sectors that have a higher dependency upon 'discretionary spending' may be affected.
- There is little evidence yet of economic slowdown in either the national or regional data, though vacancy notifications may be levelling off as businesses stop hiring in the face of an uncertain future.
- Anecdotal evidence and media reporting suggest that construction and housing related sectors are already being affected and there has been high profile reporting of lower profits in the retail and financial services sectors. Business closely linked to either the financial services or housing sector should be affected first.
- The South West will feel the effects of a national downturn though with a time lag. Business and financial services centres (Bristol, Swindon, Bournemouth and Poole) and those areas aligned to the South East and London will be affected earliest. Areas dependent upon leisure and tourism (coastal towns and the far South West) and discretionary spending will suffer later as consumers rein in spending.

Download: http://www.swslim.org.uk/documents/monitoring/2008/sw-labour-market-recession.pdf

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