

## **1. INTRODUCTION**

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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 May 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.

### **1.1 Purpose of the review**

The purpose of the review is threefold:

- To enhance the knowledge and shared understanding of the current skills market in the South West as part of the Framework for Employment and Skills Action (FRESA) objective to 'provide a coherent skills development infrastructure';
- To analyse the policies of the various agencies involved in the FRESA set against the strategic overview of the skills market, and to examine the impact of existing and potential interventions on the skills market, identifying any tensions, both within the policy framework and between policies and the skills market; and
- To provide an analysis of the relationship between data, research and action, including information on the impact of data and research on policy and the potential for more effective knowledge transfer processes within the region.

The drive for a more demand-led approach to policy and planning in the skills arena has meant that there is increasing emphasis on the need for strong evidence and analysis to underpin planning. Yet at the same time, many of the plans that underpin regional and local action lack precision. It was not within the scope of this report to provide detailed forecasting of future skills demand and supply within the region to form the basis of future planning. The lack of availability of good forecasting data and problems with its reliability, particularly at local level, would render such an analysis inadequate as the basis of planning with any degree of precision. Instead, our focus has been to identify the key challenges facing the region as identified by the broad trends in skills demand and supply at regional, and, where appropriate, sub-regional levels, and from this to pinpoint areas for short and medium term attention.

This report presents the findings of the review and makes recommendations for action in the region.

## 1.2 Background

The South West FRESA identifies what needs to happen in the region to develop and maintain a healthy labour market<sup>1</sup>. It is driven by the SWREF and three Strategic Objective sub-groups, which are responsible for taking forwards a series of actions geared towards:

- Engaging Employers;
- Inspiring Individuals;
- Working for a natural balance (in the labour market).

Two of the 'Actions' for which the 'Natural Balance' group has responsibility are to '*ensure the region has early intelligence of emerging skills shortages and mismatches*' and to '*develop joint planning by the key funding organisations represented on the SWREF*'. The 'Natural Balance' group established a 'demand and supply' activity group<sup>2</sup> to take forward these Actions.

This review of the skills market is one of a series of related projects and activities in the region aimed at enhancing knowledge of the economy, its labour market and the market for skills. This review has been fortunate in being able to draw on two recently completed reports: *South West Healthy Labour Market Review (HMLR)*<sup>3</sup>; and *Employment, Learning and Skills in the South West of England*<sup>4</sup>, both of which have provided useful context, invaluable data sources and analysis for this work. However, whereas these projects have drawn almost exclusively on data analysis, this project has placed greater emphasis on the views of the leaders, managers and practitioners who plan, deliver and use skills in the South West region.

This project also coincided with the South West Learning and Skills Councils (LSCs) Strategic Area Reviews (StARs). It had been anticipated that this project would support the StAR process by collecting data on behalf of the LSCs. In the event, the need to seek additional funding meant that the project commenced later than expected and therefore was unable to contribute to this process as anticipated. The project did, however, provide support for LSCs on an individual basis where this was requested. The project has also benefited from some of the supply-side information emerging from the StAR process.

This report also comes at a time when the SWREF is evolving, with plans for the Regional Skills Partnership (RSP)<sup>5</sup> now firmly on the horizon. From Autumn 2004<sup>6</sup>,

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<sup>1</sup> The *South West Framework for Regional Employment and Skills: the Working Document*, SWRDA, October 2002 (see South West FRESA).

<http://www.southwestrda.org.uk/what-we-do/skills/fresa/index.shtml>.

<sup>2</sup> See Annex 1 for membership.

<sup>3</sup> IES, *South West Healthy Labour Market Review: Final Draft Report*, IES, May (to be published).

<sup>4</sup> M Spilsbury, *Employment, Learning and Skills in the South West of England*, SLIM, 2004.

<sup>5</sup> South West FRESA newsletter – March/April 2004, South West RDA (available on [www.southwestskillsstrategy.info/](http://www.southwestskillsstrategy.info/)).

the SWREF will evolve into the South West Enterprise and Skills Alliance (SWESA)<sup>7</sup>. At a strategic level, this will fundamentally change the delivery of the skills and enterprise agenda in the South West (see section 2.3).

It is anticipated that the results of this review and its policy recommendations will be of assistance to the SWESA partners as they set their priorities for action.

### **1.3 Methodology**

The methodology for the review was agreed by the Steering Group and based on two linked activities. For further information on the methodology see Annex 2.

#### **1.3.1 Analysis of the demand and supply for skills in South West England**

- The first stage of the work comprised a desk-based analysis of existing data and research. Additional work on collating supply-side data was undertaken in partnership with the Association of Colleges and HEFCE.
- This supply-side data was drawn together with demand-side data, such as the *National Employers' Skills Survey*, the *South West Household Survey 2002* and Census data.
- Relevant information from the LLSC StAR process was drawn together for SLIM by Somerset LSC and detailed data maps produced for SLIM by the Regional Observatory Core Unit.
- Detailed analysis of major employers in the region which contribute significantly to the demand and supply of skills was also conducted and included: the armed forces; local authorities; the National Health Service; and Jobcentre Plus. Information was provided by the agencies concerned.

#### **1.3.2 Assessment of organisations' policies and capacity to anticipate and respond to skills shortages**

To achieve this, the project undertook an analysis of the policies of key agencies involved in the delivery of the FRESA, setting these against the overview of the skills market. This included the following elements:

- Desk research gathering together over 150 strategy documents and delivery plans from different stakeholder organisations. This was followed by structured telephone interviews with between 2 and 3 organisations within each sector as agreed by the project steering group;

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<sup>6</sup> The first SWESA meeting will take place in November 2004, although the changeover process will develop over a much longer period of time.

<sup>7</sup> SWESA is the working title of the partnership.

- The purpose of these interviews was to develop further our understanding of: the policies and planning processes of key partner organisations; the drivers of policy and practice; and the extent and mechanisms by which policy and practice seeks to anticipate and respond to emerging skill shortages;
- The development of early stage findings and recommendations for presentation to a consultation workshop to test/validate early stage findings, to identify common concerns and actions that could support better joint planning by key organisations across the region.

#### 1.4 Structure of the report

The report is structured as follows:

Section 2 presents the broad **economic context** that is driving the demand for skills. In it, we also examine the policy drivers at national, regional and local level within which the skills market operates. Finally, we examine the labour market within the region by way of context for the more detailed analysis of the skills market in the South West.

Section 3 presents the methodology for, and **analysis of, the South West skills market**. This section also examines in detail the demand and supply of formal learning and training and of non-formal learning.

In Section 4, we present an **overview of the key strategies and structures** in the South West, including: an outline of key agencies and their roles and remit; an examination of the relationship between regional and local strategies; an exploration of the planning processes and the use of LMI and, finally, an examination of the synergies and tensions present within the region.

In Section 5, we draw out the **conclusions and key issues for the region** arising from the analysis of the skills market and the review of strategies and structures in the region. We will highlight those that are working well, together with the tensions and disfunctions within the system, and review the key gaps and overlaps in the region.

Finally, in Section 6, we present **recommendations** for action in the region.

To aid the reader, we have provided a short summary at the start of each section.