

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

**REPORT FOR THE SOUTH WEST REGIONAL EMPLOYMENT
FORUM**

OVERVIEW REPORT

SLIM

NOVEMBER 2004

This overview is intended to provide a brief description of the issues facing the region and on which the region will need to take action. In doing so, it highlights:

- The main features of the skills market in the region;
- The major strengths, weaknesses, imbalances and gaps in the market; and
- The major policy issues that arise from this analysis.
- Recommendations for action.

1. Main features of the South West skills market

1.1 Demand for skills

1.1.1 Current demand for skills

Analysis shows that 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+). At the same time, looking at employer vacancies by occupational type, it can be seen that demand exceeds supply for those occupations which require intermediate and lower level skills. Whilst studies of individual sectors¹ 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 doesn't 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.

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. In terms of skills shortage vacancies, these accounted for only 17.3 per cent of all vacancies, the lowest proportion of any region and below the national figure of 19.9 per cent. This pattern becomes even more marked when looking solely at skills shortage vacancies, where 16 per cent are within elementary occupations as opposed to only 3 per cent for managers and senior officials. One of the major differences between England and the South West is the prevalence of skills shortage vacancies related to skilled trades. Figures stand at 23 per cent for the South West and only 18 per cent for England.

There is a generally optimistic picture emerging for the labour market in that over the next 12 months, 38 per cent of employers expect to increase employment², with 57 per cent expecting no change. Only 4 per cent of employers expect a decrease in employment.

¹ For example, *South West RDA Select Committee on Advanced Engineering - Report on skills shortages in advanced engineering in the South West*

² NESS 2003.

1.1.2 *Future demand*

In examining future skills, it is important to consider that the demand for skills is derived from two sources:

- From replacement needs, based on people leaving jobs; and
- From business growth, as a result of business expansion or movement into higher value product/service markets.

Estimates suggest that replacement demand will outstrip employment growth 10 fold, indicating a significant need to infill low to intermediate level employment. At the same time, future trends show a projected movement towards higher skilled employment as a result of a continuing shift in the region's industrial and occupational structure over the next 10 years.

1.1.3 *From business growth*

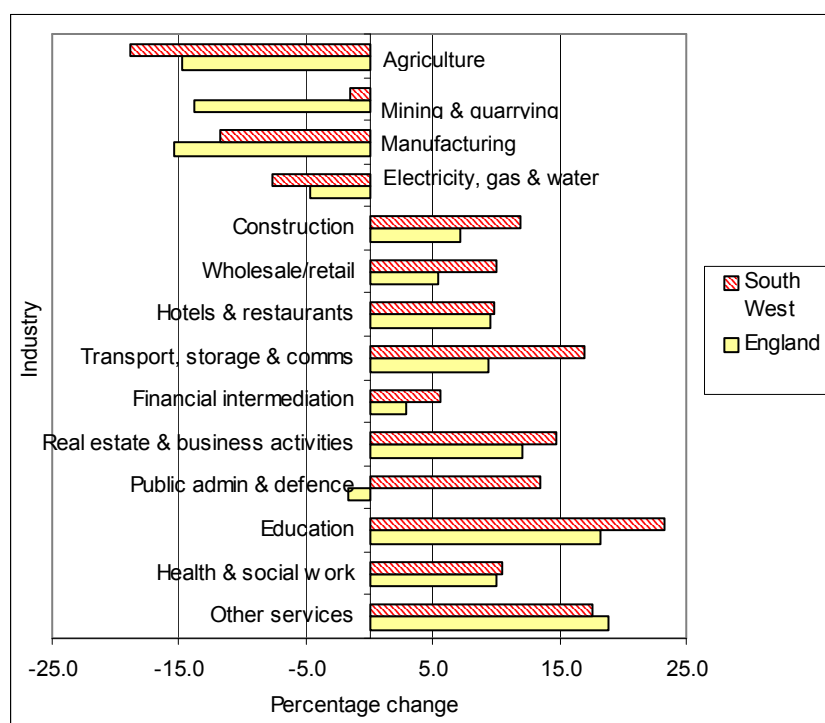
IER forecasts suggest that over the next 10 years, it is expected that an additional 120,000 jobs will be created in the South West. Perhaps more important is that the nature of these jobs is changing rapidly: over the next 10 years in the South West there will be an extra 149,000 jobs in the top three occupational groups, which nearly all require degrees for entry. At the same time, there will be a decrease of 63,000 in the bottom two occupational areas – those that require the least levels of qualifications.

Within the region, employment is set to increase across the majority of service-related industries with the exception of banking and finance and transport and communications. These industries already have below average employment levels in the region, and show only marginal projected increases to 2012. No change is forecasted in public administration and defence industries. In general, employment is forecasted to continue declining in primary, secondary and manufacturing industries.

In terms of occupational change, managers and senior officials, professional and associate professionals, as well as personal service and sales and customer service occupations are set to increase. For the South West, forecasted increases in managers are not as large as nationally, only a 0.9 per cent increase in employment share compared with 1.3 per cent nationally. The increase in associate professionals is also less with 1.2 per cent in the South West compared with 2 per cent nationally.

Decreases are forecasted in elementary, administration and secretarial, skilled trade occupations and process, plant and machine operatives. The same is also true for the South West. The decreases in employment share for skilled trades are less in the South West than nationally with figures at –1.6 per cent and –2.3 per cent respectively. Decreases for process, plant and machine operatives and elementary occupations are also slightly less than the national average.

Employment Change from 1998 to 2002 by Industry



Source: ONS, Annual Business Inquiry

1.1.4 Replacement demand for skills

More important for the South West is an analysis of replacement demand, which to a lesser or greater extent affects all occupations. Primarily, for occupations such as managers and proprietors in agriculture, administration and clerical occupations, skilled metal and electrical trades, process, plant and machine operatives, and elementary clerical work, the positive level of replacement demand outweighs the overall decline in employment levels. For occupations such as corporate managers, teaching and research professionals, health and social welfare, business and public service associate professionals, caring personal services and sales occupations, retirements will add to an already positive level of expansion demand.

Replacement demand is projected to outweigh decreases in demand in the following occupations:

Occupational group	Anticipated change
<i>Administrative and Secretarial</i>	Despite employment levels forecasted to decrease by 22,000 and 21,000 respectively by 2012, leading to a net requirement (the difference between expansion and replacement demand) of 56,000.
<i>Skilled Trades</i>	A replacement demand of 108,000 will outweigh the expected decreases in employment levels leaving a net requirement of 81,000.
Process plant and machine operatives	These will see a net requirement of 16,000.

<i>Elementary occupations</i>	The decreases forecasted of 49,000 will be outweighed by replacement demand leaving a net requirement of 52,000.
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The following occupations are those where both expansion and replacement demand are positive:

Occupational group	Anticipated change
<i>Corporate managers</i>	A net requirement of 135,000 by 2012.
<i>Professionals</i>	A net requirement of 129,000 where over half are for teaching and research professionals.
<i>Associate professionals</i>	With a replacement demand of 101,000 and projected increases in employment of 47,000, a net requirement of 148,000 is projected for 2012.
<i>Caring and personal services</i>	It is projected that 109,000 jobs will be the net requirement by 2012.
<i>Sales and customer services</i>	This occupational group sees a net increase of 121,000.

Whilst this analysis is useful in looking at broad trends, caution is required in drawing too precise a conclusion from this information. 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.

In addition, it is important to note that the distribution of sectors and occupations varies significantly across the region and the main report of the review provides a more detailed analysis by sub-region.

1.2 Demand for Learning

The demand for skills described above will need to be satisfied in a number of ways:

- Education and training for the potential workforce;
- Upskilling the existing workforce;
- Inward migration of labour.

The demand for learning therefore derives from two sources:

- The demand from employers for learning to meet skill needs; and
- The demand from individuals to improve employability and for career development.

1.2.1 Demand from employers

A range of factors will determine the extent to which employers' demand for skills will translate into a demand for learning. A significant factor in terms of the demand for

learning is business size. Analysis shows that the self-employed and employees of micro- and small businesses are least likely to participate in formal learning.

The South West currently has a high proportion of employment in small businesses and self-employment. At the start of 2001, small businesses in the South West, those from 0-49 employees (so including those without employees or unregistered businesses), accounted for 99 per cent of enterprises. They also accounted for 53 per cent of employment and 43 per cent of turnover in the region. Although a similar figure is seen nationally in terms of the proportion of business that are small, those in the South West region account for a greater proportion of both employment and turnover, with national figures at 42 and 36 per cent respectively.

The South West also has the highest level of self-employment amongst the English regions³, some 2.4 per cent higher than the national average.

The occupations and industries in which people work is a further significant factor in the likelihood of participation in adult learning and training. Industries such as public administration, education and health are most likely to be involved in job-related training. Industries such as construction, distribution, hotels and catering, manufacturing, and some transport and communication industries, all of which are important to the region, are least likely to participate in training.

1.2.2 Demand from individuals

Evidence suggests that the participation of adults in the South West in formal learning and training is relatively high in comparison to the national picture. The Labour Force Survey (2001) indicates that the region has one of the highest proportions of adults who are involved in some form of adult learning. A range of factors affects the demand for learning by individuals. By far the most important factor for adults is their employment status. Other factors include age, gender, existing skill levels and where they are employed.

1.2.3 Employment status

Learning is primarily driven and motivated by work thus those in employment, whether full or part-time, are more likely than those who are not or who are inactive, to be involved in learning. Information from the 2002 *South West Household Survey*⁴ identified 78 per cent of learning to be related to work. At the same time, the South West enjoys a high employment rate (one of the highest rates within the UK, with 80 per cent of people of working age being in employment) and a low unemployment rate.

1.2.4 Gender

Males are most likely to participate in learning, reflecting their greater level of participation in the labour market⁵. However, recent trends for participation in job-

³ Labour Force Survey 2001.

⁴ BMG, *South West Household Survey 2002-03, Summary Report*, South West LSCs, 2003.

⁵ Department for Education and Skills (DfES) analysis of 2001 Labour Force Survey and La Valle & Blake, M, *National Adult Learning Survey*, DfES, 2001.

related training show the reverse. This reflects that women are more likely than men to undertake job-related training and the greater uptake by women has been linked to the tendency for their being more frequently employed in industries (eg the public sector) and occupations (eg teaching) where job-related training is most prevalent.

1.2.5 Age

Those who are older are less likely to be involved in learning or training. Participation by employees drops from 26 per cent for the 16-19 age group to 10 per cent for those aged 50-64. The South West has a higher proportion of its residents aged 50 and over than any other region in England and the older population is increasing at a faster rate in the South West than for England as a whole⁶.

1.2.6 Existing skills levels

People who are already well qualified and/or who work within industries or occupations that have greater concentrations of higher skills levels are more likely to be involved in learning or training than those with lower qualification levels and/or who work within industries or occupations where skills levels are generally lower. Analysis⁷ suggests that 23 per cent of those employees qualified to degree level, and around 22 per cent of those employees with a higher education qualification (below degree level), had participated in job-related training. This compares to just 15 per cent for those with GCSE grades A* to C.

1.3 Supply of learning

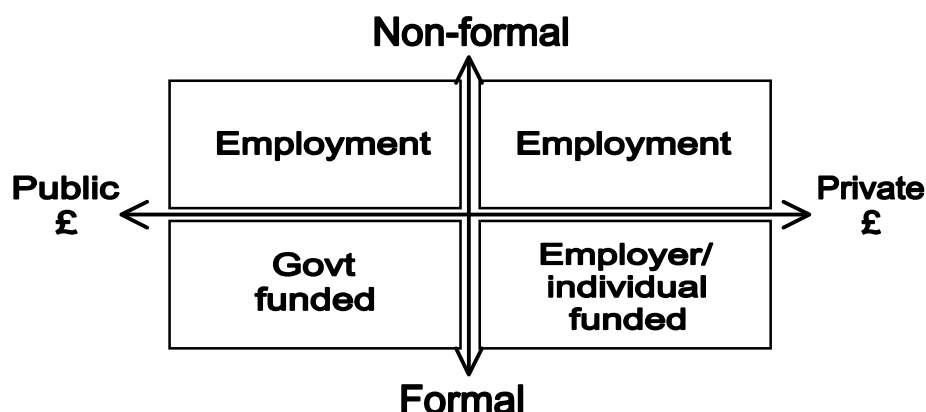
The supply of learning comes from three sources:

- Formal learning public funded education and training;
- Formal privately (employer and individual) funded education and training;
- Non-formal learning in the workplace.

⁶ South West Observatory (SWO), *State of the Region Report*, SWO, 2004.

⁷ DfES of the 2003 LFS Spring quarter.

The skills development infrastructure



Source: G James, *Strategic Options report*, 2004

1.3.1 Formal learning – public funded education and training

Publicly-funded learning is delivered by a wide range of institutions in the region, including sixth forms and sixth form colleges, further education colleges, private sector training providers and Higher Education Institutions.

There is also a wide diversity of funding sources. LSC, local authorities, HEFCE, Jobcentre Plus, European funding, **learn**direct and to a lesser extent the RDA funding, support learning supply. For example, following the success of the Wiltshire and Swindon Employer Training Pilot (ETP), the extra funding for skills for life and level 2 has now been extended to Devon and Cornwall. This clearly has implications for the remainder of the region.

This funding supports a range of provision:

GCSE and A levels: GCSE results for 2002/03 show that just over 54 per cent of young people aged 15 in the South West gained 5 or more A* to C grades. This makes the South West the second best performing region, just behind the South East. In general, these results have also been improving over time. The percentage of pupils gaining five or more GCSEs passes at grades A* to C in the South West increased by 2.4 percentage points between 2001 and 2003. Evidence suggests that overall attainment in the South West of both GCSEs and A levels is high in comparison to other regions, and that the majority of young people move from secondary into full-time further education.

Vocational qualifications: Information from the Department for Education and Skills (DfES) shows that in 2001/02 there were just over 31,000 National Vocational Qualifications (NVQs) awarded in the South West. This figure is down from just over 34,000 in 2000/01 and approximately 36,000 in 1999/00. This drop in NVQ awards has also been seen nationally. The majority of NVQ awards are assessed at Further Education (FE)/ Tertiary/ 6th Form colleges and they account for 59 per cent of all

awards assessed in the South West. However, a more detailed breakdown available nationally shows that 6th Form colleges only actually account for about 0.7 per cent of NVQ awards.

Higher Education: As at 2003, there were 13 higher education institutions (HEIs) in the South West of which seven are universities and six are higher education colleges. South West HEIs have a student population of over 130,000. The University of the West of England (Bristol), Bristol and Plymouth Universities are the regions largest, catering for over 50 per cent of the region's students.

Jobcentre plus provision: In the case of Jobcentre Plus programmes for training, for the year to November 2003, there were a total of just over 5,500 starts at Jobcentre Plus Programme Centre. The largest number of these starts was in Devon and the West of England with the fewest in Somerset.

Information on the provision of publicly-funded learning is currently lacking, particularly that delivered by the private and voluntary sector providers. The supply of learning will be easier to map at regional level when the six South West LSCs' Strategic Area Reviews (StARs) are published.

1.3.2 Formal privately (employer and individual) funded education and training.

There is a significant gap in our knowledge and understanding of employer and individual-funded education and training. 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. In order to attempt to plug this gap, the review undertook an analysis of the region's major employers, all of which happened to be public sector employers. The NHS, local government and the Armed Forces are large employers and at the same time make a significant contribution, as employers, to the supply of learning. It is difficult, again, to estimate exactly how much is spent by these employers on training because there will be some contribution to this from public funding sources. However, the budgets for the Workforce Development Confederations (WDCs) in the South West, for instance, are considerable and in some cases dwarf the budgets of the LSCs.

It is anticipated that the Sector Skills Councils (SSCs), once fully operational, will plug the gaps in our knowledge and understanding of the privately funded element of learning supply in specific sectors.

1.3.3 Non-formal learning

Evidence suggests that non-formal learning is becoming an increasingly important route for skills acquisition and is often seen by employers as more effective in meeting their needs. The recent CIPD *Survey of Training* shows that the employers responding to their survey reported that the proportions of formal and informal training are 60% informal and 40% formal. A third of those interviewed rely heavily on non-formal training to provide their majority training methods ie 75–100% of their

training activity. This pattern illustrates the continuing importance of informal training within contemporary British workplaces.

A major problem in examining the contribution of non-formal learning to the supply of learning in the region is that there are significant problems associated with defining and therefore measuring non-formal learning. However, we do know that non-formal learning is likely to be particularly important for self-employed and micro-business where, for reasons of time and cost, this may be the preferred form of skills acquisition.

2. Strengths weaknesses, imbalances and gaps

2.1 Strengths

2.1.1 Skills level and participation in learning and training in the region is high

The South West has one of the most highly qualified workforces in the UK, with a quarter having qualifications at Level 4 or above. Those in work are more likely to have high levels of qualifications than the unemployed and inactive. The region has:

- the third highest proportion of working age people qualified to NVQ level 4;
- joint highest proportion qualified to NVQ level 3; and
- a very small proportion of the working age population without qualifications (the lowest proportion of all the English regions).

Workforce Qualifications

	South West	England
GCSE attainment⁸		
% of 15 year olds achieving 5+ A* to C grades, 2002/03	54.6	51.1
A' Level attainment⁹		
Average point score per student, 2002/03	249.8	244.2
Participation of young people in education & training¹⁰		
16 and 17 year old participation in education & training	80	78
Participation of adults in learning¹¹		
	80	76
Participation of adults in job-related training¹²		
	13.4	12.1
Workforce qualification levels¹³		
No qualifications	11.2	15.4
NVQ Level 1	17.3	15.0
NVQ Level 2	15.9	15.3
NVQ Level 3	15.4	14.4
NVQ Level 4+	25.0	23.9

⁸ Department for Education and Skills (DfES), 2004.

⁹ DfES, 2003.

¹⁰ DfES, 2004.

¹¹ Office for National Statistics (ONS), *local area Labour Force Survey*, 2001.

¹² as above.

¹³ as above, 2002.

2.1.2 High levels of economic activity and low unemployment.

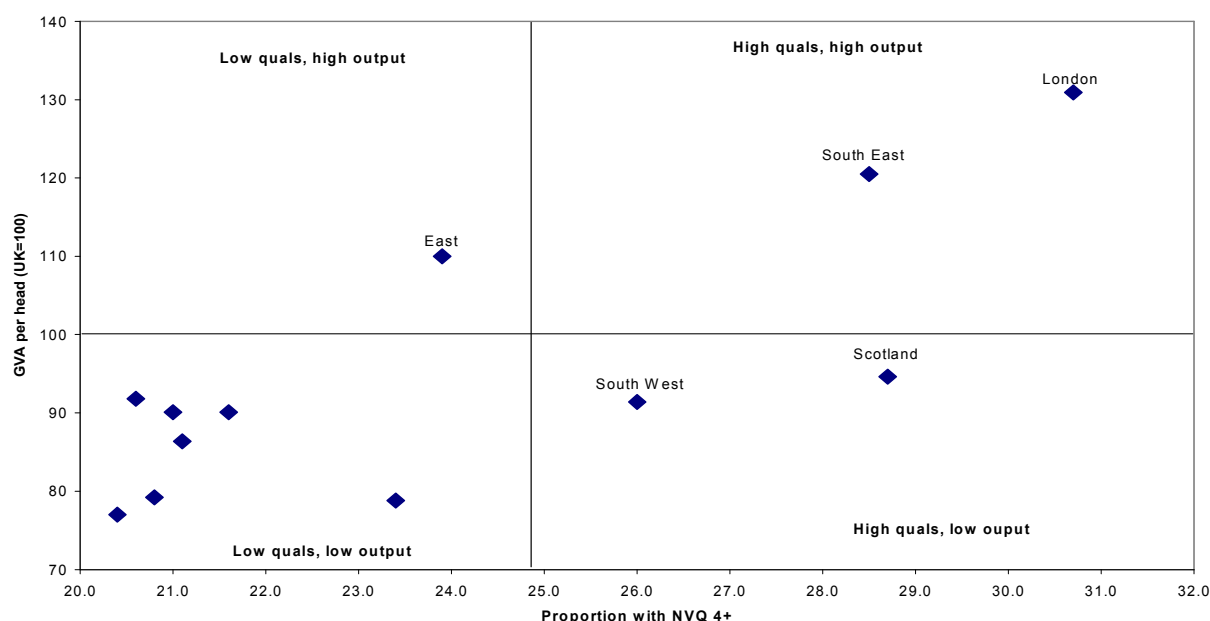
The South West has one of the highest employment rates within the UK, with 80 per cent of people of working age being in employment and small differentials in employment rates by gender, disability and ethnicity. The region also enjoys a low unemployment rate, which is expected to remain stable at relatively low levels when compared with recent historical experience.

2.2 Weaknesses

2.2.1 Relative lower productivity and a low skills equilibrium

The South West has the lowest level of productivity as measured by both gross value added per filled job and gross value added per hour worked, of all regions in the country except Northern Ireland¹⁴. This relative low productivity, coupled with other evidence such as low output per head, and employers reporting few skills gaps within their workforces and little difficulty recruiting the skills they need from the external workforce, suggest that businesses in the region are operating in a low-skills equilibrium. This poor performance is worrying given the fact that the region has one of the more highly qualified workforces of the UK regions.

Proportion with high level qualifications against GVA per head



Source: Labour Force Survey from IES, *Healthy Labour Market Review, 2004* HMLR, 2004

2.2.2 Underdeveloped demand for higher level skills

An overarching issue, and one which is crucial in the context of raising the region's productivity performance, is that, in relation to higher-level skills in some sectors, the problem is undeveloped demand rather than a weakness of skills supply. In this context, achieving the FRESA vision of "a high productivity, high wage economy, with

¹⁴ It should also be noted that the UK performs relatively poorly in comparison with many of its international competitors in terms of productivity.

high employment sustained over the course of the economic cycle” presents a significant challenge.

2.2.3 The structure of the business base

The high level of self-employment and micro-businesses, whilst not of itself a weakness, presents a significant challenge for those seeking to improve participation in learning in the region as these are least likely to engage in training.

2.2.4 The ageing workforce

Demographic trends in the region point to an ageing workforce. Participation in the labour market reduces with age, and age is an important factor in the take up of adult learning. Information suggests that overall participation in adult learning and training declines dramatically with age. The *Labour Force Survey* (2001) shows that 48 per cent of over 50s in the South West were not involved in adult learning as opposed to approximately 10 per cent for those aged 20-24, and 14 per cent for those aged 25-49. This lack of participation by over 50s is at its highest in the Devon and Cornwall LSC area where the figures are at 50 per cent. This may be a particular issue for the South West given the region’s population profile where the South West has a higher proportion of its residents aged 50 and over than any other region in England and again presents a significant challenge to raising participation levels in learning.

2.2.5 The region is a net exporter of graduates.

The region is a net exporter of graduates: the majority of people in the South West go on to study in higher education outside of the region. The proportion of those staying in the South West is lower than for many other regions. Most of those who study in the South West will take up employment outside the region. This may be the result of the perception of fewer graduate opportunities and lower earnings within the South West.

2.2.6 Weak business generation

Although the region has a high rate of business generation as measured by VAT registrations, behind London, the South East and Eastern region, its rate of de-registrations is higher, resulting in a net loss of businesses. In terms of the numbers of businesses lost, the region is second only to London and Wales. This does not take account of the high number of businesses in the region that are below the VAT threshold.

2.2.7 Lack of skill intensive industry

The South West has a diverse economic base and is one of the UK’s least specialized regions. Whilst this can be beneficial and protect the economy from external shocks, it can lack the basis to form clusters, which can form higher value-added sectors, thereby raising the demand for higher-level skills and with it productivity. The region has low levels of skill-intensive industries.

2.3 *Gaps and imbalances*

2.3.1 *Mismatch between demand and supply of skills*

The region has a **mismatch between the demand and supply of skills**. Detailed analysis shows that there are three significant areas of skills gaps within the region:

- *Supply exceeds demand at higher skills levels*: the supply of higher-level skills in the South West exceeds the existing demand for these skills. Demand for higher level skills is concentrated in mainly public sector employers, such as education and health, and is further constrained by the lack of knowledge-intensive businesses. However, this aggregate picture does not mean that there are no significant high skills shortages. Indeed studies of individual sectors have identified specific high level skills shortages. One example of this is the South West RDA Select Committee on Advanced Engineering - Report on skills shortages in advanced engineering in the South West.
- *Shortages of craft and skilled trades(intermediate level)*: There is a prevalence of skills shortage vacancies related to skilled trades within the region. The demand for these skills is projected to continue to meet replacement demand.
- *Demand exceeds 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.

2.3.2 *Replacement demand versus employment growth*

Replacement demand is a far more significant factor in the demand for skills than employment growth. Forecasts anticipate that replacement demand will be around 10 times larger than the net changes in employment that are projected for 2002 to 2012. This replacement demand will be predominantly a demand for lower level and intermediate skills rather than the higher level skills required to improve productivity.

2.3.3 *Diversity of performance across the region*

There is a wide **diversity of performance** across the region, with a relatively high performing, higher skilled North and East and a weaker performing, lower skilled South and West, reflecting the distribution of certain industries and occupations across the region.

2.3.4 *Inequitable take up of training*

There is inequitable take up of training. Factors determining participation include employment status, nature of business type and industry, age, gender and existing skill levels. Evidence suggests that a significant proportion of the adult population in the region lack skills for life and 16 per cent of young people (16-18) are not in education and training.

2.3.5 *Non-formal learning lacks recognition*

Non-formal learning is becoming an increasingly important feature of the skills market and is of particular importance to employees in micro- and smaller business. Yet

there is little recognition given to the importance of this within the plans and strategies of the strategic agencies.

2.3.6 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. Whilst the 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.

2.3.7 Knowledge gaps

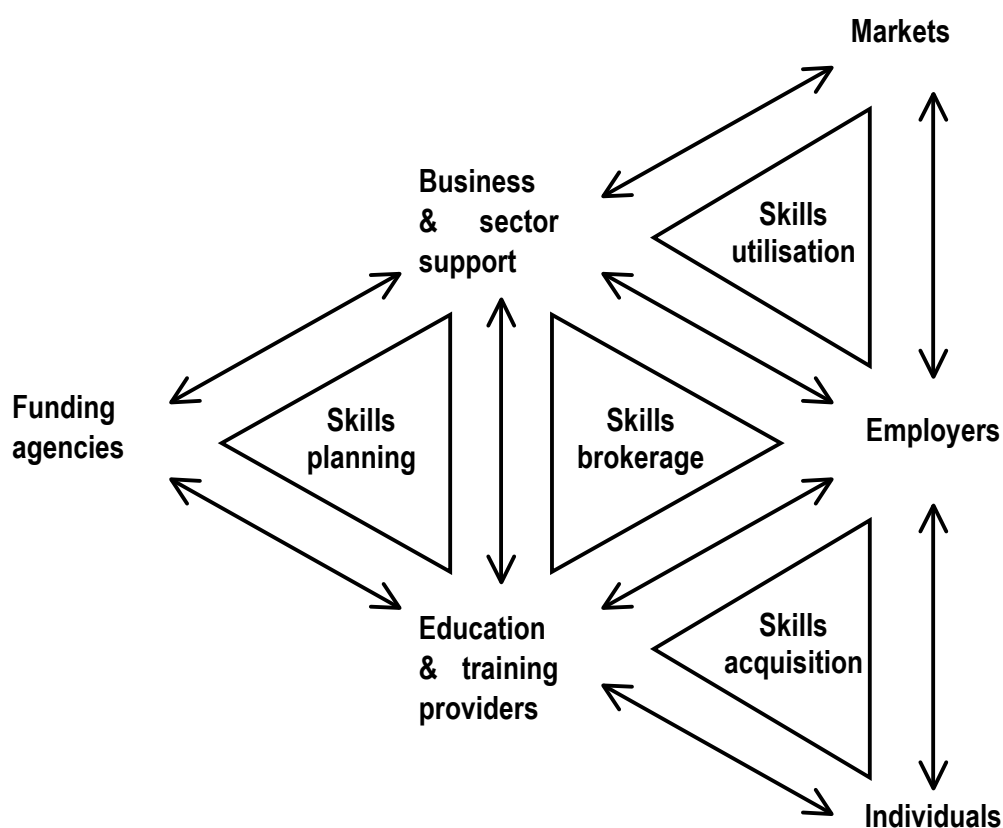
There are a number of areas where gaps exist in our knowledge and understanding of the skills market and its operation within the region:

- The extent and nature of private sector supply of learning, a gap which should be addressed with the Sector Skills Councils (SSCs) and Sector Skills Development Agency (SSDA);
- Inward migration of labour is a significant issue for the South West and one which needs to be more fully understood in terms of the impact on the skills agenda. Similarly, improving labour mobility is important if the diversity of regional performance is to be addressed. We currently know little about the nature of labour mobility within the region;
- We need a far greater understanding of the extent to which the benefits system acts as a barrier to the take up of employment in the region, particularly in lower skilled, lower paid employment;
- The precise nature of the productivity underperformance at a sectoral level; and
- The nature and extent of the contribution of non-formal learning to skills acquisition.

3. Major policy issues

3.1 Strategic vision

A strategic priority for the region must be to improve the region's productivity performance by raising the demand for higher-level skills. A new strategic vision is needed which is owned by partners and is broadened to reflect the contribution of the private sector and non-formal learning. A step change and commitment will also be needed to operate a demand-pull strategy to raise the demand for skills by employers, particularly at the higher skills levels. The vision must therefore encompass an holistic approach where the skills agenda is effectively linked with innovation, business development and enterprise strategies, central to which will be the development of a business brokerage model. This has been recognised in the recent SWESA proposals for the region.



Source: G James, *The South West Enterprise and Skills Alliance: Proposal to Government Final Draft Proposal from the South West Regional Employment Forum*, May 2004

3.2 Strategic coherence

A wide range of agencies and organisations contribute to the skills market in the South West. An analysis of the over 150 strategy documents and plans show that there is a good level of coherence between the strategies and a focus on shared policy levers within the region. Nevertheless, evidence from stakeholders suggests that coherence at the local level is lacking and that the sheer volume of strategies, plans and accompanying targets and funding systems provides a barrier to effective joint working and the development of shared responses to the skills market.

3.3 Establish joint planning arrangements

According to the stakeholders interviewed for this review, the planning processes of many of the strategic agencies are rigid and driven by national targets rather than regional or local need. This mitigates against a more demand-led approach. The poor quality of the plans also makes them ineffectual as tools in directing provision. The result is that they are often ignored by providers. There is a need for a joint planning process within the region to ensure greater coherence of actions between

agencies at regional and local level. The content and precision of plans need to be improved.

3.4 *Improve the quality and relevance of intelligence*

Better mechanisms are needed for managing the knowledge and intelligence that exist within the region. More detailed sub-regional/local, sectoral and thematic intelligence is required, pointing to the need for more effective collaboration between SSCs, LSCs and the RDA to agree appropriate sources, share interpretations, validate analysis and disseminate intelligence to others. This may be best done by an independent body which should also co-ordinate and rationalise the production of Labour Market Intelligence (LMI) across the region and needs to be accompanied by raising the capacity and capability of those involved in creating and using LMI.

4. Recommendations

In developing the report's 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, not least of which is the National Skills Strategy. As a result, a range of measures is being planned which will begin to address some of these issues and put in place the framework to support more effective action.

Further to this, the recently published proposal to Government for the establishment of the SWESA has identified a number of priority actions. Taken as a whole, the findings of this review support the approach and priority actions identified within the SWESA proposal. Our recommendations have therefore been limited to issues which we believe will enhance and not repeat current FRESA or planned SWESA actions.

Recommendations for action are presented under three headings:

Raising employer demand for skills;
Aligning skills demand and supply;
Joint planning and co-ordination, including improving intelligence (LMI).

Section references to supporting evidence in the main report appear in brackets at the end of each recommendation.

4.1 *Raising employer demand for skills*

4.1.1 *Enhance the business brokerage model (section 4.1.2)*

This review strongly supports the South West Enterprise and Skills Alliance (SWESA) proposals to place greater emphasis on the role of business brokerage within the region. However, the programme of capacity building, which has already commenced with Business Link staff needs, includes knowledge and understanding

of the processes of skills formation and acquisition, together with the operation of the skills market. It will also be necessary to forge links between Business Link advisers and providers to ensure effective signposting of provision, recognising that existing relationships could benefit from further development.

The model should also recognise the important role played by trade union learning representatives in driving the demand for skills, particularly at lower levels, and selling the benefits of learning to senior and middle management. SWESA partners will need to consider how the role of trade union learning representatives can be built into the proposed model.

4.1.2 Focus on under-performing sectors (section 3.2.2)

A targeted effort is needed to raise the demand for skills and learning within sectors with lower relative productivity and with low participation in learning. The analysis of the projected impact of replacement demand and employment growth also begins to identify the sectors, occupations and sub-regions where specific action is needed. The review therefore recommends that the SWESA partners agree criteria for prioritising action on under-performing sectors.

4.1.3 Support enhanced links between HE institutions and business (section 3.3.2)

There is scope to improve the links between HE Institutions and businesses in the region along the lines of the Knowledge Transfer Partnership model. SWESA partners should map the extent and nature of best practice with a view to expanding this activity and raising the demand for skills through improved innovation and R & D capacity within the region.

4.2 Aligning skills demand and supply

4.2.1 Improving Information, advice and guidance

Access to IAG services is essential for effectively aligning demand and supply and is currently a recognised FRESA priority for action. However, recent funding cuts to services in the region, combined with new requirements to target provision to sub level 2, threaten to reduce the level and quality of service available to adults in the region. The SWESA will need to give urgent attention to how best to support and enhance IAG service provision within the region.

4.2.2 Up-skilling the unemployed and economically inactive (section 3.3.2)

Despite the high employment rate and relatively low unemployment, there remains a significant potential source of labour in the region's unemployed and inactive. Yet this population is largely unskilled or has poor skills. Given the excess of demand over supply for lower level skilled jobs in the region, raising the skills levels and employability skills of this group should be a key priority. Recent proposals for the

reform of New Deal indicate that there will be a greater degree of local flexibility in delivery. The efforts of Jobcentre Plus as the lead agency need to be better integrated with the work of the LSCs, as indicated in the National Employment Panel Report, *Welfare to Workforce Development*¹⁵, to ensure that effective action is taken with this group.

4.2.3 Improve participation in craft and intermediate skills training (section 3.5.5 and section 3.3.3)

The new apprenticeship programme provides an opportunity to improve participation in craft and intermediate skills training. The lessons learned from the review of the Modern Apprenticeships in the region must be taken on board, with a strong need for better marketing and alignment with the efforts of SSCs.

4.2.4 Provide support for non-formal learning and other innovative approaches to workforce development (section 3.6)

The recognition and support for non-formal learning by strategic agencies is poor. The skills development agencies in the region should provide support for non-formal learning initiatives, and consider how best practice in larger firms may be transferred and benefit smaller firms. One area which is receiving particular attention is mentoring and coaching, not only for managers but for other staff. A programme of coaching and mentoring support, perhaps aligned to the region's management and leadership initiatives, may help to boost productivity and the demand for skills.

4.2.5 Develop a greater understanding of labour migration and mobility issues

Inward migration of labour is a significant issue for the South West and one that needs to be understood more fully in terms of the impact on the skills agenda. Similarly, improving labour mobility is important if the diversity of regional performance is to be addressed. Both of these issues will be critical in maintaining a flexible labour market and meeting future skill needs and should be the subject of further research to underpin SWESA activity.

4.3 Joint planning and co-ordination, including improving intelligence

4.3.1 Streamline and improve the coherence of labour market intelligence (section 4.3.2)

SWESA partners should continue to support the development of a regional data source through the South West ID and to monitor its use and effectiveness. This needs to be accompanied by better publicity of the data available through SLIM, which may go some way to satisfying the calls for 'independence' of the LMI.

¹⁵ *ibid*

This review has produced a sectoral and occupation analysis of current and projected skills demand in the region. The SWESA Core partners should develop mechanisms to consolidate and share LMI and ensure that it is effectively co-ordinated across the agencies. This should be accompanied by a knowledge management process, which needs to be embedded with the joint planning arrangements and which ensures that there is regular agreement on the interpretation of data and its implications for policy. This shared interpretation will be crucial to gaining shared ownership of the problems and solutions and will provide greater clarity for providers and employers and instil greater trust in the data.

There also needs to be effective co-ordination of the intelligence emanating from the SSDA and the SSCs within the region to ensure that this is available to support the planning of provision. SSDA and SSC information should also seek to include the activities of private sector employers, including funding and the nature of skills developed, and be matched against intelligence emerging from the StAR processes within the sub-regions.

4.3.2 Improve capacity and capability of the workforce of the skills development agencies (section 4.3.2)

The review concluded that there was a significant problem with the lack of institutional capacity to analyse data, which in turn impedes an evidence-based approach to planning. This review recommends that SWESA partners give urgent attention to developing a programme of capacity building and resources for staff responsible for using and applying LMI within strategic agencies and provider bodies.

4.3.3 Improving relevance and time horizons of data (section 4.3.1)

In conjunction with the LSCs, SSCs, Jobcentre Plus, IAG partners and providers, SWESA partners should pilot the development of a local intelligence network (possibly virtual) which can begin to share knowledge of employer needs in local areas. The SWESA partners should give further consideration to the development of a 'forecasting model' which can provide data to support the three-year planning horizons of skills agencies and providers.

4.3.4 Co-ordination of the region's research resources (section 4.3.3)

It is proposed that the South West Employment and Skills Research Forum continue to play a role in supporting the new SWESA. The SWESA funding partners should consider how the regional research priorities, identified by the Research Forum on behalf of the SWESA, will be resourced to ensure a continued, high quality evidence base for regional policy-making.

The South West Skills Market: A Review of Demand and Supply – Overview Report

The main report, of which this is an overview, *The South West Skills Market A Review Of Demand And Supply, Report For The South West Regional Employment Forum*, September 2004, Slim, can be downloaded from the SLIM website at www.swslim.org.uk/research/demand_supply.