

EXECUTIVE SUMMARY

South West Healthy Labour Market Review

July 2004

The South West Healthy Labour Market Review was produced by the Institute for Employment Studies for the South West Regional Employment Forum.

The full 200-page report provides a detailed analysis and a wide range of data on the health of the South West Labour Market. The full report can be downloaded from:

<http://www.swslim.org.uk/downloads/SL1930.pdf>

Funded by the South West RDA, the review presents an analysis of the health of the South West labour market to support the delivery of the South West Framework for Regional Employment and Skills Action (FRESA).

The full report, which can be downloaded from www.swslim.org.uk, provides a detailed analysis against a wide range of labour market indicators. The indicators are grouped under three broad headings:

Broad outcome indicators – which can be monitored to inform the performance over the regional economy, but over which the organisations involved in delivering the FRESA are likely to have little direct influence;

Closer to policy indicators – which can be monitored to inform the performance of the regional strategy, and over which the organisations involved in delivering the FRESA may have some influence; and

Learning targets – which may be directly manipulated by organisations involved in delivering the FRESA.

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

Broad outcome indicators

Employment

The South West is a very self-contained regional labour market with a high employment rate and a high number of jobs per working age resident. Employment has grown faster since 1991 in the South West than in the country as a whole, although in the last year the number of employees in employment in the South West has fallen.

Balance and quality of employment

The industrial structure of employment in the South West is similar to the national picture, albeit with over-representations in distribution, hotels and restaurants and the public sector, and under-representations in financial intermediation and business services. Employment in manufacturing sectors that might be termed “high technology” is above the national average, although employment in service sectors that might be termed “knowledge-intensive” is below average.

The proportion of workers in the South West in high level occupations (managerial, professional and associate professional) is the same as the national average, and the overall distribution across all occupations is broadly similar to the national picture.

Average full-time earnings levels in the South West are slightly lower than the national average, but higher than in all other regions except London, the South East and Eastern England.

Output and productivity

The region has a relatively low output per head, and there are large differences within the region between more prosperous north and east, and the much less prosperous far west. The region also scores very poorly on productivity measures, such as output per filled job and output per hour worked; the South West is the worst performing region apart from Northern Ireland, and the UK performs poorly in terms of productivity in comparison with many other industrialised nations.

Labour market functioning

The South West has one of the lowest levels of unemployment in the UK, and also has the lowest proportion of long-term unemployment, suggesting that the labour market is functioning efficiently in matching individuals and jobs. Turning to the equitable functioning of the labour market, there are relatively small differentials in employment rates by gender, disability and ethnicity. However, there are rather larger differences in terms of the labour market outcomes in the districts across the region, with higher unemployment and lower earnings in the west of the region.

Closer to policy indicators and learning targets

Businesses in the region

The South West has a relatively high rate of new business generation, behind only London, the South East and the Eastern region, but it also has a high rate of business deregistration, which resulted in a net loss of business in the last year.

Research and development

Research and development expenditure in the region is above the national average, but below that in the East and South East regions. Expenditure by businesses and by government is above the national average, although expenditure by higher education institutions in the region is below average.

Vacancies and skills

The overall level of vacancies in the South West is high, indicating strong demand for labour in the region. The region has the highest proportion of vacancies which are hard-to-fill, but also the lowest proportion of vacancies which are hard-to-fill for skills-related reasons. This suggests that recruitment difficulties are more quantitative in nature, and may be due to low pay and conditions on offer and problems of rurality. It also suggests that employers in the region may be operating at the low-skill end of their markets and so have modest skill demands and find these easy to meet from the regional workforce.

The South West also has a low proportion of employers reporting skills gaps within their workforces, which again may point to them having relatively low skill demands.

Qualifications of the workforce

The South West has a highly qualified workforce. It has a very low proportion of people with no formal qualifications, and a high proportion of people qualified to degree level or equivalent, or above. The region also has a relatively high proportion of people qualified at NVQ Level 2 or equivalent.

In conclusion

This analysis of the health of the South West's labour market across this range of labour market themes paints a picture of a region with a high degree of labour demand, a well-qualified workforce, and efficient and equitable functioning between the demand and supply sides of the market. Indeed, on these indicators the South West appears more 'healthy' than any other region with the exception of the South East.

However, there are a number of indicators that point to the South West operating in a low-skills equilibrium. Productivity in the region is very low, and much lower than would be expected considering 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.

There are also markedly differing fortunes between areas within the region, with low output per head and earnings levels, and high unemployment, in the west of the region, while the reverse is the case in the north and east of the region, and along the M4 corridor in particular.

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