

PRODUCTIVITY LED GROWTH. EVIDENCE FROM THE PEOPLE THEME

PART OF THE EVIDENCE BASE
UNDERPINNING THE HEART OF THE
SOUTH WEST
LOCAL INDUSTRIAL STRATEGY

Document 008

People Theme

1) Introduction

People based factors are a key component of the UK's overall productivity model. As described by HM Treasury, skill side drivers are one of the five core components of national productivity growth, providing between 30-40% of all GVA progression. Work undertaken by the OECD in particular suggests that higher level skills performance is a crucial driver of national economic performance, contributing between 0.25 and 0.5% extra to overall GVA per 1% of the workforce over qualified over level 4. Similarly, work undertaken by the CBI suggests that educational attainment is the single most important driver of overall productivity performance.

For the Heart of the South West, skills performance is undoubtedly one of the primary differentiators between the LEP area's economic position and its most successful peers. Whilst the Heart of the SW performs in line with the UK average on GCSE outcomes and attainment at the age of 18, the area suffers from a considerable drop in post 18 attainment, with a 10% differential in those that progressing to University or other tertiary level provision when compared with the wider UK. In discussions with business, this then shapes the type and nature of employment on offer, with downstream impacts on earnings, employment growth and overall output.

In part, this is an acute challenge within the Heart of the SW as the local picture is so changeable across its geography. Whilst individual areas within the Heart of the SW perform extremely well when compared with their peers (notably South Hams and Exeter), performance is mixed, with several areas suffering from a considerable gap with the rest of the UK on skills performance. Torrington, for example, trails national averages of skills at every level above GCSE, with a 11% gap at Level 4 and 6% gap at Level 3. This in turn has a direct correlation with the types of employment available in the local area, and its overall economic contribution to the wider sub-regional picture. It is no coincidence that the areas with the weakest educational performance are also those with the lowest average wage and the most insecure in terms of employment.

Addressing this gap will therefore be a key part of moving forward on overall productivity performance across the sub-region. Upon review however, there is no single magic bullet to address the gap, with the causal factors often varied and intertwined across the Heart of the SW, often sitting alongside wider deprivation and social issues. There is therefore a need therefore to take a multi-lateral approach to skills and employment enhancement within the Heart of the SW, as well as a multi spatial approach to addressing sub-LEP and even sub-district challenges that create distortions in the overall performance of the area.

2) SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Strong employment performance overall • Aggregate attainment at GCSE above UK average • Aggregate performance at A Level above UK average • Lower level skills performance strong when compared to wider UK • Strong university presence in Exeter, with distributed provision across many areas • Strong FE provision, with area review recommending no substantial changes • Above average skills performance in four Districts • 15th out of 39 in terms of volume of graduates 	<ul style="list-style-type: none"> • Tight labour market • Underemployment a key issue within the area • Skills performance extremely mixed beneath HotSW Level • Aggregate Level 4 performance trails UK average • 215,000 individuals with no level 2 qualification • 53,400 individuals with no qualifications at all • Lowest in work training levels of any LEP in 2014 • 3 Districts in the bottom 25% nationally on skills and employment performance, one in the bottom 10% (West Somerset) • CEIAG provision fragmented and patchy across geography • Business / education link underdeveloped in many locations • Lack of distinct HE provision in part of the HotSW (Somerset) • Construction and H&S care sectors have massive skills gaps • Underutilisation of skills by businesses in some areas
Opportunities	Threats
<ul style="list-style-type: none"> • Post 16 Review outcomes, including rationalisation of technical qualifications and Institutes of Technology • Apprenticeship levy – investing for longer term by business • Degree apprenticeships • T Levels • Rural and agricultural sector training • Knowledge transfer through training • CEIAG – better and broader offer tackling skills shortages in some areas/highlighting opportunities • Highlighting career pathways • Apprenticeship hubs • Enterprise in schools – broader offer • Getting graduates into local business 	<ul style="list-style-type: none"> • BREXIT • Low level skills employment vulnerable both to process improvements / automation and international displacement • Ageing population retiring before forward skills gap can be filled / limited legacy impact. • Low skills levels/skills match in some sectors and localities inhibiting ability to capitalise on new business trends and emerging sectors