

SKILLS AND PRODUCTIVITY IN THE HEART OF THE SOUTH WEST

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

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**Skills and productivity in the
Heart of the South West:
A Technical Paper**

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SUMMARY

This document has been produced to support the development of Heart of the South West (HotSW) Productivity Plan Green Paper. It is designed to supplement the Green Paper <http://www.torbay.gov.uk/devolution> providing further evidence to guide discussions.

Young labour market entrants

More than a third of young people leave school without achieving good GCSE grades in English and maths and more than two-fifths leave with fewer than five good GCSE passes (including maths and English). Education attainment at age 16 has improved relative to the England average in most parts of the region but is low and falling in Plymouth. While some of the differences in attainment across the LEP area can be explained by pupil characteristics, the Government's new 'Progress 8' measure suggests that only Somerset schools generate levels of learner progression that are above the national average.

Staying on rates at 16 are high and comparable to the national average. Engagement in apprenticeships is higher than the national average in all higher tier local authority areas with the exception of Torbay, and is particularly high in Plymouth. Overall, the number of young people starting on the Apprenticeship programme has remained relatively stable over the last 6 years. Those that continue their education at Level 3 are more likely to achieve better than average results in Devon and Torbay both in vocational and academic qualifications, and A Level students in Torbay are significantly more likely to achieve grades AAB or better than those nationally or elsewhere in the LEP area. Take up of STEM subjects at A level are broadly in line with the national average.

Young people in all parts of the region are less likely to continue in education at 18 years with notably fewer young people entering higher education, particularly when levels of academic attainment are taken into account. Only Torbay has higher levels of progression into a Russell Group university than the national average.

Correspondingly, all higher tier local authorities have higher levels of progression into employment than the national average, suggesting that there may be potential to expand the Apprenticeship 'learning while earning' programme within this cohort. It is already particularly popular in Plymouth. More than one-quarter of locally domiciled students who go on to higher education read a STEM-related subject. This is a similar proportion to the national average. One third of locally domiciled first year undergraduates elect to study within the LEP area although this proportion varies considerable across the patch. While almost two-thirds of students living in Plymouth study locally, this falls to one in six, in Somerset.

While not possible to isolate the employment destinations of graduates domiciled in the HotSW LEP area, data at the wider South West of England region suggest a high level of attachment to the area. This attachment does however vary significantly by institution. Only 24% of University of Exeter Graduates who are employed in the UK six months after graduating are employed within HotSW.

Higher education institutions in the HotSW vary considerably in terms of their geographic 'reach'. The University of Exeter is the most internationally focussed in terms of recruitment, with one-quarter of first year undergraduates domiciled outside the UK. Examination of UK students shows that less than one third of first year undergraduate students enrolled in HEIs in the area are domiciled locally although this rises to more than half in Plymouth College of Art and University of Mark and St John. Almost three-fifths of working graduates leaving HEIs in the LEP are working in the wider region 6 months after graduation.

On the whole, the majority of employers nationally believe young people are well prepared for work with the level of preparedness increasing with the level of educational attainment (and, by default, age) achieved. When young people were found to be poorly prepared this was most commonly due to a perceived lack of working world or life experiences by employers or due to poor attitude, personality or lack of motivation. Very few reported that their recruits lacked basic numeracy or literacy or that they had a poor education. Less than two-fifths of employers in the HotSW LEP area provide work experience placements. This is broadly in line with the national average.

Existing workforce

Qualifications of the resident population are broadly in line with the national average with one third holding at least a degree level qualification. The proportion of the population holding graduate level qualifications varies considerably across the area from around one quarter in Torbay and North Devon to over half in West Devon and South Hams. Despite this, more than 200,000 residents do not have a qualification higher than Level 2 of whom more than 50,000 do not have any qualifications at all. Around one-quarter of the population of the South West do not have basic digital skills.

Indicators of management and leadership quality are below the national average: managers, directors and senior officials working in the LEP area are less likely to hold graduate level qualifications and local enterprises are less likely to have a formal business plan, a training plan or budget for training.

One quarter of employers locally reported that they had at least one employee who was "underutilised". This is lower than the national average. Underutilisation of skills is most commonly reported in the hotels and restaurants, health and social work and arts and other services sectors.

Local employers are, in the main, relatively satisfied with the skills of the existing workforce with relatively few identifying any staff who are not fully proficient in their role. Skills gaps affect a small percentage of employees but account for affects one in ten roles in manufacturing. Three quarters of skills gaps are attributed to staff being new to their role and/or training being incomplete. Where they exist, skill gaps have a negative impact on the business in the majority of cases.

More than two-thirds of employees working in the LEP area received training in the last year. This is a wider coverage of the workforce than the national average despite employers in the HotSW being slightly less likely to train. Local employers who do train, train for longer but are less likely to provide training other than induction and health and safety training.

The LEP area performs less well against the national average in sectors that have the lowest propensities to train: private sector establishments, those employing less than 5 people, and those in the agriculture, construction and business service sector. Unfortunately, this does not suggest much potential for 'quick wins' in promoting increased employer participation in training.

While employers who train are most likely to say that they train managers, managers are the least likely occupation to receive training. Patterns of training among HotSW residents are typically to those evident nationally with participation highest among those who are already well-qualified and working in the public sector. Propensities to train have not changed significantly over the last decade.

Apprenticeships have expanded significantly over the last 10 years although most of the growth occurred with the first half of the decade and has been among adult, rather than young apprentices. While the majority of apprenticeships remain at intermediate level the share at advance and higher level has increased considerably. The profile of take-up by sector subject area locally broadly mirrors the national average. Comparison with the profile of employment locally, reveals a larger share of starts in health, public services and care than might be expected and the potential, possibly, for a greater share of starts in information and communication technology, arts, media and publishing, education and training, travel and tourism, and construction, planning and the built environment to better reflect the profile of employment locally.

Attracting and retaining talent and skills

Around three in ten vacancies locally are hard to fill due to a lack of candidates with the right skills, qualifications or experience. Professional staff account for the largest share of skill shortage vacancies followed by skilled trades, elementary occupations and machine operatives. Given that demand for professional occupations is likely to continue and that is also accounted for the largest share of skill shortage vacancies nationally, they are likely to persist without concerted action.

The 2011 Census suggests that the LEP area makes net gains through internal migration but loses more than it gains through commuting. The area has relatively low proportions of residents who were born outside the UK or who are non-UK nationals. Plymouth has the most international population but even there the share of international migrations is significantly below the national average.

In terms of the LEP area's attractiveness as a place to live and work it has a lower share of market leading enterprises, has a lower share of employment in higher-skilled occupations (outside Exeter) and a lower share of employment in science, research and engineering and technology related occupations. Earnings are low compared to the national average in all parts of the LEP area except Exeter on a workplace basis.

Future demand for skills

Even before the prospect of "Brexit", Oxford Econometrics was projecting lower rates of employment growth over the next 15 years than were achieved over the previous 15 years. The model suggests that professional occupations, associate professional occupations, personal service occupations and sales and customer service occupations will increase their share of employment between 2015 and 2030.

Working Futures projections for the South West of England reveals that the biggest net requirement for employment will be at first degree level between 2014 and 2024. The net requirement for jobs requiring no qualifications or qualifications at GCSE (below grade C) is projected to fall overall.

Unemployment

More than 35,000 people living in the HotSW LEP area are unemployed. Nationally the unemployment rate (5.1% among 16 to 64 year olds) is at an eleven year low. In HotSW it has followed a similar trend, falling to around 4.4%. The number of residents registering for unemployment-related benefits, the 'Claimant Count' in HotSW has halved, from 26,700 to 13,200, in the last three years. Those with no qualifications are more than three times more likely to be unemployed than those with a degree level qualification. HotSW continues to contain areas with high levels of unemployment. The proportion of adults claiming unemployment related benefits in Plymouth (2.1%), Torbay and Sedgemoor (both 2.0%) is higher than the national average and twice the rate found across the majority of the LEP area. Sixteen out of the LEP's 357 wards account for 24% of the LEP claimant unemployment.

Demographic Change

HotSW's population is projected to grow by 153,000 between 2015 and 2030, due to an increase in the number of older and younger people. The working age population, aged 16 to 64, is forecast to fall by 3,500. Between 2005 and 2016 an

additional 66,000 older people entered employment in HotSW, equivalent to two thirds of all employment growth. This trend is likely to continue. Upskilling and reskilling of this segment of the population will be important to minimizing labour shortages and skills gaps in future. The projected growth in older and younger people sets a significant productivity challenge. The working age population will have to produce more per person for living standards to be maintained across the whole population.

1. INTRODUCTION

This report examines the relationship between skills and productivity and explores the performance of the Heart of the South West (HotSW) LEP area across a wide range of skills-related measures. As such, it provides an evidence base to underpin the HotSW LEP's Productivity Plan Green Paper.

This Technical Report comprises the following chapters:

- Chapter 3 examines the skills pipeline from school through to higher education, looking at levels of educational attainment and progression at each stage;
- Chapter 4 describes the skills of the existing workforce and the extent to which they are fully utilised and being developed. We also examine employers' propensities to train and the quality of leadership and management within the area;
- Chapter 5 recognises that individual employers, and the LEP area as a whole, needs to be able to attract and retain talent. This section therefore looks at the ability of employers to recruit the people they need and the attractiveness of the LEP area as a place of work;
- Chapter 6 examines what types of jobs are likely to be in demand in future;
- Chapter 7 explores the extent and nature of unemployment in the area, recognising that worklessness represents unfulfilled potential both for the individuals concerned and the LEP area as a whole; and
- Chapter 8 examines the demographic issues facing the LEP area.

2. CHALLENGES AND RESPONSES

Over the last century, productivity growth has gone hand in hand with rising human capital, as more people have become educated, and to a higher level. However, the UK suffers from several weaknesses in its skills base that have contributed to its longstanding productivity gap with France, Germany and the US.

Fixing the Foundations, HM Treasury, 2015

2.1. The link between skills and productivity

There is a broad body of research to show that investing in skills and learning benefits:

- **Society** through higher employment, a healthier population, greater civic participation and less crime;
- **Individuals** by raising their likelihood of being in employment, leading to improved wages, economic resilience and by contributing to their life-satisfaction;
- **Employers** who gain a more productive and innovative workforce and are better able to adapt to changing economic conditions; and
- **Economies** by increasing employment rates and the productivity of the workforce (Campbell et al, 2010).

These impacts are inter-related. Raising skill levels raises salaries and employment levels. This reduces poverty, which in turn reduces illness and unhealthy behaviours, which in turn enhances productivity.

The positive productivity impacts of higher skills are evident in the earnings premiums that result from gaining qualifications. In 2011, the net lifetime earnings premium¹ from gaining:

- Undergraduate degrees, compared to 2 or more 'A' Levels, was £108,000.
- Masters degrees, relative to undergraduate degrees, was £59,000 for men and £41,000 for women

¹ Net earnings premium = increased lifetime earnings as a result of increased wages and the greater probability of being in employment, less the cost of learning and earnings foregone during periods in education.

- Doctoral degrees, relative to undergraduate degrees, was £76,000 for men and £36,000 for women^{2 3}.

Gaining vocational qualifications also increases earnings, with research suggesting that people gaining:

- Level 3 Apprenticeships who previously held Level 2 qualifications, experienced an 18% uplift in earnings; and
- Level 2 Apprenticeships who previously held Level 1 qualifications experienced a 16% uplift in earnings⁴.

Provider-based qualifications at Level 2 and below are more closely linked with an improved likelihood of being in employment, than increased earnings. The inference here is that some lower level qualifications have a more significant employment impact than productivity impact. It is, however, the case that many people will need to attain qualifications at level 2 and below before they are able to progress to those at Level 3 and above.

Given that around 60% of raised productivity accrues to individuals in the form of earnings and benefits, it is reasonable to assume that this wage growth is a) derived from the increased productive capacity of these learners and b) that that employers and shareholders also experience a significant return from higher level skills which is additional to the increase in employee earnings.

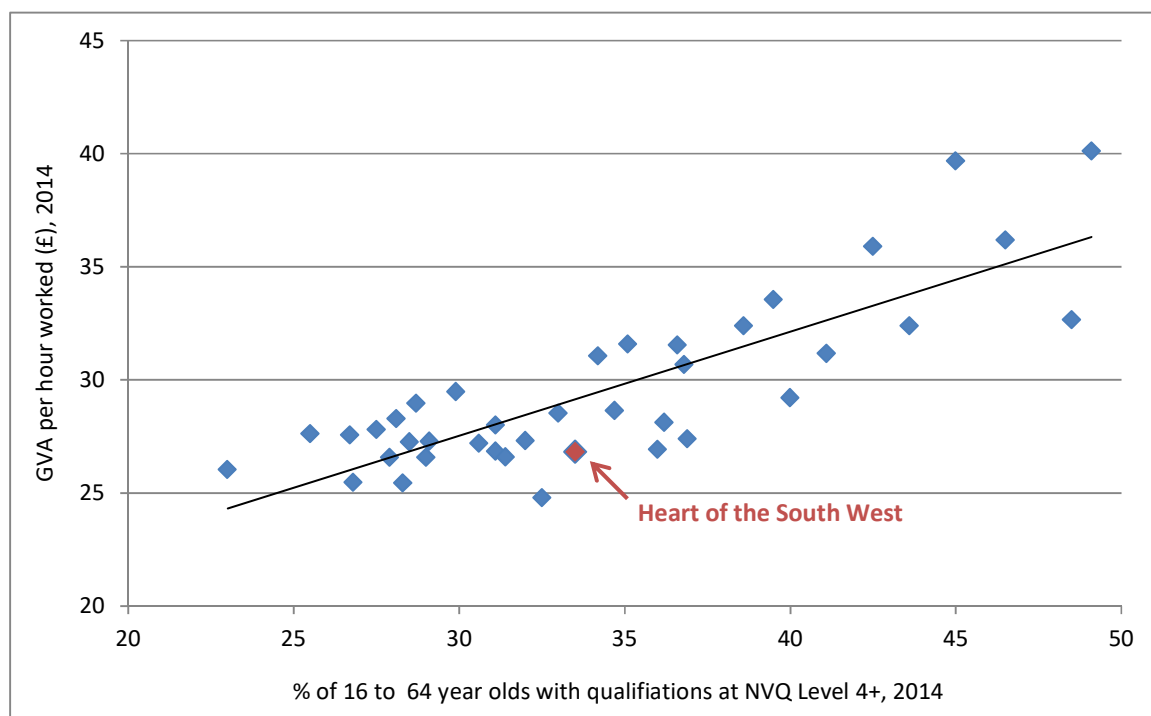
The relationship between skills and productivity is clear. Figure 1 below shows that HotSW has lower productivity (ranking 32nd out of 39 LEPs for GVA per hour worked) than we would expect for an area that ranks 20th out of 39 LEPs in terms of its skills levels (or the proportion of its population with qualifications at NVQ Level 4 or above). The challenge in our area not just to drive up skills levels but also to ensure that the skills we have are fully utilised: a challenge related to business ambition and the quality of local leadership and management.

² Source: The Returns to Higher Education Qualifications by London Economics, June 2011.

³ Differences between the genders is primarily linked to choice of subject studied.

⁴ Beavan et al, BIS Research Paper No.38 'Measuring the Economic Impact of Further Education', 2011.

Figure 1: Relationship between productivity & skill levels, England LEPs, 2014



Source: Labour Force Survey / LEP Productivity Measures (ONS)

Of course the direction of causality is not always certain. However, a number of studies suggest that there is a causal connection from the local skills base to local earnings, productivity and employment growth, including a report by the CBI which suggests that educational attainment is the single most important driver of productivity⁵.

2.2 Skills and the Government's Industrial Strategy Green Paper

Unsurprisingly, skills have a central role in the Government's response to the UK's productivity challenge. The Industrial Strategy Green Paper picks out the following skills challenges:

- problems with basic skills;
- a shortage of high-skilled technicians below graduate level;
- shortages in sectors that depend on science, technology, engineering and maths (STEM) skills;
- skills shortages that are specific to certain sectors, which force some employers to look overseas to fill certain vacancies;

⁵ Unlocking Regional Growth: Understanding the Drivers of Productivity Across the UK's Regions and Nations, December 2016, CBI

- the need to empower students, parents and employers to make confident and informed choices about their education and employment options; and
- the need to support people to up-skill and re-skill across their working lives in response to the accelerating pace of technological change.

The Industrial Strategy Green Paper⁶ proposes a wide range of measures to address these challenges, including:

- Moving forward with schools reforms and consulting on plans for a new, fair National Funding Formula for schools;
- Delivering more, higher-quality apprenticeships and introducing the Apprenticeship Levy;
- Reducing the number of vocational qualifications into a smaller number of high quality new routes;
- Creating a proper system of technical education, to benefit the half of young people who do not go to university and to provide new, better options for those already in the workforce;
- Committing £170m of capital funding to the creation of prestigious new Institutes of Technology to deliver higher technical education in STEM subjects and to meet the skills needs of employers in local areas;
- Supporting further education colleges to be centres of excellence in teaching maths and English;
- Improving the take up of mathematics and close large regional imbalances in take up of advanced mathematics;
- Rolling out the specialist maths school model pioneered by Exeter and King's College London across the country;
- Encouraging the uptake of STEM subjects to help meet unmet demand;
- Working towards a joined-up, authoritative view of sector-specific skills gaps;
- Exploring how to give technical education learners clear information, which could include a way of searching and applying for courses, similar to the UCAS process;
- Radically improving the quality and coverage of careers advice in schools and colleges; to make it easier for people to apply for technical education; and to give people the information they need to access training throughout their working lives;
- Exploring ambitious new approaches to encouraging lifelong learning and improving outreach and information to people where industries are changing.

⁶ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/586626/building-our-industrial-strategy-green-paper.pdf

The Industrial Strategy Green Paper poses a series of questions for consultation. Many of these are applicable to all areas:

- What more can we do to improve basic skills? How can we make a success of the new transition year? Should we change the way that those resitting basic qualifications study, to focus more on basic skills excellence?
- Do you agree with the different elements of the vision for the new technical education system set out here? Are there further lessons from other countries' systems?
- How can we make the application process for further education colleges and apprenticeships clearer and simpler, drawing lessons from the higher education sector?

However, the questions also have an important regional or place-based dimension:

- What skills shortages do we have or expect to have, in particular sectors or local areas, and how can we link the skills needs of industry to skills provision by educational institutions in local areas?
- How can we enable and encourage people to retrain and upskill throughout their working lives, particularly in places where industries are changing or declining? Are there particular sectors (in your area) where this could be appropriate?

This report provides information on skills levels, issues and challenges in HotSW to enable partners to develop an informed view on the priorities for our area and to reflect these back to Government, both directly in response to the Industrial Strategy Green Paper, and also as part of HotSW's independent Productivity Plan consultation.

3. YOUNG LABOUR MARKET ENTRANTS

The CBI research identifies a strong correlation between GCSE performance and productivity at the local level going as far to conclude that, “education attainment is the single most important driver of productivity differences around the UK”⁷.

3.1. School age education

Levels of educational attainment at GCSE vary across the LEP area. The proportion of students who gain five or more GCSEs at A* to C grades, including English and Maths, is higher than the national average in Torbay and Devon but lower in Somerset and particularly, Plymouth. Torbay is the only local authority in the HotSW LEP and Devon also exceed the national average for the proportion of students who gain the English Baccalaureate⁸. Only Devon has a higher percentage of pupils achieving grades A*-C in English and maths, than the national average.

Table 1: GCSE and equivalent results (State-funded schools only), 2015/16

	Percentage of pupils at the end of Key Stage 4 achieving A*-C grades in English and maths	Percentage of pupils at the end of Key Stage 4 achieving 5+ A*-C grades including English and mathematics	Percentage of pupils at the end of Key Stage 4 achieving English Baccalaureate
England	62.8	57.7	24.8
Devon	64.6	58.6	23.3
Plymouth	57.6	52.4	21.0
Somerset	62.4	55.8	19.9
Torbay	62.3	58.6	25.9

Source: National Statistics - SFR 48 / 2016

Comparing performance within the LEP area with the national benchmark over time highlights some volatility in the data (Figure 2). However, in general:

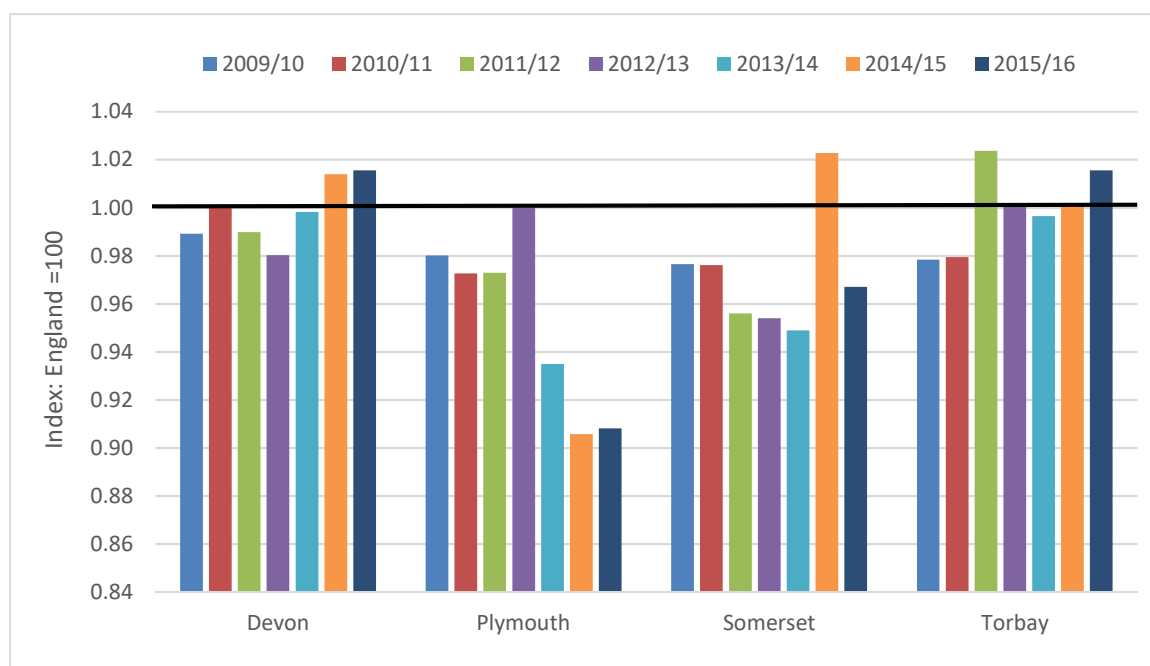
- Educational performance in Devon and Torbay has improved relative to the England average. The percentage of pupils achieving good results at GCSE exceeded the England average in Devon in the last two years. In Torbay it matched it in four of the last five years.

⁷ Unlocking Regional Growth: Understanding the Drivers of Productivity Across the UK'S Regions and Nations, December 2016, CBI

⁸ The English Baccalaureate is attained by students secure a grade C or above at GCSE level across a core of five academic subjects –English, mathematics, history or geography, the sciences and a language.

- Performance in Somerset is mixed, with relatively good performance in 2014/15, but below average percentages of pupils achieving good GCSE results in six of the last seven years.
- Performance in Plymouth is perhaps most troubling, since results in each of the last seven years except one have been below the national average and have fallen further behind the national average in recent years.

Figure 2 Percentage of pupils at the end of Key Stage 4 achieving 5+ A*-C grades including English and mathematics¹ by local authority district: 2009/10 to 2015/16.



Source: SFR48/2016 GCSE and equivalent results in England 2015/16 (Final)

Achievement at GCSE varies widely by pupil characteristics, so some of the difference in performance of individual schools and local authority areas can be explained by differences in pupil intake. For example, nationally, on average, girls (67%) do better than boys (59%) and pupils from some ethnic backgrounds, for example, Chinese (84%) and to a lesser extent Asian (68%), do better than pupils from, Black (60%) or White (63%) or mixed (63%) ethnic backgrounds. The strongest predictors of education performance at this level are pupils experiencing special educational needs (20%) and being eligible for free school meals (33%). There is little difference in the attainment of pupils who speak English as their first language (64%) and those that do not (63%). These characteristics also have a layering up effect so, for example, only 30% of white boys eligible for free school meals achieved five or more good grades at GCSE.

Examination of attainment by pupil characteristics at the local levels reveals particularly low levels of attainment by national standards among:

- Boys, pupils of Black or Chinese ethnic origin and those eligible for free school meals in Plymouth
- Pupils of Black ethnic origin, those who do not speak English as their first language and those eligible for free school meals in Somerset.

The impact of the social-economic catchment of individual schools is illustrated by the fact that there is a 43 percentage point 'attainment gap' between schools with the greatest and lowest proportions of disadvantaged pupils.

The government recently introduced a new system of accountability for schools, including the new 'Progress 8' indicator which is designed to measure pupils' progress across 8 subjects from the ages of 11 to 16 (but with particular emphasis on maths and English). A progress score of 1.0 means pupils in the group make on average a grade more progress than the England average. A score of -0.5 means that they make on average half a grade less progress than the England average. The scores need to be interpreted alongside their confidence intervals. The results for the HotSW LEP area suggest that only Somerset makes above average progress, though the result is on the cusp of statistical significance. Plymouth, Torbay and Devon all record below average performance, although only the results for Plymouth and Torbay are statistically significant.

Table 2 Progress 8 Scores: 2015/16

	Average attainment 8 score per pupil	Average progress 8 score
England	50.1	-0.03
Devon	50.5	-0.02
Plymouth	48.4	-0.14*
Somerset	50.2	0.03*
Torbay	50.5	-0.09*

Source: <https://www.gov.uk/government/statistics/revised-gcse-and-equivalent-results-in-england-2015-to-2016>

3.2. Staying on rates

The current government has introduced a number of measures to help more young people to study beyond the age of 16. This included raising the participating age so that all pupils are required to remain in some form of education and training until their 18th birthday. Pupils who left year 11 in summer 2014 are the first cohort required to be bound by this requirement.

Staying on rates at age 16 are higher than the England average in all parts of the HotSW LEP area (Table 3). However there are significant differences in the types of education pursued or institution attended, reflecting differences in educational structures across the LEP area.

- Plymouth has high rates of participation in Apprenticeships.
- Torbay has low levels of Apprenticeship take-up, but high rates of attendance at School sixth forms. Somerset has a significant minority of pupils attending a sixth form college.
- In Plymouth, and to a lesser extent Torbay, the majority continue their education at a state-funded school sixth forms, whereas pupils in Devon and Somerset most likely to attend a further education college or other FE provider.

Table 3 Percentages of the 2013/14 KS4 cohort going to, or remaining n, an education or employment destination in 2014/15

	Overall sustains education or employment /training destination	Apprenticeships	Any sustains education destination	Further education college or other FE provider	School sixth form - state funded	Sixth form college	Other education destinations	Sustained employment and/or training destination
ENGLAND	94	6	91	38	39	13	1	3
Devon	95	7	92	56	33	1	1	3
Plymouth	95	9	93	24	68	0	2	2
Somerset	95	7	92	57	22	12	1	3
Torbay	96	4	94	44	50	x	x	2

Source:

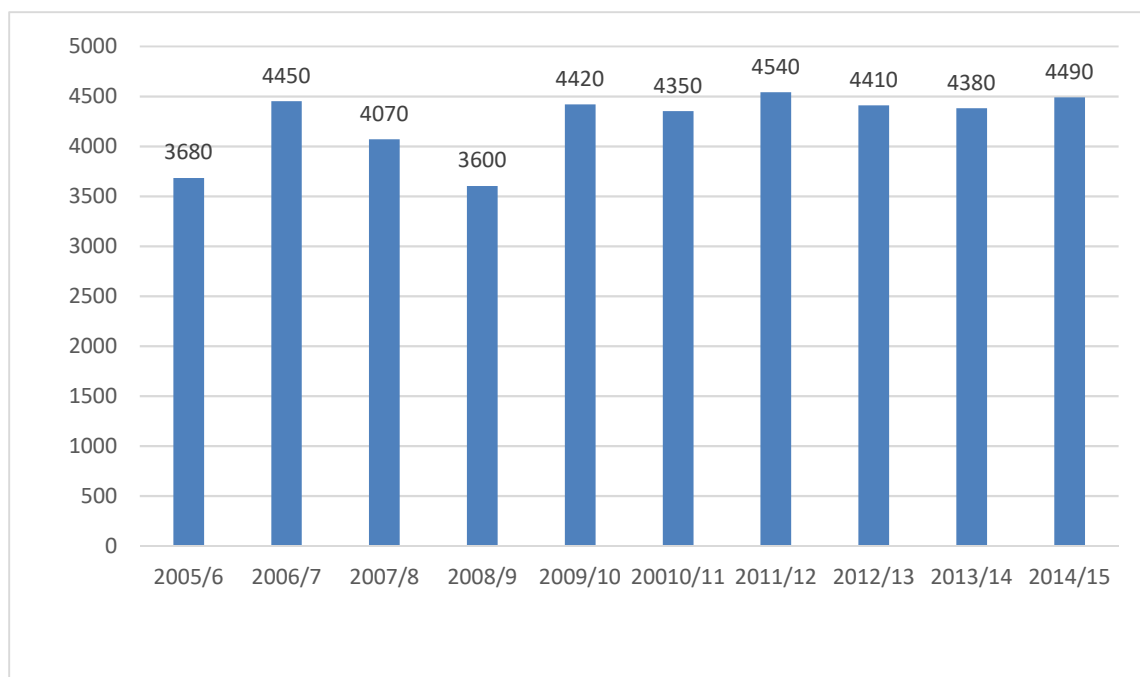
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/584155/KS4_Nat_LA_1415.xlsx

3.3. Young people and apprenticeships

We will look at adult apprenticeships later in this report, in the context of workplace development. In this section we focus on young peoples' participation in Apprenticeships. During 2014/15, there were 4,990 starts on the apprenticeship programme among 16 to 18 year olds within the HotSW LEP area⁹. These 'youth starts' accounted for 27% of all apprenticeship starts in that year. The number of youth starts has remained broadly stable over time, averaging just over 4,400 each year over the last 6 years (Figure 3).

⁹ In terms of distribution across the LEP area: 1,900 were in Devon; 1,370 in Somerset; 940 in Plymouth and 280 in Torbay.

Figure 3 **Number of Apprenticeship starts across the HotSW LEP area among 16 to 18 years olds: 2005/6 to 2014/15**



Source: FE Data Library

Year on year changes in apprenticeship volumes are broadly consistent with the national picture. However, at 2%, the growth in youth apprenticeship starts between 2009/10 and 2014/15 locally has been more modest than the 8% recorded nationally for the same period.

The vast majority (73%) of youth starts in 2014/15 were onto Intermediate Apprenticeships, which involve work towards a work-based qualification such as an NVQ Level 2, Key Skills and, in most cases, a relevant knowledge-based qualification such as a BTEC.

More than one quarter (27%) started an Advanced Apprenticeship, working towards qualifications equivalent to NVQ Level 3.

In all LEP areas, apart from Somerset, the proportion of young people starting an apprenticeship at Advanced level was below the national average (33%). In Plymouth (24%) and in Devon (25%), the proportion of youth Apprentices who started at Advanced level was significantly below the national average.

Only a very small percentage, less than half a percent, started a Higher Apprenticeship, working towards qualifications equivalent to NVQ Level 4.

3.4. Further education and training

The Department for Education collates statistics on the education attainment of state-funded students aged 16 to 18 taking qualifications at Level 3. Almost 12,800 students in the HotSW LEP area are covered by the 2015/16 results.

The average point score per entry for all Level 3 students is higher than the national average in all of the HotSW's upper tier local authorities with the exception of Plymouth. However, only Torbay, with its grammar schools, performs well against the England average for: point score per A level entry; and the proportion of A level students who attain the highest grades at ABB or better. The other areas lag on both of these A level measures. The proportion of A level students achieving AAB grades or better is particularly low in Plymouth.

Table 4 Attainment of state-funded Level 3 students aged 16 to 18; HotSW LEP area and England: 2015/16

	All Level 3 students: APS per entry	A Level students: APS per entry	Percentage of students achieving grades AAB or better at A level
England	31.42	30.44	18.5
Devon	31.59	30.54	18.9
Plymouth	29.67	28.98	15.2
Somerset	31.53	30.32	17.8
Torbay	32.09	32.29	23.8

Source: SFF49/2016 A level and other 16 to 18 results: 2015 to 2016

The pattern of STEM subject take-up across the LEP area broadly mirrors the England average (33%), with STEM-related subjects accounting for 32% of all A level entries in 2015/16.

STEM subject take-up, as a share of all A level entries, is slightly higher in Plymouth (35%) and lower in Torbay (30%).

Across the LEP area as a whole:

- 11% of A level entries were in maths and further mathematics;
- 18% were in science subjects;
- 3% were in ICT, computing and design and technology;
- 68% were in other subjects.

3.5. Destinations at 18

The proportion of the 2013/14 Key Stage 5 cohort who attended a UK higher education institution a year later, is lower than the England average (48%) in all parts of the HotSW LEP area. It is particularly low in Devon and (38%) and Somerset (39%).

The only measure by which any part of the HotSW LEP does 'well' in terms of higher education is Torbay, whose grammar schools account for a higher than average percentage of state-funded students progressing to Russell Group universities.

Plymouth (12%) and to a lesser extent Somerset (8%) have higher than average proportions of students on an Apprenticeship. There may also be potential to encourage take-up of Apprenticeships among the quarter or so students who entered sustained employment each year.

Table 5: Percentages of the 2013/14 KS5 cohort (mainstream schools and colleges) going to, or remaining in, an education or employment destination in 2014/15

	Overall sustains education and/or employment destination	Apprentice-ships	Any sustained education destination	Further education college or other FE provider	UK higher education institution	Russell Group (incl. Ox. and Cam.)	Sustained employment destination
England	88	7	65	14	48	11	23
Devon	87	7	56	16	38	9	31
Plymouth	86	12	62	16	42	8	24
Somerset	88	8	58	16	39	10	30
Torbay	86	6	60	15	42	13	26

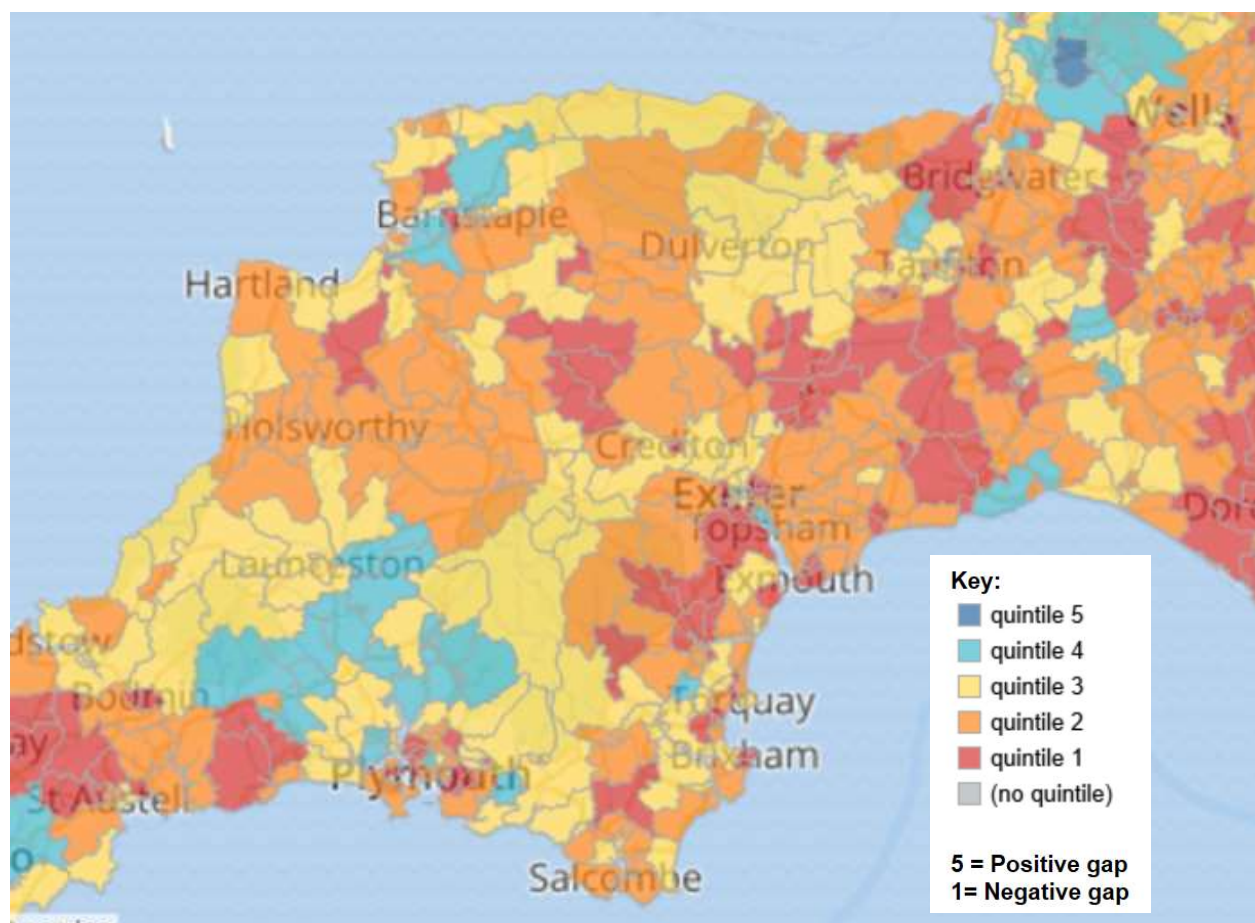
Source: Source: National Statistics – KS5 Destination

The Higher Education Funding Council for England produces an on-line tool that allows users to examine the extent to which there is a gap between the rate of HE participation among young people in local areas and the HE participation rate that would be expected based on the attainment of young people in each local area at Key Stage 4 (academic age 16)¹⁰.

The heat-map generated through this analysis (Figure 4) shows that there are very few areas within HotSW (shaded light or dark blue) where there is a positive progression gap, i.e. more young people than we might expect based on their academic attainment, participate in higher education. Much of the LEP area is shaded orange or red, indicating the presence of a progression gap.

¹⁰ See <http://www.hefce.ac.uk/analysis/yp/gaps/>

Figure 4: Gaps in young participation in HE relative to KS4 (GCSE) attainment



Source: HEFCE

3.6. Destinations of locally domiciled higher education students

In 2014/15, 13,255 higher education students domiciled in the HotSW started an undergraduate degree in a higher education institution in the UK. This includes young and mature students, those studying full and part time on first degree and other undergraduate degree courses. The distribution of students by subject area is provided below (Table 6).

Table 6 First year undergraduate students domiciled within the Heart of the South West LEP area: 2014/15

	Number of locally domiciled students	Distribution of locally domiciled students, %	Distribution of all UK students, %	Share of locally domiciled students studying in the HotSW
Medicine & dentistry	125	1	1	12
Subjects allied to medicine	2,370	20	15	56
Biological sciences	1,520	13	10	35
Veterinary science	20	0	0	0
Agriculture & related subjects	245	2	1	29
Physical sciences	600	5	4	28
Mathematical sciences	130	1	2	27
Computer science	365	3	4	48
Engineering & technology	640	5	7	34
Architecture, building & planning	160	1	2	47
Social studies	1,015	8	9	30
Law	285	2	4	37
Business & administrative studies	955	8	13	40
Mass communications & documentation	175	1	2	29
Languages	480	4	5	18
Historical & philosophical studies	465	4	4	20
Creative arts & design	1,415	12	8	48
Education	825	7	6	52
Combined	230	2	3	2
Total	12,020	100	100	39
STEM	3,255	27	26	33

Source: HESA data via Heidi database

The table shows that the subject choices of locally domiciled students broadly mirrors the subject choices of students nationally, with differences in most cases only amounting to ± 1 percentage point.

Locally domiciled students are slightly more likely to study subjects allied to medicine, biological sciences and creative arts and design but are less likely to study business and administrative studies, engineering & technology and law. Overall, more than

one quarter (27%) of local students elect to study a STEM related discipline¹¹, a marginally higher figure than the national average (26%).

One third (33%) of locally domiciled undergraduates chose to study at an institution within the LEP area. The share of students choosing to study locally varied significantly from area to area:

- 64% students domiciled in the City of Plymouth studied within HotSW
- 51% of those domiciled in Torbay
- 35% in Devon
- 16% in Somerset

The likelihood of studying locally varies considerably by subject (Table 6) with around half of those studying subjects allied to medicine (56%) remaining within HotSW, followed by education (52%), Computer science (48%), Creative arts & design (48%) and Architecture, building & planning (47%).

The available data on the employment destinations of students domiciled in the South West of England reveals a high level of attachment to the area, particularly among these students who attended HEIs in the HotSW LEP area. Of the 22,945 students domiciled in the South West of England who graduated in 2014/15 *and who were in employment 6 months later*, almost two-thirds (64%) were working in the South West of England. Those attending a HEI in the HotSW were even more likely to be working locally (84%) particularly if they had attended Plymouth College of Art (91%), the University of St Mark and St John (88%), the University of Plymouth (87%).

The proportion of University of Exeter students who lived in the HotSW before starting University who were working in HotSW six months later is also high (76%). However, this accounts for only a small minority of University of Exeter students (see next section). The proportion of all University of Exeter students in employment in the UK six months after graduating who were working in the HotSW LEP area is much lower, at 24%.

3.7. Higher Education institutions in the LEP area

Analysis by the CBI¹² also finds a positive correlation between areas with professional graduates and high levels of productivity. One way to attract highly skilled workers to the area is to educate them here – and encourage them to stay.

Higher education institutions in the HotSW LEP area enrolled 19,000 first year students onto undergraduate programmes during 2014/15 with the University of Plymouth and the University of Exeter, the largest providers (Table 7). The University of Exeter is the

¹¹ Biological sciences, Physical sciences, Mathematical sciences, Computer science and Engineering & technology.

¹² CBI, Unlocking Regional Growth, Op Cit.

most internationally focussed in terms of student recruitment with more than a quarter of its students domiciled outside the UK.

Table 7 First year undergraduate students enrolled at HEIs in the Heart of the South West LEP area: 2014/15 (Full person)

	Number of students	% domiciled UK	Other EU	Non-EU
The University of Exeter	6,120	73%	6%	21%
Falmouth University	1,680	93%	1%	6%
Plymouth College of Art	465	95%	4%	1%
University of Plymouth	9,915	91%	2%	7%
University of St Mark and St John	885	99%	1%	1%
All HotSW	19,065	86%	3%	11%

Source: HESA data via Heidi database

Focusing on UK students only, Table 8 clearly shows that some institutions drew a much greater proportion of their students from the local area than others. Almost three fifths (58%) of Plymouth College of Art students are from the HotSW area, compared to just 8% of those at the University of Exeter.

Table 8 UK domiciled first year undergraduate students enrolled at HEIs in the Heart of the South West LEP area: Proportion of all UK students domiciled locally: 2014/15 (Full person)

	City of Plymouth	Devon	Somerset	Torbay	Total HotSW
The University of Exeter	1%	4%	2%	1%	8%
Falmouth University	2%	6%	4%	1%	13%
Plymouth College of Art	38%	17%	1%	2%	58%
University of Plymouth	12%	17%	5%	5%	39%
University of St Mark and St John	24%	18%	6%	3%	51%
All HotSW	9%	13%	4%	3%	29%

Source: HESA data via Heidi database

In terms of overall graduate volumes, the Mapping Local Comparative Advantage report¹³ ranked the HotSW 15th out of 39 LEPs for the volume of graduates also noting that the LEP area had a higher percentage of graduates with STEM qualifications

¹³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/546999/bis-15-344-mapping-local-comparative-advantages-in-innovation-framework-and-indicators.pdf

(36% compared to 34%)¹⁴. The large volume of graduates studying in the area is clearly an asset for the region.

Headline analysis of 2014/15 HESA destinations data suggests that 57% of students studying in HotSW who found employment 6 months after graduation were working in the South West of England (Table 9). London and the South East attracted around a quarter of graduates securing employment. Students who had attended Plymouth College of Art (84%) and the University of St Mark and St John (74%) were most likely to remain in employment within the LEP area.

Table 9 Employment destinations of UK domiciled higher education students: 2014/15

	South West	London & South East	Other UK	Non-UK	Total = (100%)
The University of Exeter	41%	38%	16%	5%	2,680
Falmouth University	47%	29%	18%	6%	715
Plymouth College of Art	84%	8%	8%	0%	125
University of Plymouth	67%	17%	13%	2%	3,640
University of St Mark and St John	74%	14%	11%	1%	495
All HotSW	57%	25%	15%	4%	7,655
All UK	7%	33%	57%	3%	291,365

Source: HESA data via Heidi database

3.8. Employer perspectives on young recruits

Nationally, the majority of employers nationally believe young people are well prepared for work. The perception of preparedness does, however, increase with the level of educational attainment and, by default, age¹⁵. Over eight in 10 employers who had recruited a young people from university found their graduates well prepared for work (81 per cent) and over half of employers found 16 year-old school leavers to be well prepared for work.

Where young people were found to be poorly prepared for work, this was most commonly due to a perceived lack of working world or life experience or due to poor attitude, personality or lack of motivation (e.g. poor work ethic, punctuality, appearance, manners). Very few employers said that their recruits lacked basic numeracy or literacy, or that they had had a poor education. Lack of work

¹⁴ 2013/14 data on students qualified for undergraduate honours degrees

¹⁵ UK Commission for Employment and Skills: Employer Perspectives Survey, 2014.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/373769/14.11.11._EPS_2014_-_Main_Report_full_V2.pdf

experience puts young people at a disadvantage in the labour market since employers tend to place more emphasis on relevant work experience and core skills in Maths and English than relevant qualifications or a particular level of academic achievement.

Work experience and other education-business engagement activities can provide young people with an important opportunity to gain this experience. According to the UKCES Employer Perspectives Survey, fewer than two fifths (37%) of employers in HotSW had provided a work experience placements in the last 12 months and only around one in ten (11%) had offered any 'work inspiration' opportunities. While the proportion of young people who participated in work experience was broadly in line with the national average, HotSW employers were less likely to have offered any work inspiration activities.

4. EXISTING WORKFORCE

According to the CBI around 90% of people in the workforce today will be in employment in 10 years' time¹⁶. The skills of the existing workforce, and the extent to which these are adequately managed, utilised and developed, are important factors in determining local productivity.

This chapter therefore examines:

- the qualifications and skills held by the resident population, including the prevalence of basic skills and digital skills;
- indicators of the quality of leadership and management within HotSW establishments;
- the extent to which the skills of those working in HotSW are utilised within the workplace; and
- the nature and scale of employer investment in workforce development.

4.1. Qualifications and skills within the resident population

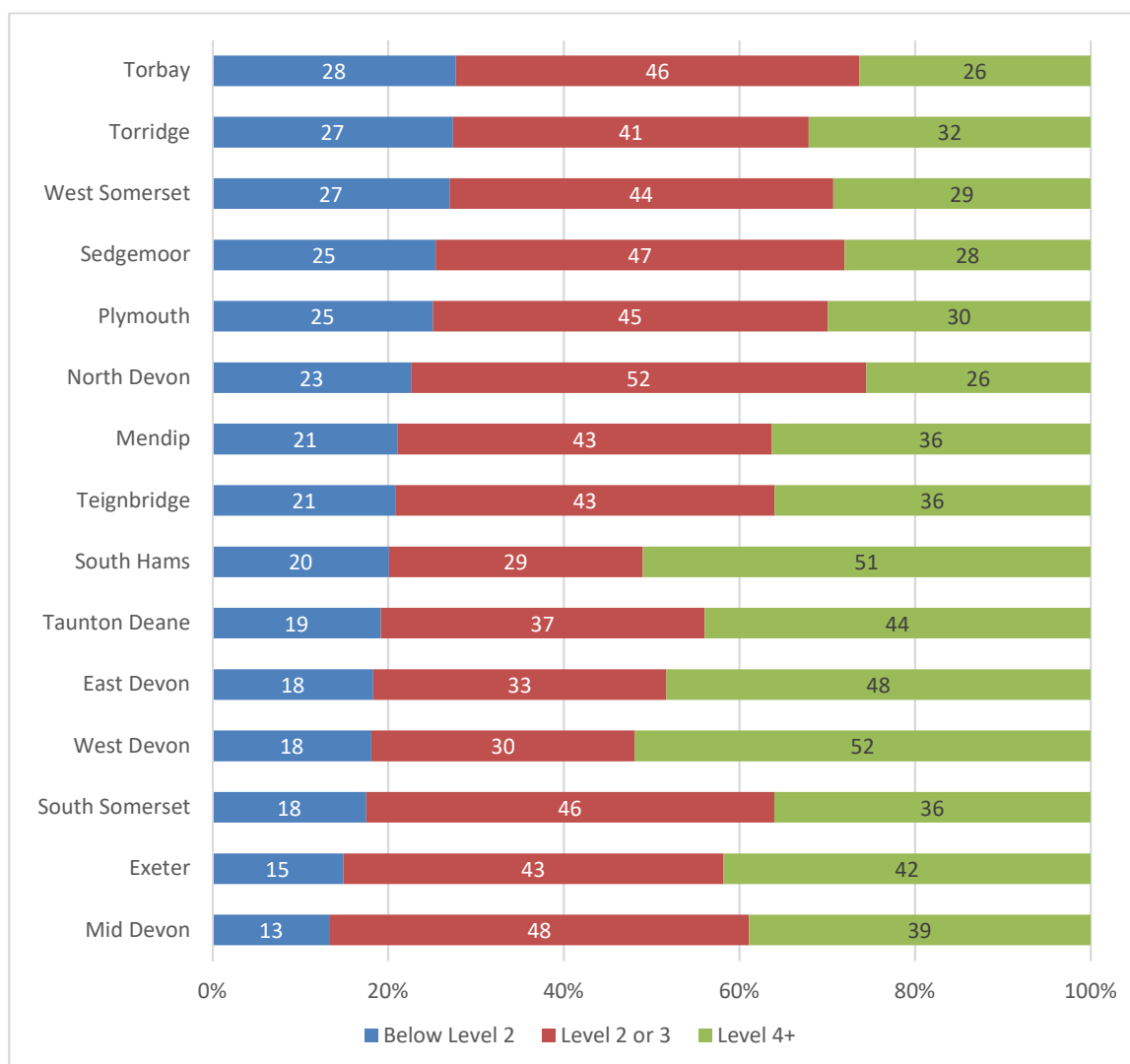
4.1.1. Highest qualification held

Qualification levels among the resident population are broadly on par with the national average with more than one third (36%) holding at least a degree level qualification or equivalent or above. HotSW ranks 20th out of 39 LEPs for the proportion of its population holding qualifications at degree level or above, but is well short of the most highly qualified LEP areas of Oxfordshire (52%), London (50%) and Thames Valley Berkshire (48%)¹⁷. Figure 5 reveals big differences in the highest qualifications held by the residents living in different parts of the LEP area. Residents living in the South Hams and West Devon, for example, are around twice as likely to hold a degree level qualification (or equivalent) than those living in Torbay, North Devon, Sedgemoor and West Somerset.

¹⁶ CBI, Unlocking Regional Growth, Op Cit.

¹⁷ Annual Population Survey, January to December 2015 (Resident population aged 16 to 64).

Figure 5 Highest qualification held by the resident population: January to December 2016



Source: Annual Population Survey via NOMIS

4.1.2. Basic skills

The Annual Population Survey suggests that 215,400 HotSW residents do not have a qualification at Level 2 or above, of whom 53,400 do not hold any formal qualification at all. By broad age group, these poorly and unqualified residents are distributed as follows:

- 16 to 24 years 38,500
- 25 to 49 years 89,600
- 50 to 64 years 87,300

4.1.3. Digital skills

While we do not have local data on residents' digital skills, research by Ipsos Mori/Go ON UK (2015)¹⁸, found that 77% of the adult population in the South West of England have basic digital skills¹⁹ and 82% have basic online skills²⁰. This is broadly on par with the UK averages of 77% and 81% respectively. Variation across demographic and social groups is such that:

- The proportion of adults with basic digital skills declines with age, with just 43% of people aged 65+ having basic digital skills.
- The basic digital skills level amongst the highest social group (ABC1) is higher than the national average (87%) but is significantly lower than the national average among the lowest social group (C2DE) (65%).

4.2. Management and leadership

While many studies have shown that access to a highly skilled workforce is linked to higher productivity, it is the way in which or the extent to which skills are deployed that ultimately determines how much value they generate for the business. The quality of the leadership and management is central to the effective skills utilisation.

Identifying the quality of leadership and management is extremely difficult. However, two 'proxy' indicators are suggested:

- Highest qualifications held by managers, directors and senior officials; and
- The likelihood of an enterprise to have formal business plan, training plan or training budget.

4.2.1. Highest qualifications held by managers, directors and senior officials

The proportion of managers who have a degree level qualification or above is frequently used as a proxy indicator for leadership and management quality. Of course, many good managers may not have such qualifications and many managers will have qualifications but these may not be in management skills. Nonetheless, it is interesting to note that fewer than two-fifths (37%) of manager, directors and senior officials working in the Heart of England LEP area were qualified

¹⁸ https://doteveryone-prod.s3-eu-west-1.amazonaws.com/uploads/Basic%20Digital%20Skills_UK%20Report%202015_131015_FINAL.pdf?utm_source=insights%20page&utm_medium=bdsresearch&utm_campaign=insights target="_blank"

¹⁹ That is, are able to perform all the digital tasks explored in the survey and therefore have digital skills in managing information, communicating, transacting, creating and problem solving.

²⁰ Have digital skills in managing information, communicating, transacting and creating but not problem solving. To have problem solving skills respondents must have indicated they could verify sources of information they found online and solve a problem with a device or digital service using online help.

to Level 4 or above in 2011, a figure well below the England average (44%) and that of the most productive LEP areas such as Thames Valley Berkshire (51%).

The UK Employer Survey 2015²¹ found that while employers were more likely to say that they offered training to managers than other occupational groups, the proportion of managers who had trained was lower, possibly due to managers being (or considering themselves) less likely to have a skills deficiency.

Where skills deficiencies were identified these were more likely to be due to their not having received the appropriate training (affecting 36% of managers not deemed to be appropriately skilled). Since many managers are promoted from technical roles, some may not have received any formal management training. A relatively high number of skills gaps in managers were thought to be caused by the introduction of new working practices (37%) and the development of new products and services (27%).

4.2.2. Business planning

"Another key driver of the disparity in growth across the regions and nations is how companies operate, as well as their ambitions for the future". – CBI

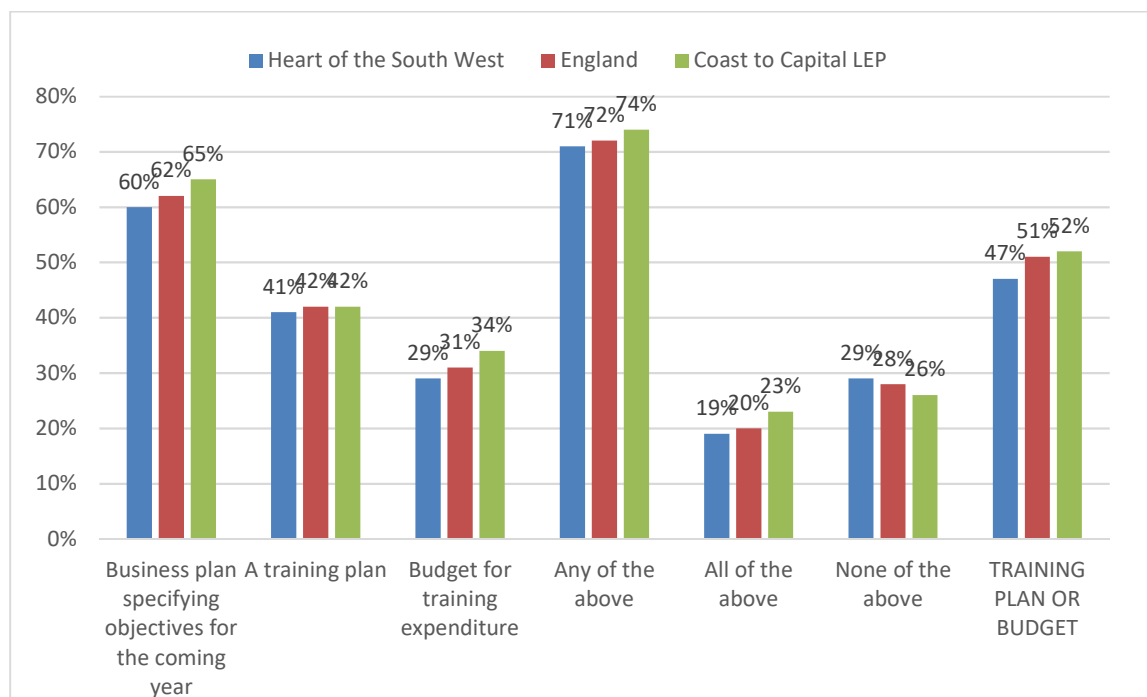
Three-fifths (60%) of enterprises within the HotSW LEP area have a formal business plan. This is slightly below the national average of 62% and five percentage points lower than the proportion found in leading LEP areas, such as Coast to Capital. Figure 6 also shows that enterprises in HotSW are also less likely than average to have a training plan or a training budget²². Over half of HotSW employers (53%) have neither a formal training plan or budget, indicative of a serious lack of ability to plan or develop human resources within their business.

²¹

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/525444/UKCESS_2015_Report_for_web_May_.pdf

²² UK Employer Skills Survey, 2015 UKCES

Figure 6 Whether establishment has a business plan, training plan, and/or a budget for training expenditure: 2015



Source: UK Employer Survey

4.3. Skills imbalances in the existing workforce

4.3.1. Utilisation of skills

One quarter (25%) of local employers reported that they had at least one employee who was “under-utilised”, that is, their skills and qualifications were above those required for their current role. As the UK report for the skills survey concluded, under-utilisation of skills “represents not only a waste of individuals’ talent but also potentially a missed opportunity for employers to increase performance and productivity, improve job satisfaction and employee well-being, and stimulate investment, enterprise and innovation.”

The proportion of employers within HotSW identifying under-utilised skills was lower than the national average (30%). Local employers reporting under-use of skills were more likely than average to attribute this to staff not being interested in taking on a higher level role and to the working hours of existing roles being preferable to those required by higher level roles. This suggests that personal choice is a more significant factor locally than nationally in decisions about progression and that it is this consideration, rather than a shortfall in the volume of skilled jobs, that is leading to under-utilisation of skills. Employers within hotels and restaurants (36%), health and social work (31%) and arts and other services (33%) were the most likely identify under-utilisation of skills.

4.3.2. Skills deficiencies

Local employers are, in the main, relatively satisfied with the skills of their existing workforce or at least satisfaction levels are on par with those evident nationally. While one in seven (14%) establishments can identify at least one member of staff that is not fully proficient, the proportion (5%) and number (31,646) of employees affected is relatively small. By industry, establishments in hotels and restaurants (19%), wholesale & retail (18%), financial services (18%), education (17%) and health and social work (16%) are most likely to report skill deficiencies within their workforce. Skills gaps affect the highest share of the workforce within the manufacturing (10%), financial services (7%), wholesale and retail (6%) and utilities (6%) sectors.

Although skills deficiencies are identified across all broad occupational groups, the proportion of employees with deficiencies is highest among sales and customer services staff (21%), machine operatives (16%) and elementary staff (15%).

The vast majority of employers reporting skills deficiencies attribute the gap as being due to staff being new to their role and/or their training not being completed (77%).

However, local employers are also less likely than average to report skills gaps as arising from changes that we might associate with innovation and productivity growth, such as the introduction of new products and services (15% with skill gaps), new working practices (21%) and new technology (14%). Economies and workplaces that exist within a low skills equilibrium, that lack dynamism and change little may report few skills gaps. Interpretation matters and it would be wrong to suggest that skills gaps are always bad.

That said, skills deficiencies often have a negative impact on the business (65%) and in a significant minority of cases (11%) these impacts can be major. Almost half of HotSW employers reporting skills report increased workload for other staff (45%) with more than a fifth report that skills gaps have led to difficulties meeting quality standards (21%), to high operating costs (24%) or to difficulties introducing new working practices. One in seven have lost business or orders, 15% have experienced delays developing new products or services in a minority of cases (9%) had to outsource work.

The vast majority of employers have taken steps to improve proficiency or skills of staff with skills gaps (83%) or have plans to do so (4%), but more than one in eight (12%) have yet to do anything about it (marginally higher than England average 9%).

4.4. Investment in workforce development

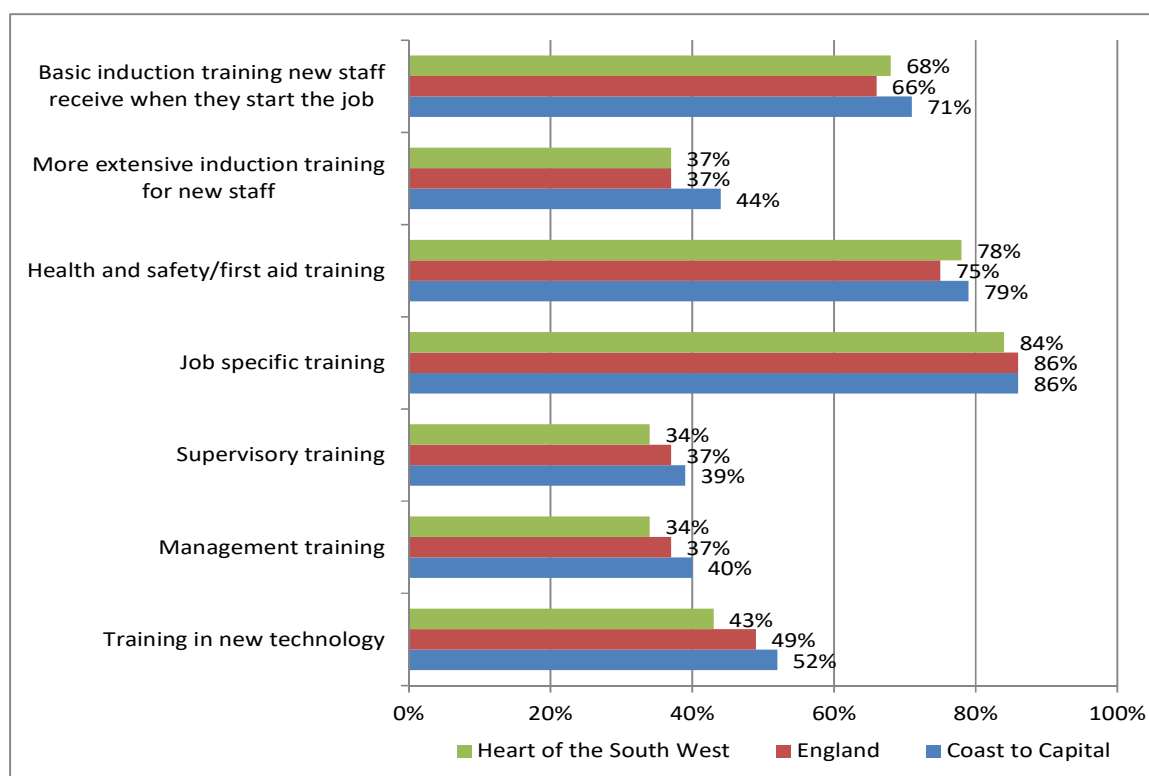
There is a relationship between an employer's capacity to train its workforce and its potential for productivity gains and growth.

4.4.1. Nature and prevalence of training

The UK Employer Skills Survey suggests that more than two-thirds (68%) of staff working for employers in the HotSW LEP area received training in the previous 12 months. This is slightly higher than the average for England as a whole (62%), despite a marginally fewer employers locally reporting that they had provided training (64% compared to 66 nationally). The inference is that local employers train a slightly larger proportion of their workforce. The results also suggest local employers who provide training, offer longer durations of training than typical nationally (7.6 days compared to 6.8 days). This may be related to the higher than average prevalence of public sector employment in the HotSW area.

Less encouraging is the finding that local employers who do train, are more likely than average to provide basic induction training and health & safety/first aid training. They are also less likely than to provide the sort of training that might more directly affect productivity such as training in new technology, management or supervisory training or job specific training (Figure 7).

Figure 7 Main types of training funded or arranged for employees*



Source: UK Employer Skills Survey, 2015; UK Commission for Employment and Skills

*Base: All establishments providing training

Establishments with a high Product Market Strategy Index (i.e. those that compete more on the basis of product and service quality, sophistication and market leadership rather than price) trained a larger share of their workforce than those with a low Product Market Strategy Index.

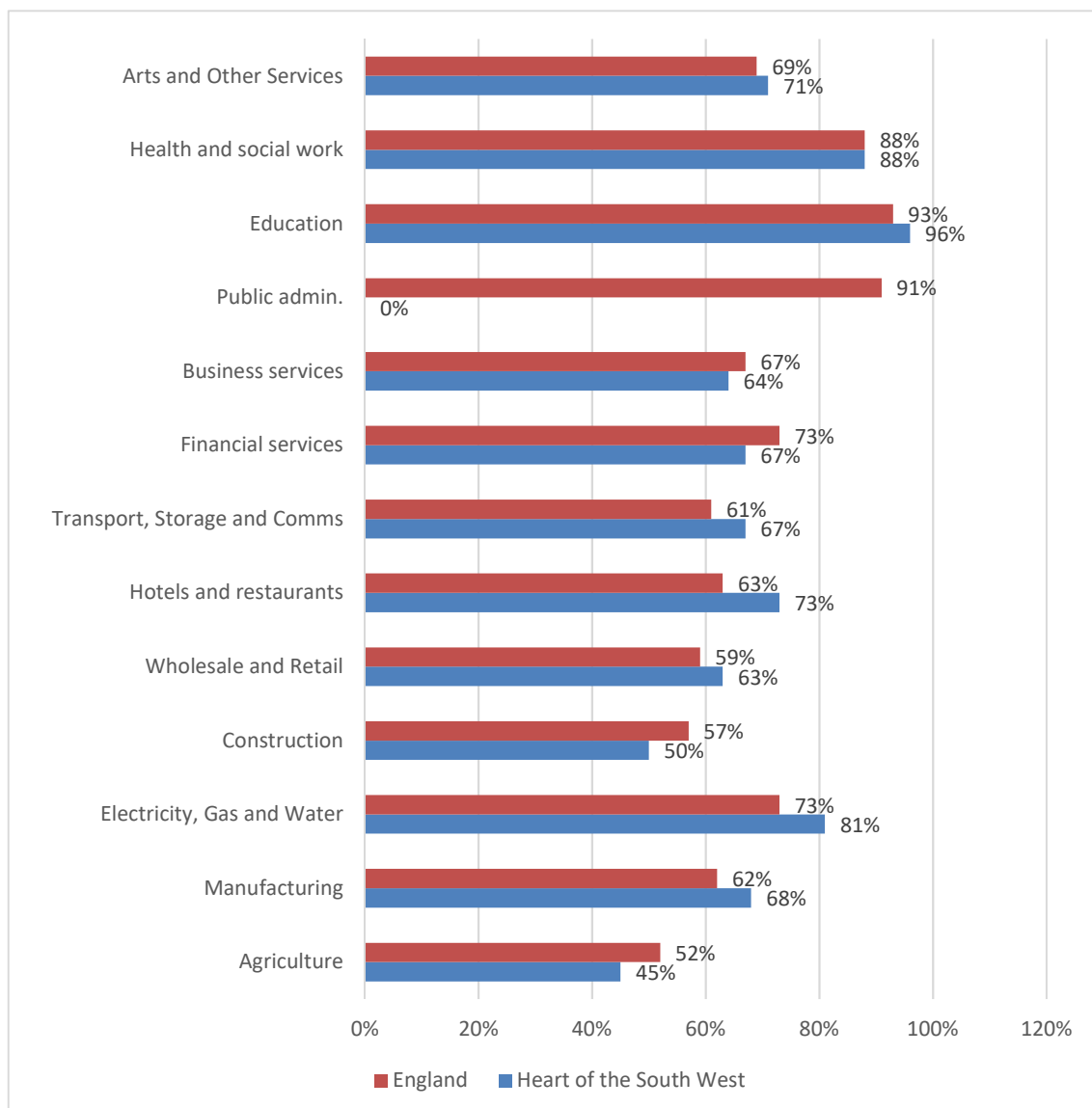
4.4.2. Prevalence and intensity of training by size and sector

Successive Employer Skills Surveys have revealed fairly well established patterns of employer investment in skills. As might be expected propensity to offer training varies according to enterprise size, sector, industry and organisation, that is, whether it is a single site or part of a larger enterprise. The results for the HotSW do not reveal any great surprises:

- Establishments that are funded from local or central government (91%) are far more likely to provide training than those that seek to make a profit (61%).
- Training propensities tend to rise with establishment size but the most significant 'step change' in whether an establishment provides training or not appears to happen between the 2 and 4 employee (47%) and 25 and 49 employee (82%) group. Almost all (>99%) of establishments over 50 staff provided training.
- Training is almost universally provided in the public administration, education and health sectors but is offered by 50% or fewer firms in the construction and agricultural sectors.
- Nationally, single site enterprises are less likely to provide training (60%) than those that are head offices (76%) or other business units (79%) associated with a multi-site establishment.

Comparing the propensities of establishments in HotSW to offer training with similar establishments across England reveals areas where the LEP area is 'underperforming'. Such analysis suggests that locally establishments in the private sector, those employing less than 5 people, and those in the agriculture, construction and business services sectors have a lower propensity to train than the same establishments nationally. Establishments in Financial services also appear to have a relatively low incidence of training.

Figure 8 Percentage of establishments providing training in last 12 months by sector; Heart of the South West LEP area and England: 2015



Source: UK Employer Skills Survey, 2015; UK Commission for Employment and Skills

The decision to not provide training may of course be an entirely rational one, for example, if no recruitment has taken place and all members of staff are already considered fully proficient. The UK Employer Skills Survey provides a 'training equilibrium'. This identifies employers who wanted to train but didn't do so or wanted to train more than they did as being in 'training disequilibrium'. At 37%, HotSW has one of the lowest percentages of establishments in 'training disequilibrium' of all the LEP areas. The majority of employers who were in 'disequilibrium' were those that wanted to do more training, rather than those that want to train but didn't train at all.

The relatively low incidence of employers wishing to train more than they do could be taken as being indicative of a lack of ambition, change or dynamism in the

economy and suggest that partners may struggle to drive demand for apprenticeships, following the introduction of the levy.

4.4.3. Patterns of training by occupation

Employers who had provided training were most likely – overwhelming so - to say that they had trained managers, directors or senior officials. Despite this high propensity to train managers among *employers who train*, national data reveals that managers were also less likely to receive training than any other occupation (48%).

Caring, leisure and other services staff (80%) are the most likely to receive training followed by professionals (68%), customer service staff (64%), associate professionals (62%), skilled staff (58%) and elementary staff (56%). Only administrative and clerical (52%) and machine operatives (51%) had comparable levels of staff training to managers.

A challenge for the LEP is that employers are much more likely to provide training to employees in high-skill occupations (70%) than employees in labour-intensive occupations (32%). While this may be a rational deployment of resources, it potentially limits opportunities for progression among low skilled workers.

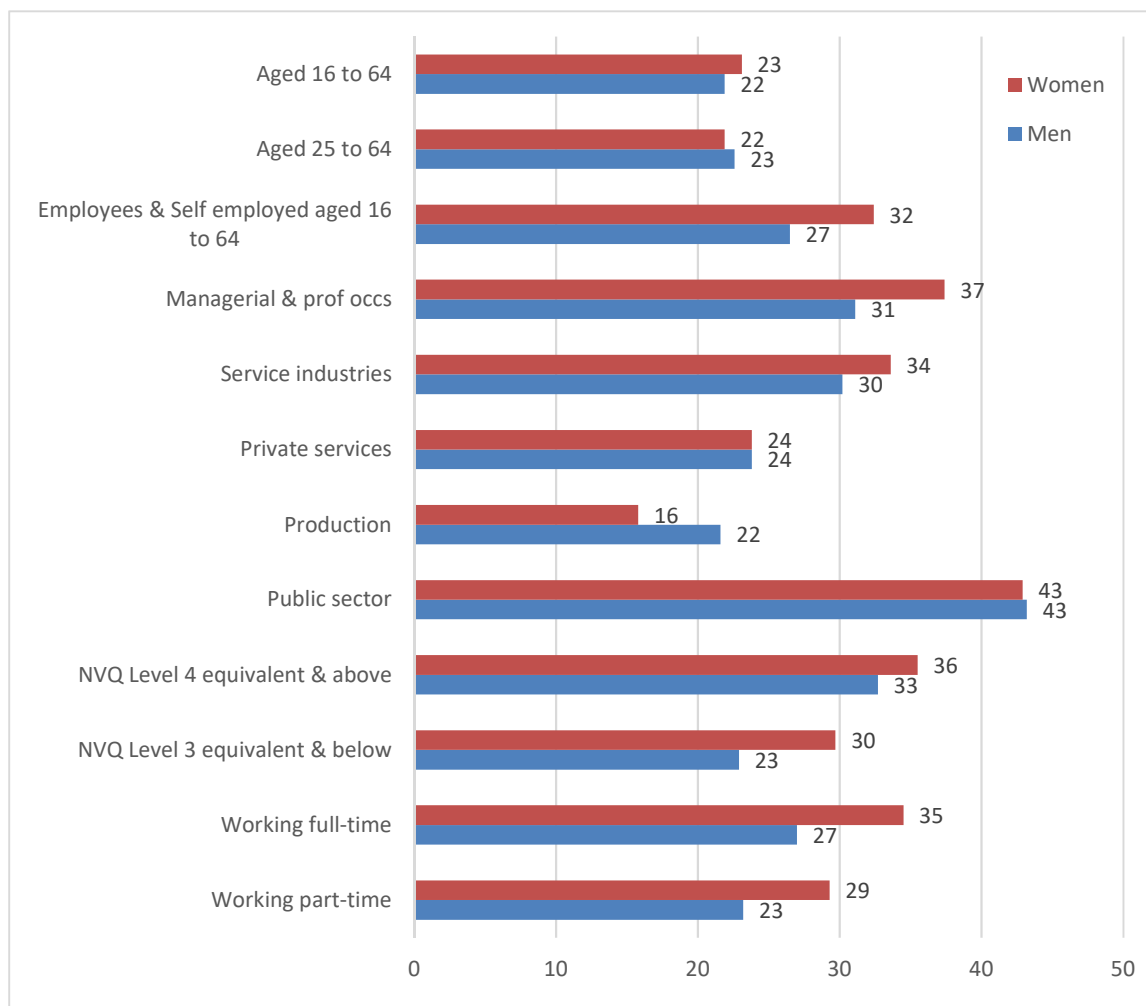
4.4.4. Residence-based

The Annual Population Survey provides a perspective on participation of training among HotSW residents – irrespective of where they work – rather than the training activity of local employers.

Unsurprisingly, being in work increases residents' likelihood of undertaking job related training; evidenced by the higher percentage of employees and self-employed residents who received training than the general population. Among those in work, managers and professional occupations are more likely to receive training than average, as are those working in the public sector and service industries.

Those who are already highly qualified are significantly more likely to receive job-related training than those with lower qualifications, while full-time workers are more likely to receive training than part-time workers. In general, women are more likely to receive training than men.

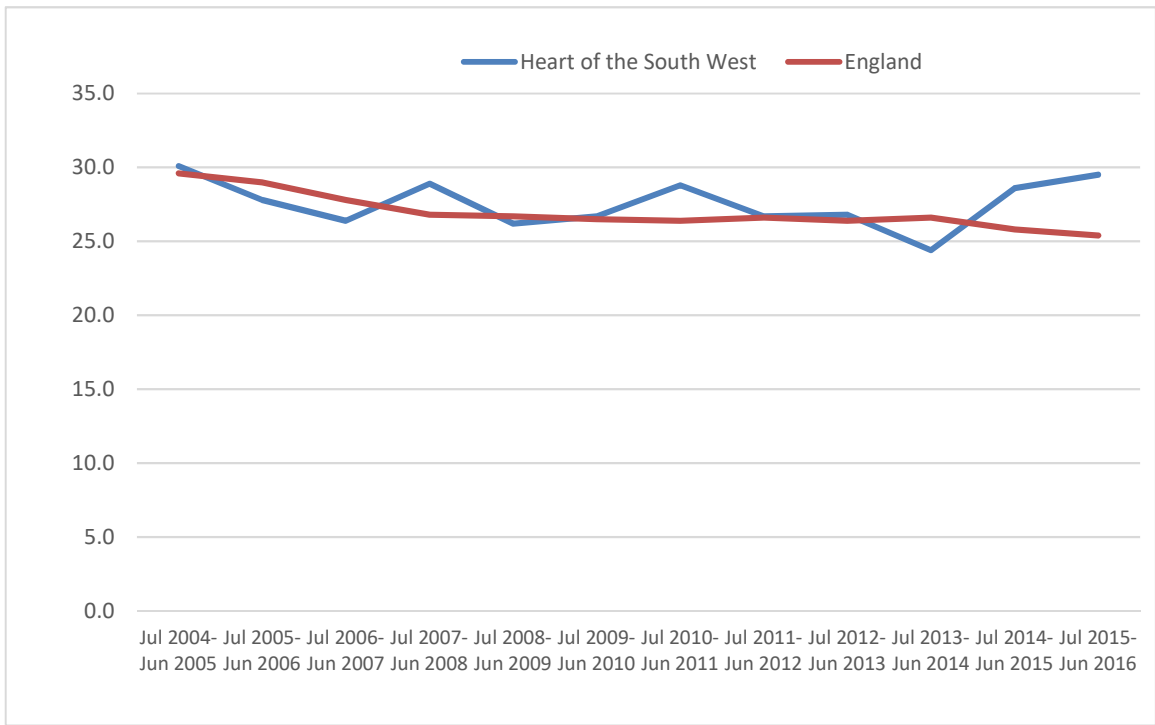
Figure 9 **Percentage of residents who received job related training in the last 13 weeks; HotSW: January to December 2015**



Source: Annual Population Survey, ONS via NOMIS

Evidence on propensities to train suggests that nationally, there has been a gradual decline in the proportions of people who have been offered off the job training. This decline is less evident within HotSW, although confidence intervals of ± 1.7 percentage points do need to be taken into account.

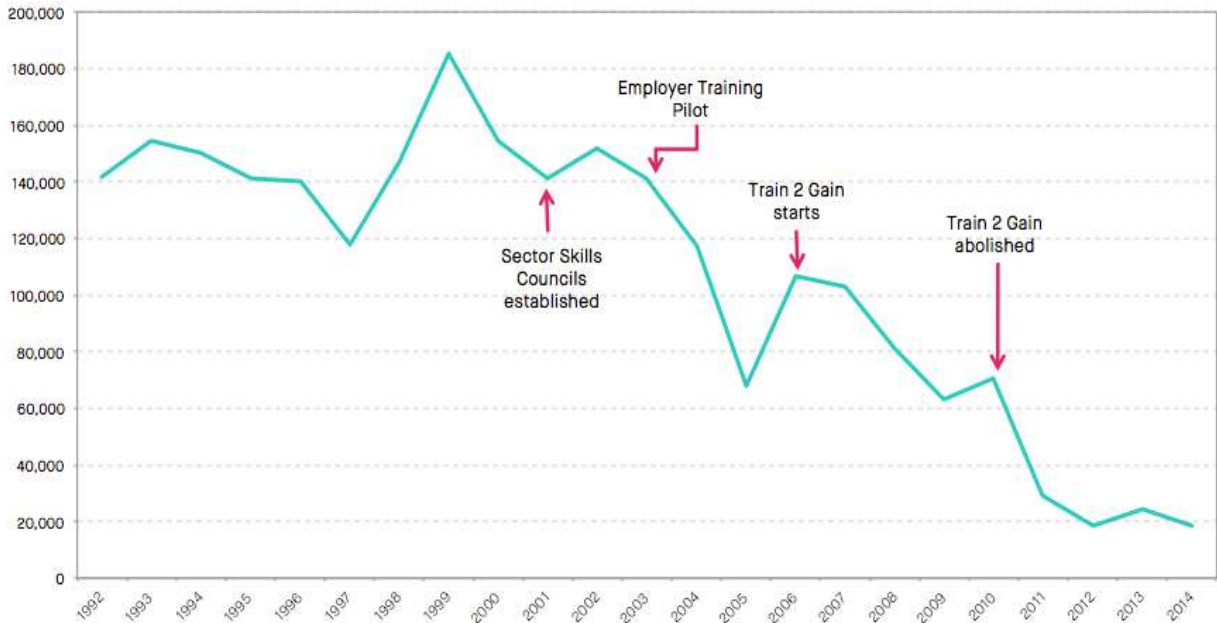
Figure 10 Percentage of residents who received job related training in the last 13 weeks (Employees and self-employed aged 16 to 64)



Source: Annual Population Survey, ONS via NOMIS

However, there is also evidence that the number of employees attend training outside their workplace has reduced considerably, both during and previous to the time period covered by the analysis above.

Figure 11 No. of employees attending training outside their workplace: Britain 1992 - 2014



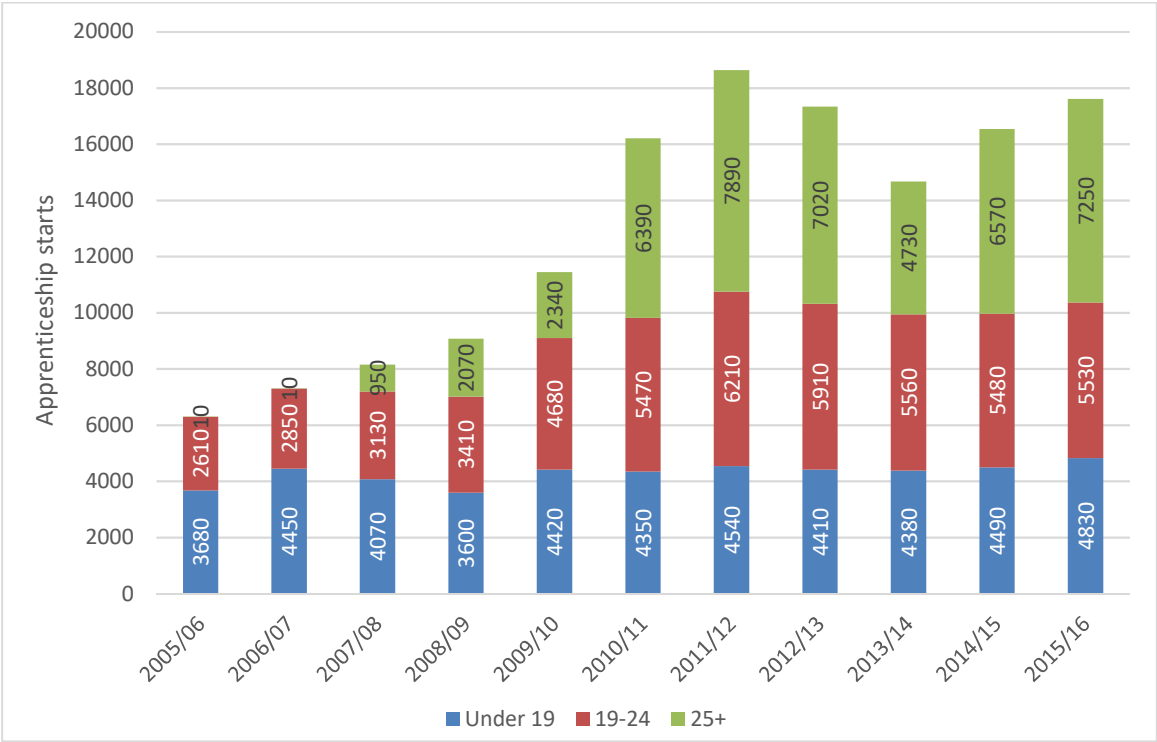
34 ETPs were more generous than T2G, providing wage subsidies

The reasons for this are not apparent from the data, but may owe something to employers finding new ways to meet their skills needs, via informal and on-line learning for example.

4.5. Apprenticeships

The introduction of the Apprenticeship levy provides an exciting opportunity to encourage employers take greater role for staff development. This applies not just to new appointees, but to the upskilling and re-skilling of ageing workers who may struggle to keep pace with the rate of technological change. The expansion in Apprenticeship starts locally, particularly among adults aged over 25 is illustrated in Figure 12.

Figure 12 Apprenticeship starts across the Heart of the South West by age group: 2005/6 to 2015/16



Source: Department for Education

It is notable that the number of starts by people aged under 19 has remained more or less static over the last ten years. The goal of successive governments, of developing apprenticeship as an alternative high-quality pathway for young people drawn vocational rather than academic learning, has proved remarkably elusive.

The distribution of apprenticeship starts in 2015/16 by sub-area was such that 7,310 were in Devon (41%), 5,250 in Somerset (30%), 3,560 were in Plymouth (20%) and 1,510 in Torbay. All four areas have followed the same trend over time with: numbers peaking in 2011/12; declining 2012/13 and 2013/14 following the introduction loans

for adult apprenticeships at Level 3 and above; and recovery thereafter. Apprenticeship numbers for 2015/16 were lower than in 2011/12 in all areas except Somerset (which returned to the same level), lower by 10% in Torbay, 9% in Plymouth and 7% in Devon.

In 2015/16, adults aged over 25 accounted for the largest share of apprenticeship starts (41%). Young adults aged 19 to 24 accounts for almost one third (31%) and young people aged 19 and under, 27% (Table 10). These proportions are broadly consistent with participation patterns seen nationally.

Table 10 Apprenticeship starts by age and level; Heart of the South West: 2015/16

	Under 19	19 to 24	25+	All ages
Intermediate	20%	18%	20%	58%
Advanced	8%	13%	16%	37%
Higher	0%	1%	4%	6%
All levels	27%	31%	41%	100%

Source: Department for Education

While the majority (58%) of Apprenticeships remain at intermediate level (typically Level 2), the number of Advanced Apprenticeships²⁴ (Level 3) and Higher Apprenticeships²⁵ has increased rapidly in terms of volume and their share of all starts. Similarly, Higher Apprenticeships have expanded to account for 6% of apprenticeships since their introduction in 2005/6.

The fact that over 70% of young people aged under nineteen started an Intermediate Apprenticeship (at level 2) rather than an Advanced apprenticeship (at level 3, which is A level equivalent) suggests that considerable work remains to be done to secure 'parity of esteem' and establish apprenticeship as a high quality vocational pathway for able students from age sixteen onwards.

The collapse of demand for adult apprenticeships at level 3 and above following the introduction of fees (which did not happen when fees were raised for higher education) points to a weakness in individual demand for apprenticeships. The financial dimensions of this issue have been addressed by requiring employers to pay for apprenticeships via the levy from 2017. However, work to raise individual demand for upskilling through apprenticeship, by demonstrating the tangible benefits and progression opportunities that result, will continue to be an important complementary policy emphasis.

²⁴ 34% of Apprenticeships in 2014/5 were Advanced Apprenticeships.

²⁵ 3% of apprenticeships in 2014/5 were Higher Apprenticeships.

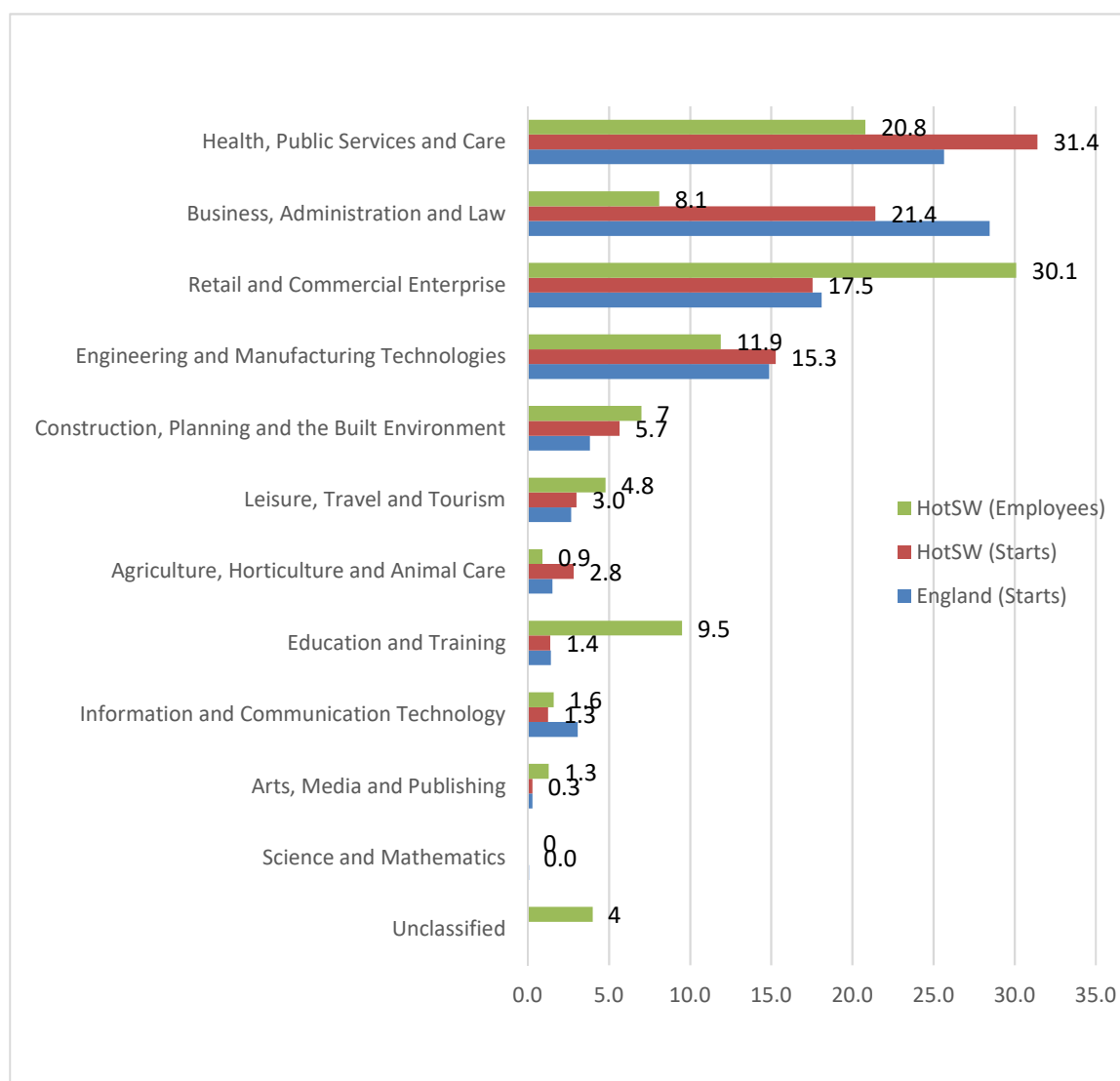
Analysis of Apprenticeships by sector subject area within the LEP area shows that most are in: health, public services and care; business administration and law; retail and commercial enterprise and engineering and manufacturing technologies. This broadly mirrors the national profile, albeit with a greater local emphasis on health, public services and care. Figure 12.

Figure 12Figure 13 also compares the profile of Apprenticeship starts by sector subject area with the local employment. This is a rather imprecise 'science' as industrial sectors do not map across to sector subject areas very well. However, it gives a broad impression of the 'fit' or otherwise of apprenticeship training to the demands of the labour market.

A number of observations can be made:

- A larger share of apprenticeship starts are in Health, public services and care (31%) than might be expected given that 'sectors' share of total employment (21%), and a smaller share of starts (18%) in Retail and commercial enterprise given its share of employment (30%).
- Given that apprentices in Business, administration and law could be employed in a range of other sectors, the current share of starts (21%) in this sector subject area may not be disproportionate.
- The share of apprenticeship starts in Engineering and manufacturing technologies (12%) is broadly balanced with this sector's share of employment (15%)
- There would appear to be scope to for a greater share of starts in: Information and Communication Technology; Arts, media and publishing; Education and training; Leisure, travel and tourism; and Construction, planning and the built environment.

Figure 13 Apprenticeship starts by Sector Subject Area: 2014/15



Source: Department for Education

5. ATTRACTING AND RETAINING TALENT AND SKILLS

Raising productivity depends, in part, on an area's ability attract and retain the skills that it needs. Not all skills requirements will be met by 'home grown' talent: young labour market entrants and training the existing workforce. The CBI report, "Unlocking Regional Potential" argues that there is an opportunity for regions outside London to do more to attract more mobile young people to their areas.

This section explores the extent to which:

- local employers are prevented from recruiting the skills they need because a lack of candidates with the right skills, qualifications or experience; and
- the LEP area attracts people from outside the area to live and/or work in the area.

It then examines the HotSW's credentials as an attractive place to live and work, assessing factors such as the number of market leading employers, the quality of employment available and salary levels.

5.1.1. Recruitment and skills shortages

The 2015 UK Employer Skills Survey examined the extent and nature of recruitment activity in the UK. The survey found that one-fifth (18%) of establishments in the HotSW LEP area were recruiting at the time of the interview. Extrapolated out, this equates to 23,251 vacancies in all enterprises in the area.

Surveyed employers reported difficulties filling almost half (46%) of these vacancies. Skills shortages – the inability to find candidates with the right skills, qualifications and/or work experience - affected 29% of all vacancies and 63% of vacancies all vacancies that were proving 'hard to fill'. Skills shortages affected 5% of all establishments in HotSW and a quarter (26%) of those that were recruiting at the time. Nationally they affected 6% of employers and 29% of employers who were recruiting when surveyed.

Skills shortages are significant in the context of productivity because the vast majority of employers who experience them report detrimental impacts on their business. The most common impacts were: increased workload for other staff (reported by 87% of establishments with skills shortage vacancies); loss of business or orders (35%); delays in developing new products or services (35%); increased operating costs (38%); and difficulties meeting customer services objectives (38%). They can also affect an establishment's ability to innovate, for example, resulting in delays to introducing new working practices (28%) or technology (14%).

Within the LEP area, professional staff accounted for the largest share of skills shortage vacancies (30%) followed by skilled trades (16%), elementary (16%) and machine operatives (15%).

5.1.2. Migration

The 2011 Census suggests that the LEP area made modest population gains from internal movements within the UK in the year leading up to Census Day. Around 23,400 people aged between 25 to 64 years moved into the area and 18,500 people moved out. The gain of c. 5,000 represents 0.56% of the usual resident population within this age group.

Discounting the net outward migration of 1,300 full-time students, according to the Census there were 4,400 net inward migrants to HotSW LEP in 2011, of whom 72% were in the four higher 'Socio-economic Classification groups²⁶' and 28% in the four lower NS-SEC groups²⁷. Or, looked at another way, while net inward migration accounted for a 0.4% rise the total HotSW population in 2011, it accounted for a 0.8% rise in the population of those working (or who used to work) in 'Higher managerial, administrative and professional occupations'. These skilled migrants are widely acknowledged as an important potential driver for productivity led growth for the region.

The 'flight path' of young people in their twenties from most UK regions to London is well established. Between 2009 and 2013, London gained around 35,000 more young people in this age group than it 'lost'. However, this was almost matched by a loss of people in their thirties and forties, moving out of the City, mostly into the South East and East of England. This is perhaps understandable given the high cost of living in the Capital and pressures on quality of life, particularly when starting a family. The quality of educational opportunities is clearly one of many inducements that could attract highly skilled adults with children, (back) into the HotSW area.

The region's attractiveness to foreign born or non-UK nationals is illustrated by Table 11, which shows the proportion local residents that belong to either group. The HotSW LEP area ranks 34 out of 39 LEPs for the share of non-UK nationals in the working-age population. At 4%, this is considerably lower than the more diverse populations of areas such as London (24%), Oxfordshire (13%) and Thames Valley Berkshire (13%).

²⁶ Higher managerial, administrative and professional occupations, Lower managerial, administrative and professional occupations, Intermediate occupations and Small employers and own account workers

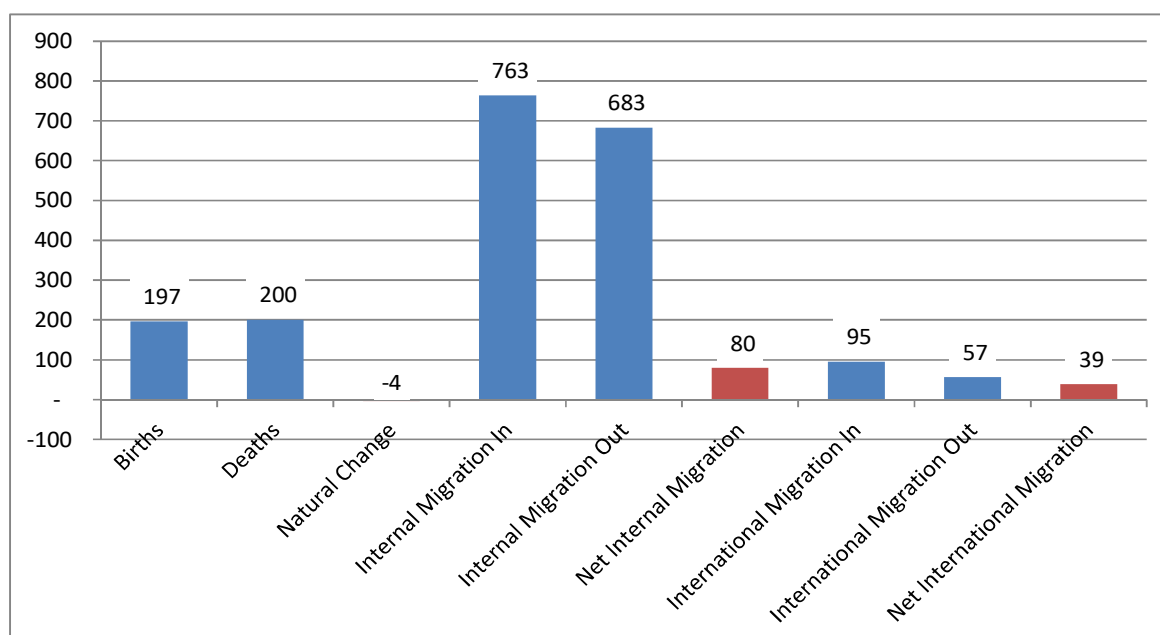
²⁷ Lower supervisory and technical occupations, Semi-routine occupations, Routine occupations, Never worked and long-term unemployed

Table 11 Measures of international migration: 2015/2016

	Percentage of residents age 16 to 64 that were born outside the UK	Percentage of residents age 16 to 64 that are non-UK nationals
England	19.1	9.7
Heart of the South West LEP	9.2	4.0
Devon	7.5	3.7
Plymouth	12.0	6.0
Somerset	9.9	3.5
Torbay	8.7	4.1

Source: Annual Population Survey via NOMIS

Looking forward, Figure 14 shows that HotSW's overall population is projected to grow by c.120,000 between 2015 to 2025, with two thirds of this growth resulting from internal migration (equivalent to 80,000 people over ten years). The Brexit vote, which is immensely important in terms of setting the context for national Industrial Strategy, has clearly rendered the pre-Brexit projections of net international migration (+40,000) uncertain.

Figure 14: Components of projected population change, HotSW 2015 - 2025

Source: ONS – Population Projections

The impact of this inward migration on productivity, as opposed to economic growth, is difficult to quantify. The statistics include both: older people coming to the region to retire, whose presence may fuel the growth of less productive industries (e.g. care); and significant numbers of adults in their thirties and forties coming to the region with valuable skills and experience picked up in other parts of the country.

However, if the economy continues to grow and the labour supply becomes increasingly constrained (including as a consequence of the Brexit vote) our area's ability to attract highly skilled migration will be an important consideration in future.

5.1.3. Commuting

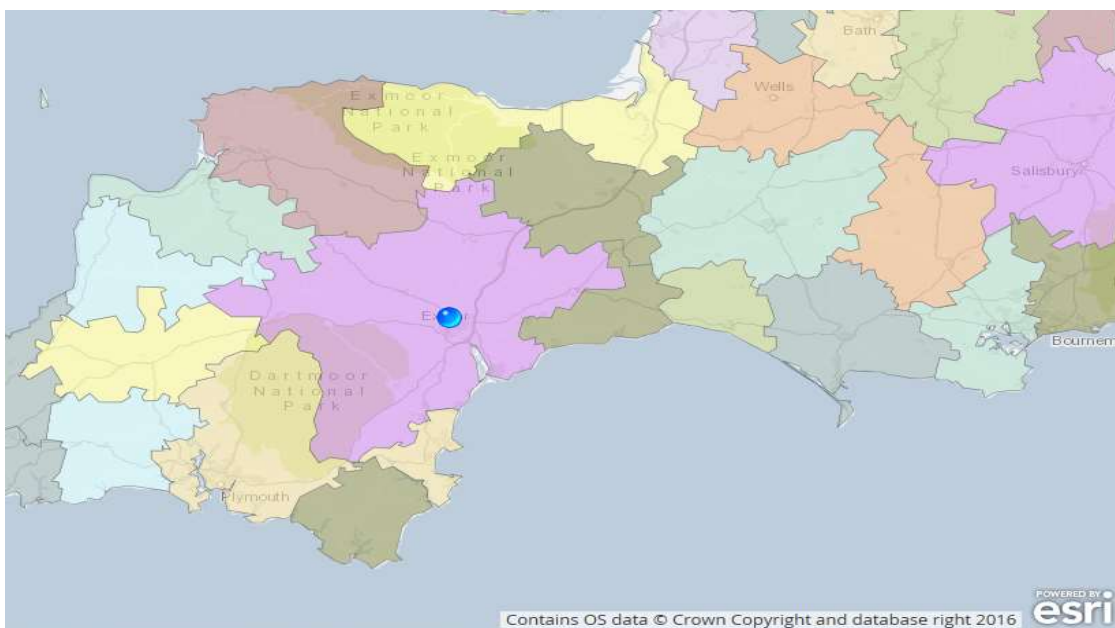
Alongside migrants and young people, commuters are a further important source of labour. Most employed people who live in the LEP area also work in the area (85%) either working at home, or travelling to a place of work within the LEP area. More than 47,700 people commute into the area from outside to work while almost 54,600 commute out, generating an overall net 'loss' of 6,850 though commuting flows.

Within the LEP, Exeter (+26,200) and Plymouth (+4,700) gain from commuting while Torbay (-4,400), Somerset (-8,200) and 'all other Devon CC districts (except Exeter)' lose (-25,150).

Commuting patterns identified by the 2011 Census have been used to create analytical geography called 'Travel to Work Areas'²⁸ (TTWA). Exeter is the largest functional economic area in HotSW, accounting for around one quarter of the population aged 16 and over (426,500 residents), followed by the Plymouth TTWA (354,800 residents), Yeovil TTWA (181,200) and Torquay & Paignton TTWA (158,000).

Investments in road and rail infrastructure can improve productivity by reducing travel times and by extending the distances people can travel to work, thereby expanding the potential labour pool.

Figure 15: Travel to work areas in the Heart of the South West



²⁸ The current criteria for defining TTWAs are that at least 75% of the people who work in the area also live in the area and an area must also have an economically active population of at least 3,500.

5.2.1. Market leading employers

Businesses that adopt high performance working practices (HPW) and those that pursue “very high product market strategies” (PMS, i.e. those who lead the way within their industry, offer premium products and services with a high degree of customisation and whose competitive success is not at all price dependent) find it easier to recruit and retain employees²⁹. People like working for market leaders.

While the proportion of private sector companies that state that they pursue ‘very high product market strategies’ (17%) is the same in HotSW as it is in England, we have a slightly smaller share of “high product market” companies (26% compared to 29%). Together these more dynamic companies comprise 43% of all private sector businesses compared to more than half (51%) in LEP area such as Buckingham Thames Valley, Swindon & Wiltshire, Greater Cambridge & Greater Peterborough, Hertfordshire and Oxfordshire. HotSW also has a higher proportion of companies who indicated that they pursued ‘very low’ product market strategies (6%, compared to 4% across England and 1% in Thames Valley Berkshire)

5.2.2. Quality employment opportunities

Establishments in HotSW employ 349,500 people in high skill occupations³⁰. This comprises:

- 146,400 people in ‘Professional occupations’ such as teachers, architects, solicitors and accountants;
- 113,800 ‘Associate professionals’ working in jobs such as laboratory technicians, dental hygienists, housing officers, counsellors, musicians and financial advisers; and,
- 89,300 Managers, directors and senior officials.

These occupations tend to be better paid and presumably, by extension, more productive than others. The latest UK data, for April 2016, suggests that the median full time gross weekly earnings for: Managers, directors and senior officials was £798; for professionals was £726; and, for Associate professionals and technicians was £594. By contrast, the average weekly earnings for people working in the lowest paid category, ‘Elementary occupations’, was £356.

Although share of the local employment in these ‘higher level’ occupations has risen steadily in recent years in line with national trends (Figure 16) at 42% it remains below the national average (46%). HotSW appears mid-table in a ranking of LEP areas on this measure; well behind the most productive areas such as London, Thames Valley

²⁹ UK Employer Skills Survey, 2015.

³⁰ Annual Population Survey, ONS; October 2015 to September 2016 via NOMIS

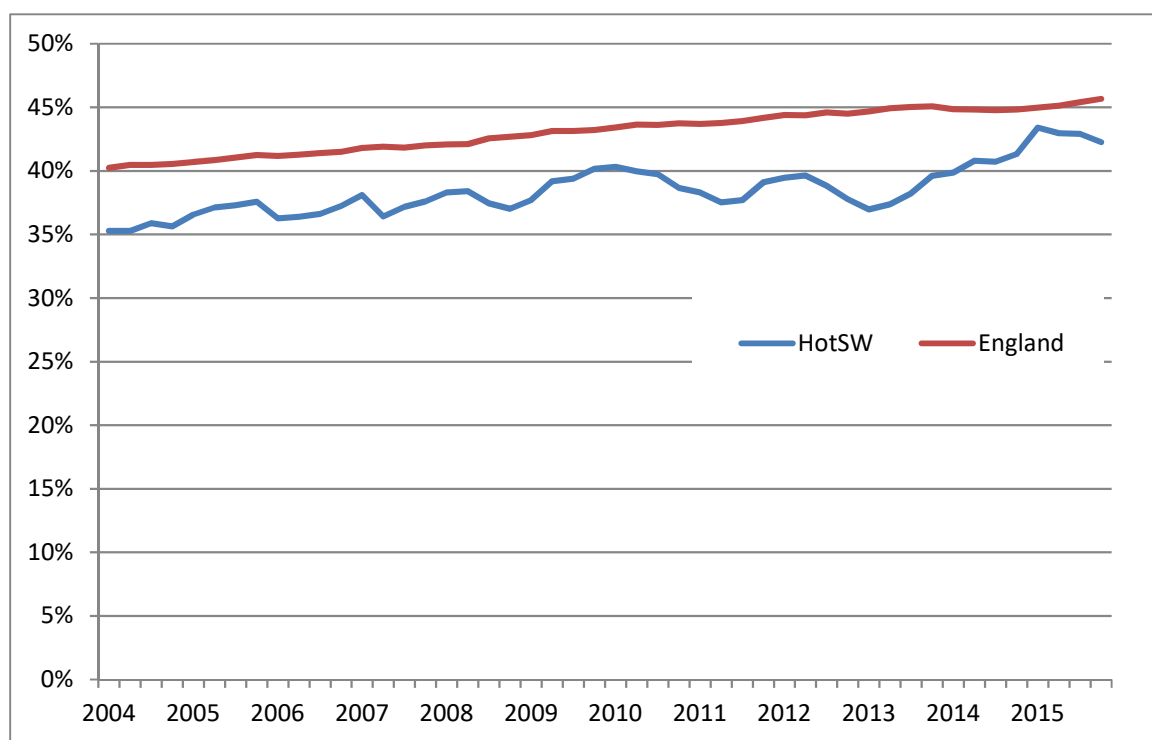
Berkshire and Oxford which have 58%, 55% and 54% of employment in higher level occupations, respectively.

Within HotSW, the proportion of employment found in these occupations varies considerably, from 47% in Plymouth to 44% in Devon and 39% in both Torbay and Somerset. The Devon figure masks wide variation between Exeter, which has 55% of its workforce employed in high skilled occupations. The average across the other lower tier local authorities in Devon is 39%.

Looking at the distribution of growth in high-skill occupations is such that of the additional 79,000 jobs created between 2004/2005 and 2015/16:

- 41,200 originated in Devon (of which 23,300 were created in Exeter)
- 23,200 were in Somerset
- 15,700 were created in Plymouth
- 1,100 were lost in Torbay.

Figure 16 Percentage of the workplace population employed in high-skill occupations; HotSW and England: 2004/5 to 2015/16



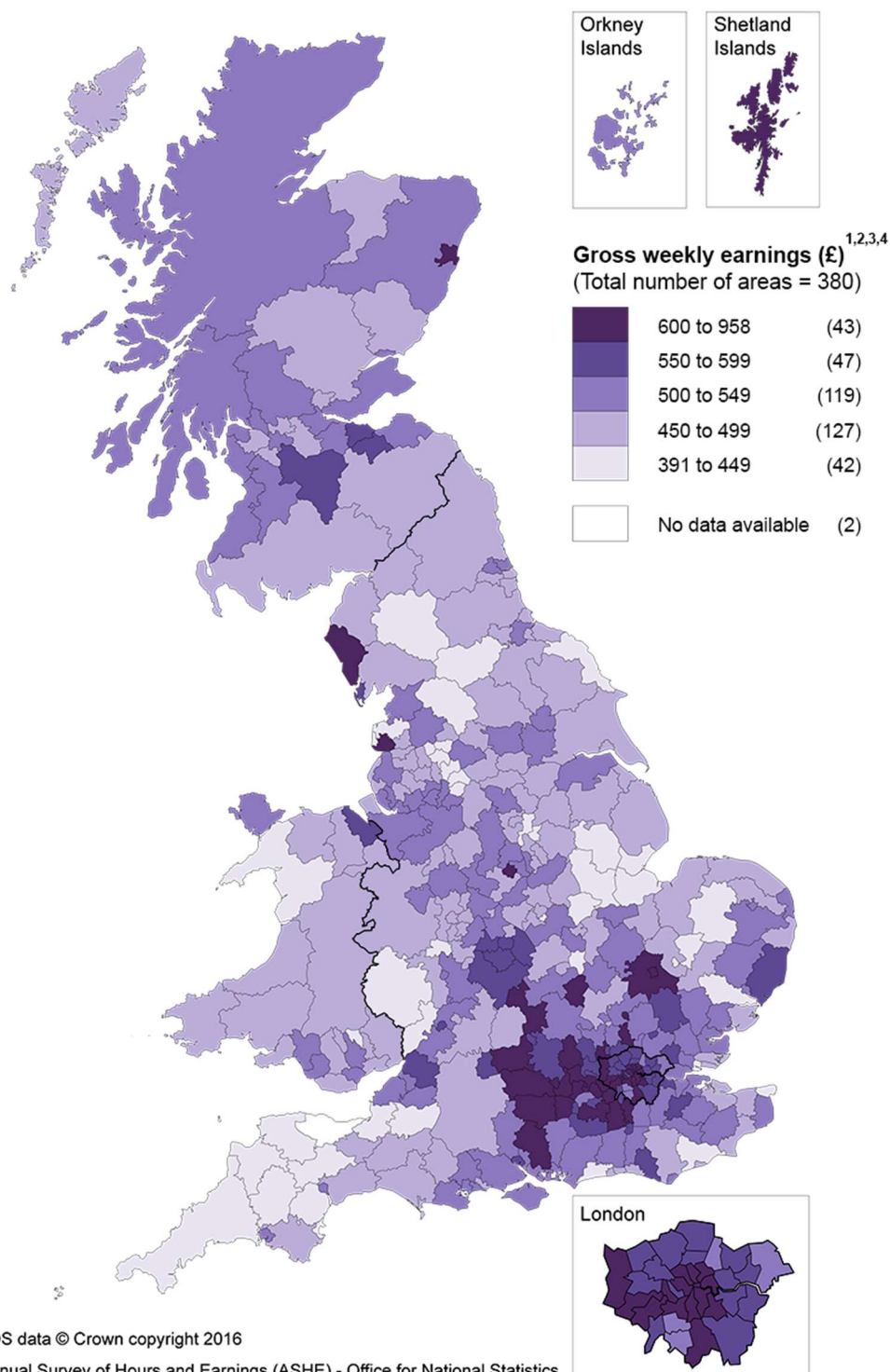
Source: Annual Population Survey, ONS via NOMIS

The share of workplace employment in science, research, engineering and technology related occupations is of interest because people working in these positions are among those most likely to be driving the technological innovation required to spur productivity increases. On this measure, the HotSW again ranks fairly poor among LEPs, at 26th with a lower proportion in these professional and associate professional and technical occupations (5.9%) than the England average (7.3%). In some of the more productive LEPs, such as Thames Valley Berkshire and Oxfordshire, one in seven (14%) jobs are in science, research, engineering and technology related occupations.

5.2.3. Earnings

The impact that this occupational profile has on gross weekly earnings is illustrated in the map below which shows that resident earnings outside Exeter and Plymouth are among the lowest in the Country.

Figure 17 Gross weekly earnings, April 2016



Contains OS data © Crown copyright 2016

Source: Annual Survey of Hours and Earnings (ASHE) - Office for National Statistics

1 Employees on adult rates, pay unaffected by absence.

2 Full-time defined as employees working more than 30 paid hours per week (or 25 or more for the teaching professions).

3 2016 data are provisional.

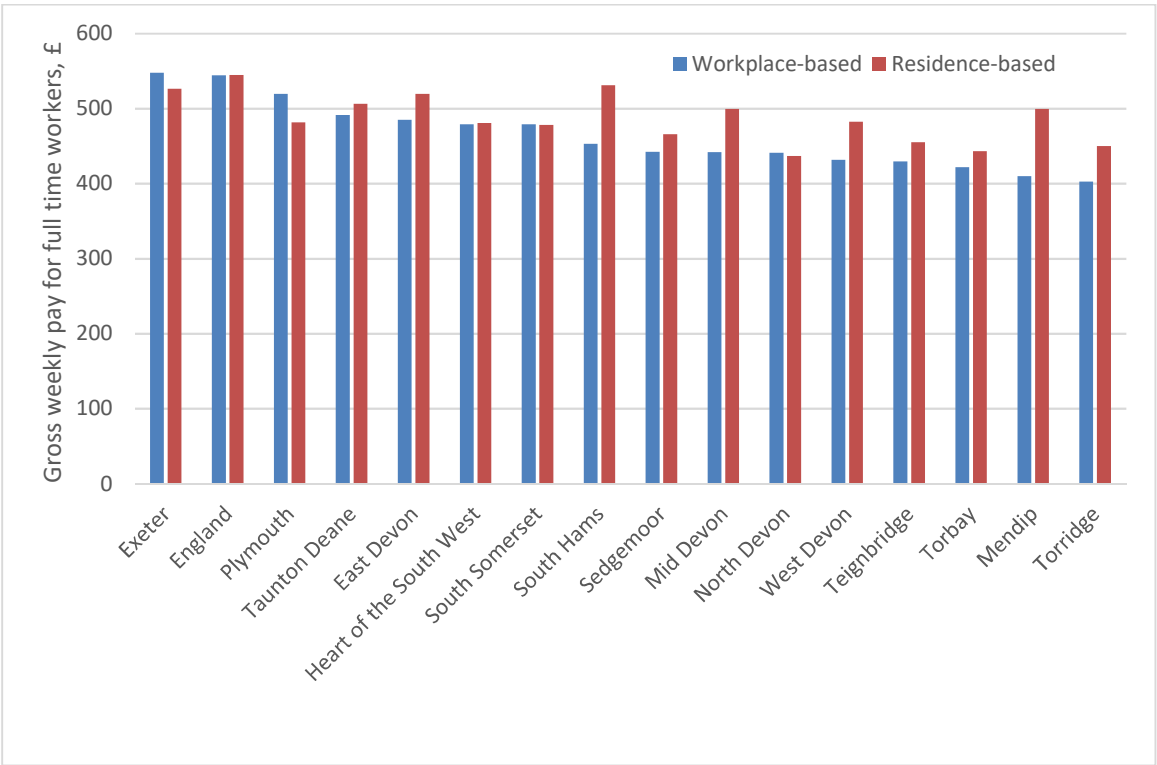
4 Data are not available for West Somerset and Isles of Scilly as they are suppressed due to quality issues.

Source: Annual Survey of Hours and Earnings, ONS

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2016provisionalresults#earnings-by-occupation>

Commuting patterns often create fairly substantial differences between those of residents and those of people working in local areas. Workplace based data shows that the wages of those working in Exeter (£548) and Plymouth (£544) are the highest in the LEP area. However, only Exeter has above average earnings on this measure. Earnings based on where people live produces a slightly different picture, with no areas exceeding the national average but South Hams (£531) coming closest, followed by Exeter (£526) and East Devon (£520).

Figure 18 Gross weekly pay for full time workers by lower tier local authority district in the LEP area: April 2016



Source: Annual Survey of Hours and Earnings, ONS via NOMIS

5.3. Talent retention

Since recruiting and developing new staff can be expensive and disruptive, employers will naturally wish to retain their employees. A degree of ‘churn’ in the labour market is, however, to be expected as employees’ preferences, circumstances and experiences change. Labour market churn can be a net benefit for employers and the economy, as well as for individuals, due to spread of new ideas and practices and employees moving into more productive employment. The ‘natural’ or ‘optimal’ level of labour market churn is almost impossible to judge. Retention problems differ in their nature and magnitude from sector to sector.

The UK Employer Skills Survey 2015 found that around one in ten employers in HotSW reported problems retaining staff³¹, slightly higher than the England average (8%). Retention was most problematic in Hotels and restaurants, with 24% of local employers reporting difficulties, a figure higher than the national average (15%). While Health and social work, Arts and other services and Wholesale and retail also had higher levels of retention problems than other sectors, the extent of these problems was roughly in line with the national average and only more acute locally in wholesale and retail.

³¹ UK Employers Skills Survey, 2015

6. FUTURE DEMAND FOR SKILLS

Oxford Economics has produced an economic model for the HotSW LEP area which includes projections as to the number of jobs that may be created in each sub-region between 2016 and 2030, assuming economic conditions follow long-term historic trends. Obviously, the impacts of "Brexit" remain uncertain and the effect on local labour demand and supply is, at this stage, impossible to quantify. "Brexit" concerns aside, the projections, offer a useful perspective on the broad 'direction of travel' in terms of the mix of occupations and, by extension, the skills that might be needed in future.

Survey estimates for 2000 to 2015 shows that employment within the sub-region increased by 155,700 over the last 15 years with increases recorded across all but one occupational area – Process, plant and machine operatives. The largest expansion was in Professional occupations and Personal service occupations. These occupations grew as a percentage of all jobs from 11% to 15%, and 8% to 12% respectively.

**Table 12 Employment estimates (2000 to 2015) and projections (2016 to 2030)
for the Heart of the South West**

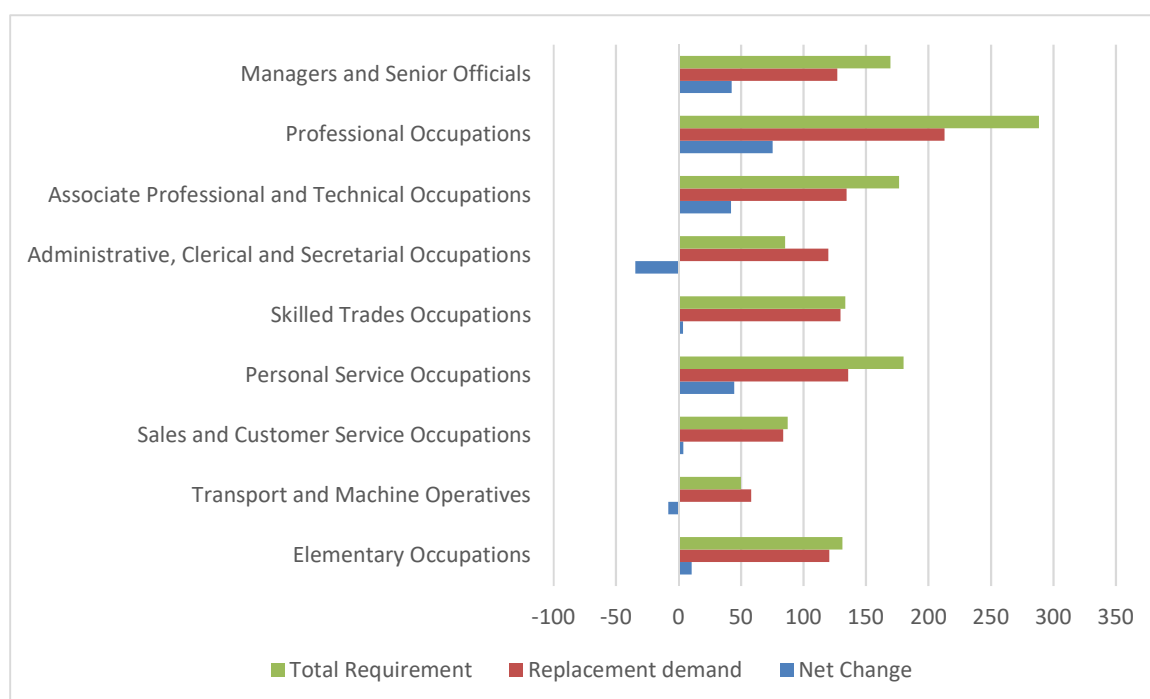
	Change in number of jobs		% change		Share of all jobs, %		
	2000-2015	2015-2030	2000-2015	2015-2030	2000	2015	2030
Managers and senior officials	8,600	3,300	10	4	12	11	11
Professional occupations	47,200	8,000	63	7	11	15	15
Associate professional and technical occupations	22,600	4,700	33	5	10	11	11
Administrative and secretarial occupations	6,500	2,200	9	3	11	10	10
Skilled trades occupations	15,100	2,500	14	2	16	15	14
Personal services occupations	43,100	7,300	84	8	8	11	12
Sales and customer service occupations	8,100	3,700	15	6	8	8	8
Process, plant and machine operatives	-3,600	-1,200	-6	-2	9	7	6
Elementary occupations	8,200	4,300	8	4	14	13	13
Total	155,700	34,600	23	4	100	100	100

Source: Oxford Econometrics

The model suggests that the rate of job creation in the HotSW will be slower over the next 15 years. Past occupational trends are expected to continue, with all occupations growing, apart from Process, plant and machine operatives, and Professionals; Associate professional and technical occupations; Personal services; and Sales and customer services slowly increasing as a share of total employment.

Expansion demand, the increase (or otherwise) in the number of jobs in an area or occupation, is only part of the picture. Each year, thousands of people leave the labour market either permanently or temporarily, for example to retire or start a family. These exits create a 'replacement demand for skills' which, as the government's employment projections for the South West of England, "Working Futures" demonstrates, far exceeds the expansion demand for a given occupation (Figure 19). In the figure, replacement demand is also added to the net change (i.e. expansion demand) to generate a 'Total Requirement' for each occupation. It is clear that even among those occupations that are projected to decrease in number overall, such as Transport and machine operatives and Administrative, clerical and secretarial occupations, there will be a net requirement for at least 50,000 new recruits across the South West of England as a whole.

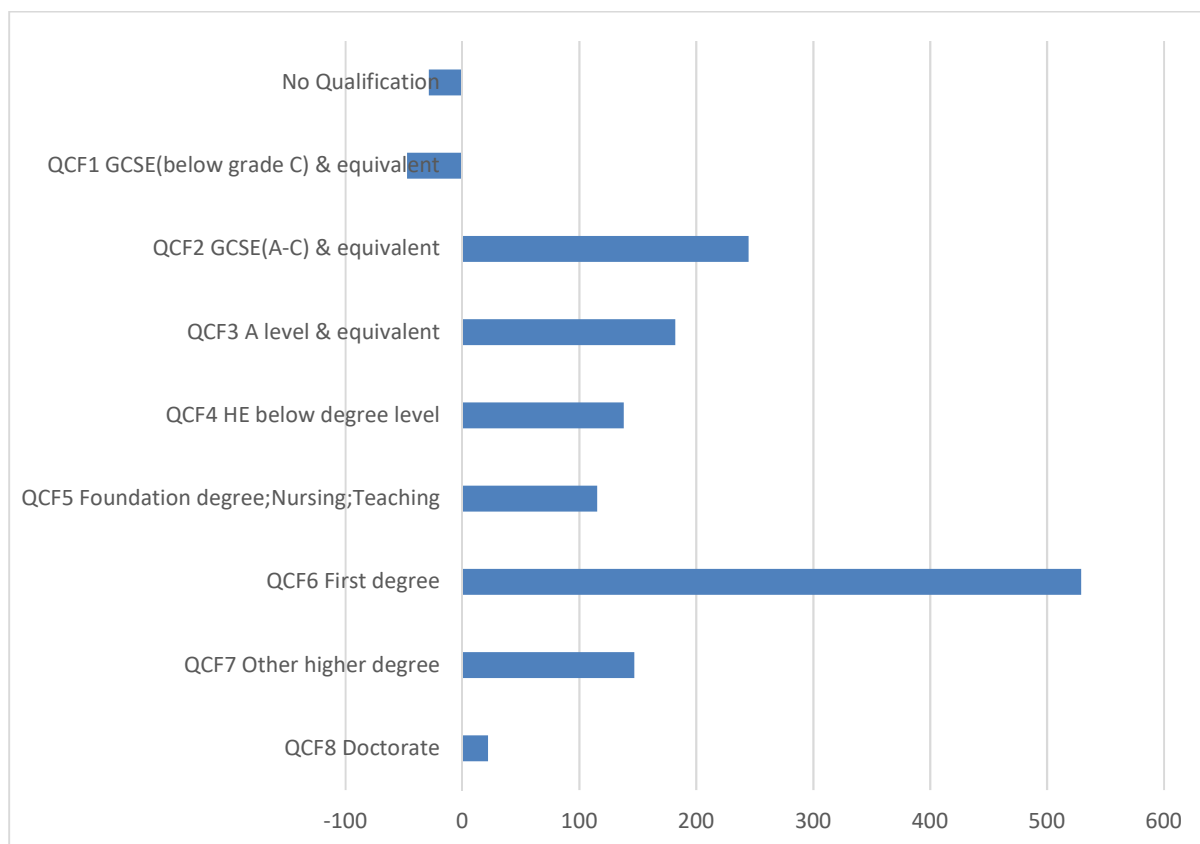
**Figure 19 Change in employment by occupation; South West of England:
2014 to 2024**



Source: Working Futures, IES

Figure 20 shows how the net requirement for occupations is expected to translate into demand for different qualification levels. Opportunities for people with no qualifications or those lower than GCSE grades A-C or equivalent are expected to contract, whereas those for people with all other qualifications are expected to expand but particularly for those with a first degree.

Figure 20 Net requirement by qualification level; South West of England: 2014 to 2024



Source: Working Futures

7. UNEMPLOYED AND ECONOMICALLY INACTIVE

In addition, to young labour market entrants, commuters and migrants, people who are unemployed or economically inactive (i.e. not actively seeking work) are clearly central to the future labour supply.

7.1 Unemployment and the characteristics of the unemployed

The latest unemployment figures suggest that 35,200 HotSW residents are looking for work³². Within this figure:

- More than two-fifths live in Devon (15,700), three in ten in Somerset (10,400), almost one-fifth in Plymouth (6,100) and fewer than one in ten in Torbay (3,000);
- Almost half are aged 16 to 24 (16,000), just over a third are aged 25 to 49 (12,000) and one fifth are aged 50 and over (7,100);
- Women (20,100) outnumber men (15,100);
- Over 90% are 'white' (32,200);
- Over one in five (7,900) has a disability; and,
- One in eight were not born in the UK (4,800) and one in eleven were not UK nationals (3,100).

Statistics are not published about the qualifications held by the unemployed from this source, the 2011 Census results suggest that at that time, two-fifths of unemployed residents (18,600) did not have a qualification at Level 2 or above, a further two fifths had an intermediate (Level 3) qualification³³ (20,100) and one in seven were qualified to Level 4 or above.

In recent history, the number of unemployed residents in HotSW peaked at around 57,000 during 2009/10. While the level has fluctuated since then, the general trend has been downwards. Nationally the unemployment rate (5.1% among 16 to 64 year olds) is at an eleven year low. In HotSW it has followed a similar trend, falling to around 4.4%³⁴.

The number of residents registering for unemployment-related benefits, the so-called 'Claimant Count', is a narrower definition of unemployment. While changes to benefits regimes mean that consistent data is only available for the last three years, between January 2013 and December 2016, the number of people claiming unemployment-related benefits in HotSW halved, from 26,700 to 13,200, equivalent to a fall in the claimant count rate from 2.6% to 1.3% of the working age population.

³² Annual Population Survey, July 2015 to June 2016.

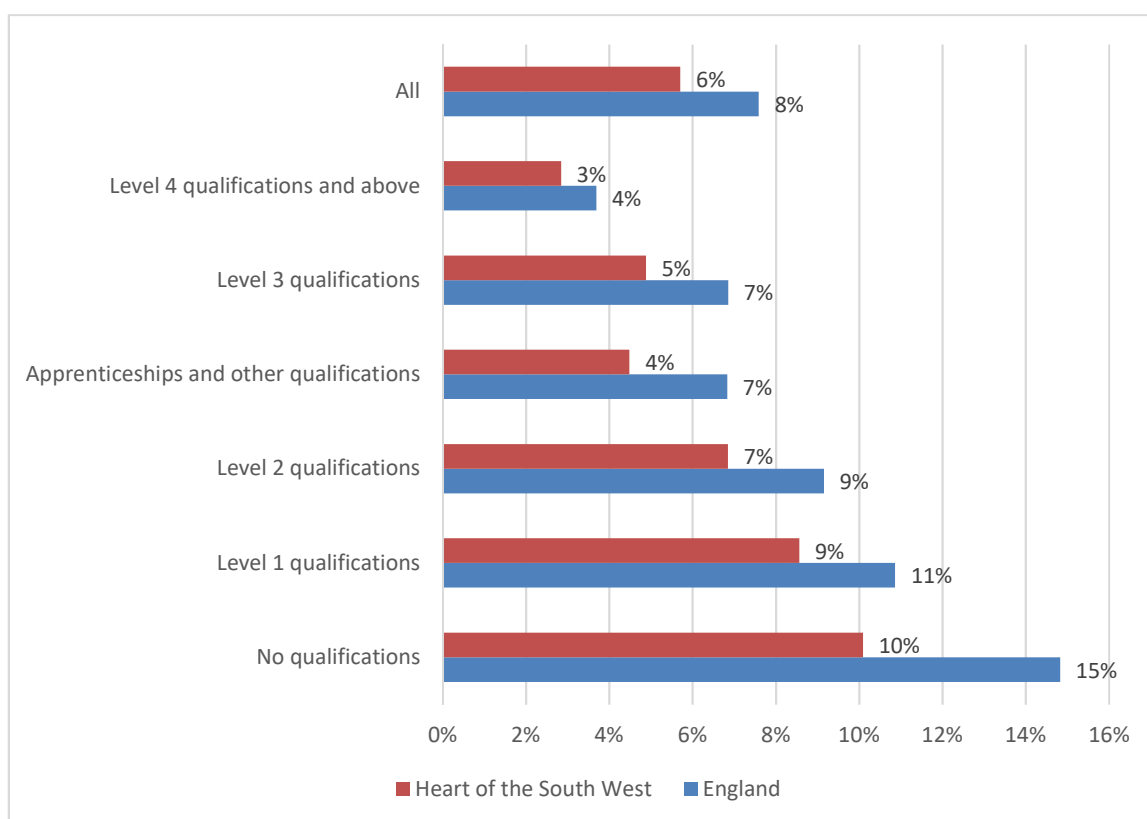
³³ Level 2, Level 3 or Apprenticeship or other qualification

³⁴ The data is subject to confidence intervals of +/- 0.7%

In terms of population characteristics, unemployment rates in HotSW:

- Are higher among women (4.9%) than men (3.3%);
- Tend to fall with age with the unemployment rate for 16 to 19 year olds (20%) almost ten times that of those aged 65 and over (2.1%);
- Are higher among all ethnic minority groups and particularly among Black or Black British residents and those of mixed ethnic groups of both genders, and women of Pakistani/Bangladeshi origin³⁵.
- Are more than one and a half times higher among residents with a disability (6.1%) than those without (3.7%).
- Tend to fall with rising level of qualifications so that those with no qualifications are more than three times more likely to be unemployed than those with a degree level qualification.

Figure 21 Unemployment rates by highest qualification: April 2011



Source: 2011 Census via NOMIS

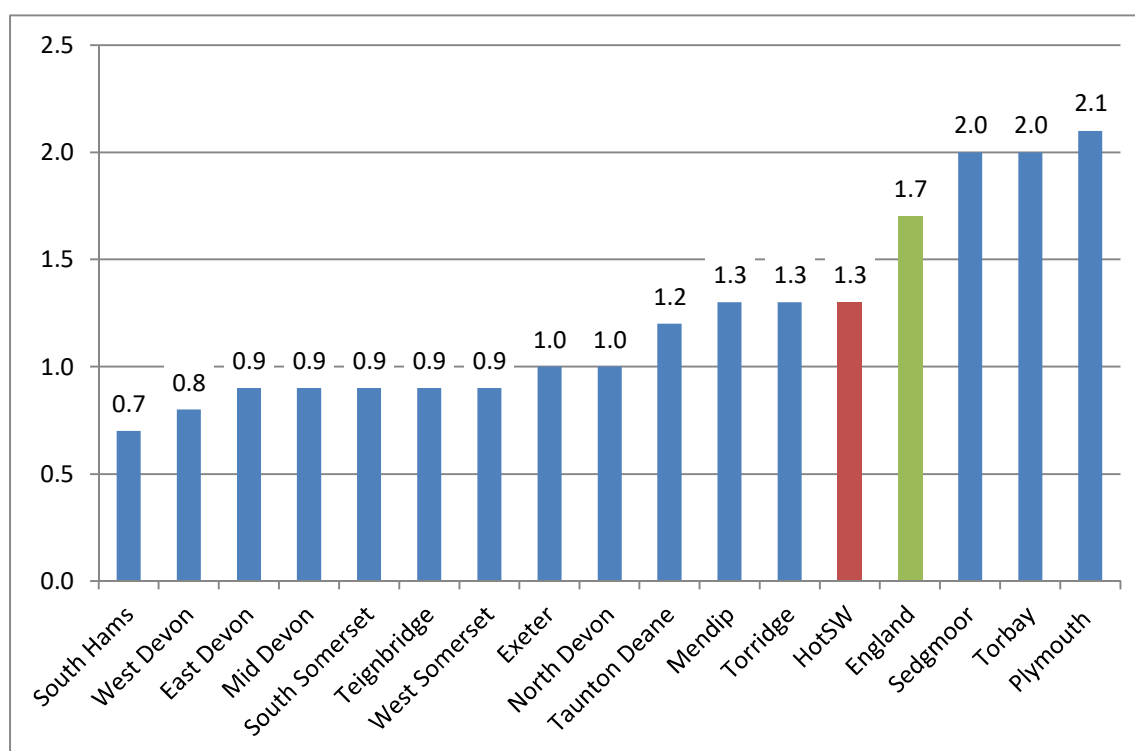
Although geographical analysis using the broader survey based definition of unemployment is difficult, due to large confidence intervals, the data suggests:

³⁵ Unfortunately the unemployment estimates by ethnic origin are not statistically reliable for the Heart of the South West LEP area so England patterns are described here.

- that unemployment rates are in Torbay (4.9%) and Plymouth (4.5%) are higher than those in Somerset (3.8%) and Devon (3.9%); and
- that there does not seem to be a rural 'penalty' in respect to unemployment even among those with no or low qualifications.

To look at unemployment within smaller geographical areas we are reliant on the Claimant Count. Figure 22 shows that this varies significantly across local authorities within the LEP area and that the Claimant rate in Plymouth, Torbay and Sedgemoor is higher than the national average and twice the rate found across the majority of the LEP area.

Figure 22 Claimant Count, % rate, 16 to 64 year olds, December 2016



Source: NOMIS

Of the 357 Wards in the HotSW LEP area, in December 2016 sixteen had a claimant count rate that was over twice that of the LEP area as a whole (1.3%). With the exception of Glastonbury St Benedict's and Bideford North, these wards were all to be found in Sedgemoor (mostly within Bridgwater), Plymouth and Torbay.

While the sixteen wards shown in Table 13 make up for only 4% of all the wards in the HotSW LEP area, they account for 24% of all LEP residents who are claiming unemployment-related benefits. Although unemployment is clearly experienced at the individual level, there are 75 wards within HotSW that had fewer than ten residents claiming unemployment-related benefits in December 2016.

Table 13: Wards with highest Claimant Count Rate, HotSW, December 2016

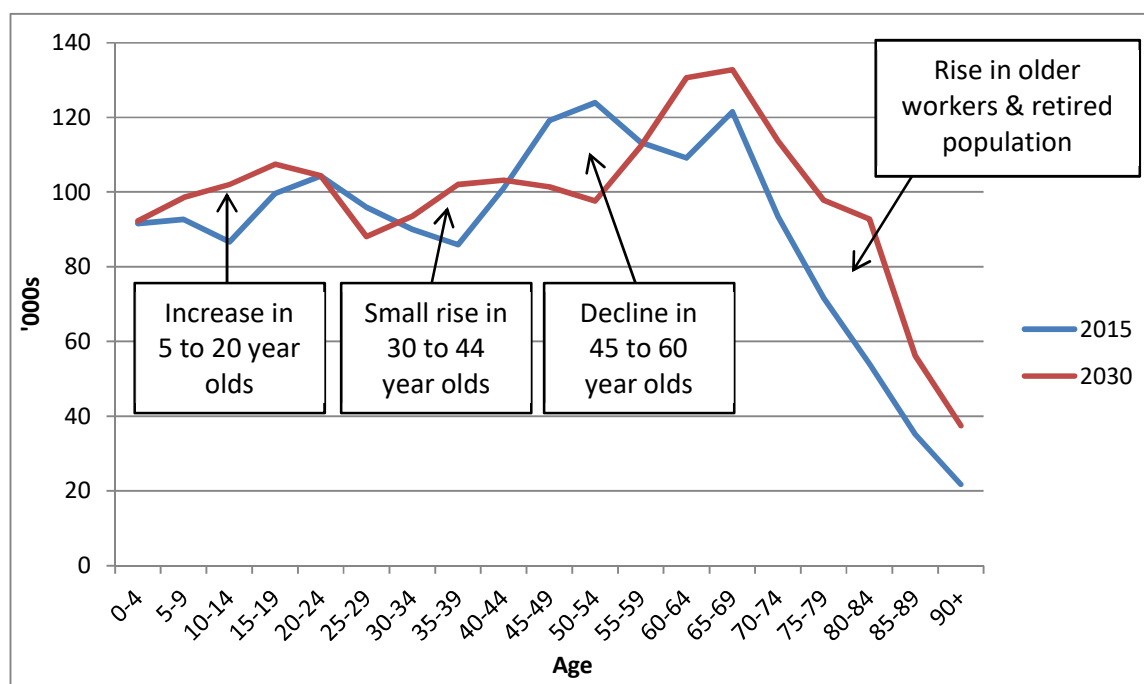
Ward	Claimant Rate %	Claimant Count	Local Authority
Bridgwater Westover	5.7	225	Sedgemoor
St Peter and the Waterfront	4.4	530	Plymouth
Tormohun	4.0	305	Torbay
Bridgwater Hamp	3.9	125	Sedgemoor
Roundham-with-Hyde	3.9	185	Torbay
Devonport	3.6	400	Plymouth
Sutton and Mount Gould	3.4	360	Plymouth
Bridgwater Eastover	3.4	110	Sedgemoor
Bridgwater Dunwear	3.2	90	Sedgemoor
Bridgwater Fairfax	3.2	160	Sedgemoor
Highbridge & Burnham Marine	3.2	150	Sedgemoor
Ellacombe	3.2	150	Torbay
Glastonbury St Benedict's	3.1	50	Mendip
Bridgwater Westover	2.6	67	Sedgemoor
Stoke	2.6	250	Plymouth
Bideford North	2.6	95	Torridge

8. DEMOGRAPHIC CHANGE

When considering the question where will the skills and the volume of skills that are required in the future come from, it is important to look at how the population is changing.

Figure 23 shows how the population of the HotSW LEP area is projected to change between 2015 and 2030. Overall, the population is projected to grow, by 153,000. However, it is notable that the size of the population that is aged sixty or over is projected to rise by almost the same figure. Among younger people, there is projected to be a significant decline in the number of forty-five to sixty year olds (-45,000); a small increase in the number of thirty to forty-four year olds (+20,000); and a higher rise in the number of young people aged under twenty (+30,000). The size of the working age population, aged 16 to 64, is forecast to fall by 3,500.

Figure 23: HotSW LEP population profile, 2015 and 2030



Source: subnational population estimates

As we have seen, the Oxford Economics model projects that in this same period employment in the HotSW LEP area will increase by around 35,000, a much slower rate of growth than that seen over the last 15 years (155,000), presumably partly as a result of these population constraints.

It is interesting to set the total current unemployment (35,000) and current claimant count (13,500) data against these figures. It is unlikely that unemployment will be reduced to zero, which implies that a large proportion of the expansion demand will need to be met by older people remaining in or re-entering the workforce.

This is not at all inconceivable. It would, in fact, represent the continuation of an existing trend. Between 2005 and 2016 the proportion of HotSW's population that was aged sixty five and over who were in employment rose from 7.2% to 13.1%. This is equivalent to an additional 66,000 additional older people remaining in or gaining employment during a period during which total employment grew by 99,000. The need for upskilling and reskilling of this segment of the population will be important to minimizing labour shortages and skills gaps in the future.

At the same time, the projected growth in both the number of older and younger people sets is an important factor in the productivity challenge. The working age population will have to produce more per person for living standards to be maintained across the whole population.