South East Skills Priorities Statement 2011/12

SOUTH EAST ENGLAND DEVELOPMENT AGENCY

Working for England's World Class Region

Executive Summary

There are signs of economic recovery in the South East. The region's diverse economy, strong knowledge base and skilled workforce mean it is well placed for long term sustainable economic growth. Increased skills development at all levels will be essential to achieving increases in productivity and creating jobs as the recovery takes shape. There also needs to be better alignment of training provision with new and changing skills needs to support the competitiveness of the South East, especially in the light of reduced public sector spending.

This Statement provides an overview of the skills required in the South East to support a reviving economy. It sets out the skills priorities that require attention from training organisations and provides skills intelligence and analysis to inform their curriculum and business planning. It can also inform local authorities and stakeholders seeking to identify and support key skills and employment objectives.

The Statement starts by setting out the economic and skills backdrop in the South East. It then identifies the current and future demand for skills and describes how public funding for skills has been spent recently before bringing these sections together to highlight how training provision needs to shift to better meet changing economic demands.

Evidence and consultation with key stakeholders have identified three core objectives in achieving this:

(I) Develop the skills base, especially at higher levels, needed by emerging and growing industries to compete nationally and globally

Evidence suggests shortcomings in the quantity of some training at levels 3 and 4 and its relevance to business needs. Skills that require attention include science, technology, engineering and maths (STEM) and those skills needed to support the shift to a low carbon economy. Dialogue with employers also indicates a need for a multi-disciplinary knowledge base and improved training provision in specialised areas. Improving engagement with small and medium sized enterprises (SMEs) and promoting Apprenticeships are two opportunities to address this objective.

In response to fierce international competition and growing skills gaps, it is essential that employers make better use of skills across their workforces. This could be achieved through effective leadership and management and ambitious growth plans, resulting in new and higher value added jobs and stimulating interest in raising skill levels. Alongside this, a stronger employer voice is required to articulate their changing skills needs to help shape effective provision.

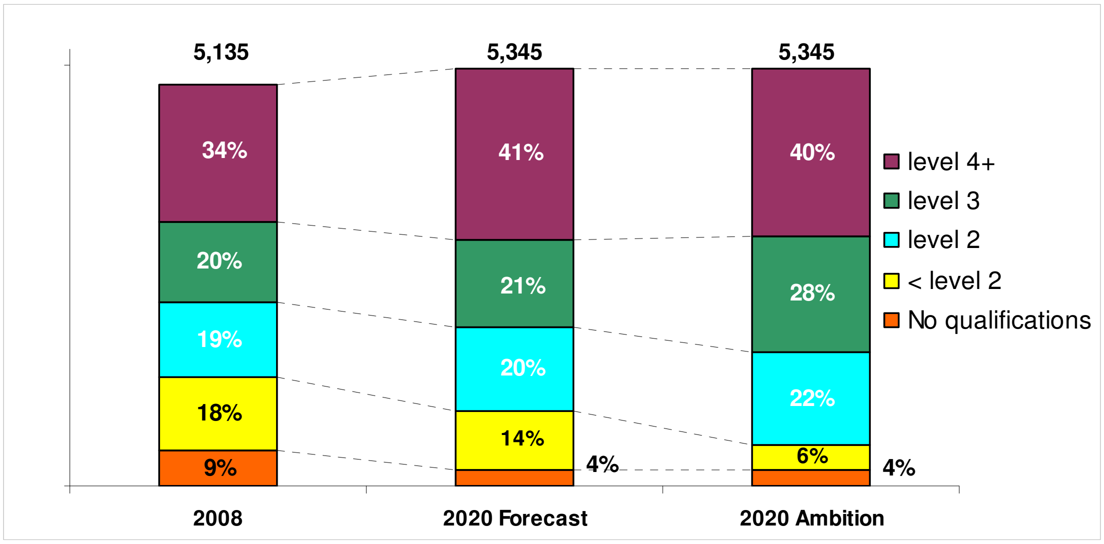
(II) Increase the skills of those in and entering employment, to improve individual progression and to support higher levels of productivity

Whilst the skills base in the South East is strong, the rate of improvement is lagging behind other regions. Renewed emphasis on progression at all ages and skills levels is essential to help maintain the competitiveness of the region's labour market.

Figure 1 (below) shows the proportion of the region's working age population according to their highest qualification. It compares the current position, the forecast position for 2020 and the skills ambition set out by the UK Commission for Employment and Skills (UKCES), defined as the skills base needed to place the UK in the top eight global nations by 2020. This analysis suggests that the level 4 ambition will be met, but without action there will be a significant deficit in level 3 skills.

It is a priority to raise attainment and participation rates amongst 16 to 19 year olds, to prepare and equip them for the forecast growth in occupations requiring at least a level 3 qualification. This is likely to become the new employability standard by 2020, and there are specific needs in technological, business and science areas.

Figure 1: Highest qualifications held by South East working age population 2008 profile compared to UKCES 2020 Ambition



There also needs to be continued focus, for both adults and young people, on raising participation and achievement at level 2, on providing progression routes to level 3 and to addressing the continuing high volume of people with low skills and poor levels of basic skills.

It is also now timely to focus on building the local skills base and improving the perception of some skills and occupational areas, in part to respond to the impact of the migration caps which are likely to affect many sectors and local areas.

(III) Provide effective support for those areas and groups disadvantaged in the labour market

Unemployment has risen by a third since September 2009, and there are currently over half a million people in the South East seeking work; notably, there are high concentrations along the coast and in many urban areas. Providers, working with Jobcentre Plus, must ensure coordinated, vocationally relevant and accessible provision for the unemployed, which is aligned with the new Work Programme. This must meet the needs of target groups, especially 16 to 24 year olds, including those Not in Education, Employment or Training (NEET), the long term workless, including those who possess dormant skills, and those in the public sector facing redundancy.

Key themes

Running through these objectives are some key themes. A stronger and more effective business voice that identifies and articulates skills demands is critical. This needs to link with employer led partnerships which drive long term innovative training solutions, are active at local and sub regional level and which involve, especially, Higher Education (HE), Further Education (FE) and schools. In addition, expert information and advice services must be available for employers and individuals.

Introduction

This Statement provides an overview of the skills required to support economic growth and the skills priorities that require attention within and across the South East for the 2011/12 academic year. It identifies the shifts required in investment to enable the region to continue to climb out of recession into growth, through increasing trade, inward investment, innovation and developing new industries.

The Statement has been prepared for use by a wide range of stakeholders involved in the delivery, funding and planning of skills within the region. These include training providers, colleges, universities, local authorities, brokers, advisers and employers. It supplements and complements intelligence emerging from local economic assessments and points towards issues that may need to be addressed by future Local Enterprise Partnerships (LEPs). The Statement also sets out key facts and skills priorities for local areas in the South East (Annex 2). Supporting this Statement is a comprehensive evidence base with detailed referencing[1].

1. Economic and Skills Context

This section describes the economic and skills backdrop for the South East region.

1.1 The South East contributes £182 billion, or 14%, of the UK's work-based Gross Value Added (GVA). It has relatively high employment and skills levels in comparison to the national average, although significant disparities persist within the region. Recent rates of business activity have been relatively strong in the South East but it should be noted that the region competes on the international stage. Comparisons with other OECD countries show that the UK is currently only middle ranking in terms of both business competitiveness and the skills base at levels 2 and 3, and has a noticeably high proportion of people with low skills.

1.2 Economic forecasts from early 2010 suggest the region will recover more quickly than others. Whilst GVA is set to rise by around 2.7% p.a. from 2010 to 2020, this rate falls significantly short of growth achieved in recent years. Recovery of employment levels is expected to lag behind productivity, with further contraction expected in 2010 and a slow return towards pre-recession levels of employment by 2013. Recent evidence suggests that in some parts of the region vacancy levels are only slowly increasing, redundancy notifications continue and access to finance remains a problem.

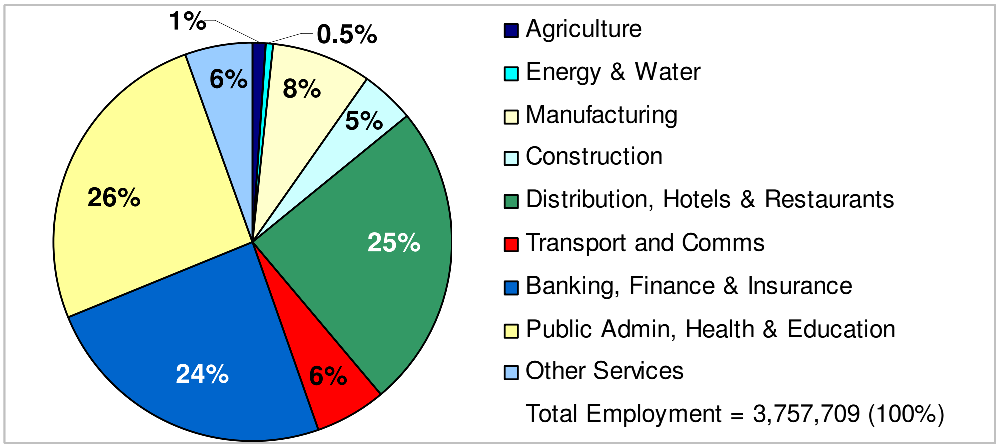
1.3 Central to the recovery will be further growth of SEEDA's priority sectors. These account for 42% of the region's GVA and 35% of employment, and are forecast to grow at a relatively high rate:

- financial and professional services
- ICT, software and digital media
- pharmaceuticals, life sciences and healthcare
- advanced engineering and marine
- environment and energy
- aerospace and defence

1.4 Also significant for the region are sectors which employ large numbers of people, of which a relatively high proportion are lower skilled. Together, the retail, care and hospitality sectors account for about 35% of the South East's workforce. Figure 2 shows the current shape of employment by sector in the South East. Notably, the public sector employs around a quarter of workers.

[1] This evidence base was produced in the summer of 2010 from a range of quantitative sources such as government datasets and employer surveys, supplemented by qualitative evidence from a range of regional and local partners. It is held on the SEEDA website.

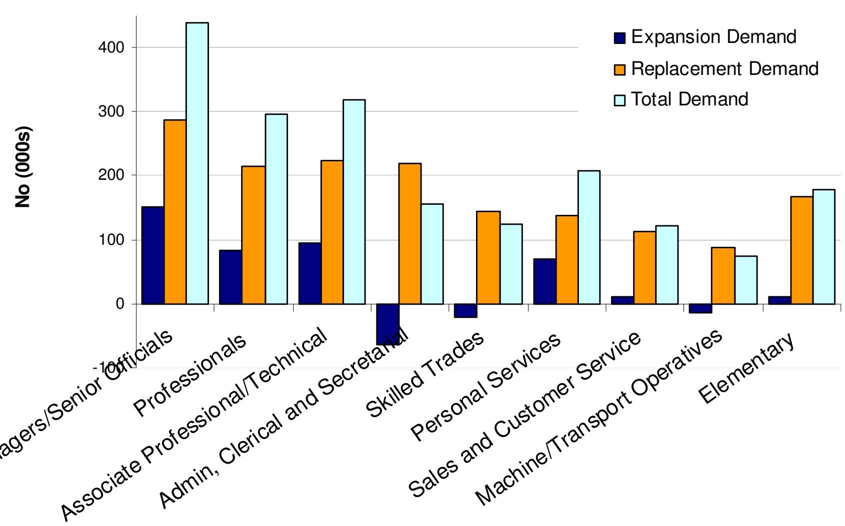
Figure 2: Employment by summary sector (2008)



1.5 Forecasts[2] suggest that total employment will fall slightly over the next year and then start increasing, so that by 2012 the total will have grown by 49,000. Longer term forecasts predict an increase of about 7% from 2007 to 2017, through an additional 325,000 new jobs and 1.6 million jobs resulting from replacement demand (i.e. replacing employees who leave through retirement, career moves or other reasons). Taking into account both replacement and expansion demand, 'other business services' (mainly in ICT, legal, accounting, tax, labour recruitment and industrial cleaning) are expected to grow by 18%, hotels and catering by 15%, and health and social work by 13%. In the shorter term, some recovery and growth is expected in distribution and construction.

1.6 These shifts will continue the trend of growth, particularly in service sector roles, which is characterised by a relative reduction in low skilled occupations and a corresponding increase in demand for higher skilled, knowledge based occupations. This will further widen the gap between demand for higher and lower level skills (Figure 3).

Figure 3: Occupational forecasts including replacement demand (2007-17)



Changing skills needs within some occupations will be significant; for example, technological and scientific advancements will affect roles in areas such as manufacturing and biopharma. Sector Skills Councils will continue to play a critical role in identifying and understanding sector skills needs.

2 UKCES (2008), Working Futures 3: 2007-2017 forecasts were based on data prior to the onset of the recession, so may need moderating in the light of ongoing economic change; for example, the demand for teaching professionals in the education sector or caring professionals in the health sector may not turn out to be as strong as forecast.

1.7 Future skills needs will also be affected by the proposed limit on non-European Economic Area (EEA) economic migrants (affecting skilled workers from Tiers 1 and 2 of the points based system) which applies to a range of occupations and skills areas identified as being in short supply. The South East Strategic Partnership for Migration has identified the need to upskill resident workers in response to this challenge.

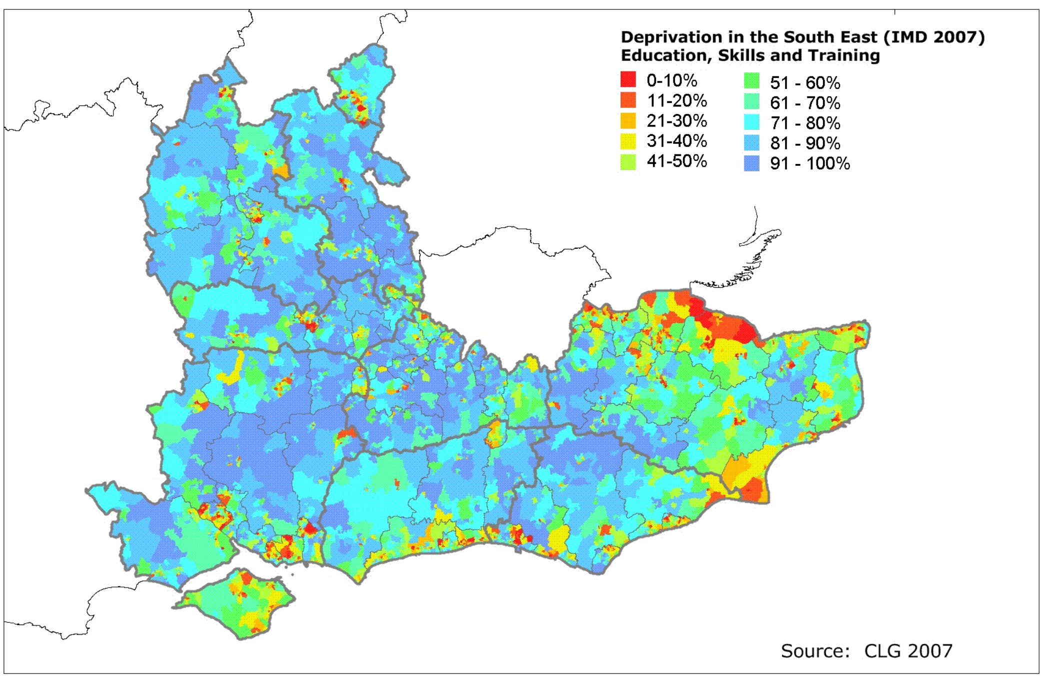
1.8 Demographics within the region are also changing, with forecast population growth averaging 3.9% between 2009 and 2014, and ranging from 1.9% for 0-15 year olds to 11.4% for 59-64 year olds.

1.9 Specific spatial areas warrant focus given their role in driving growth. These include the eight Diamonds for Investment and Growth (which accounted for 44% of the region's GVA in 2008, and are aiming to provide 50% of housing and GVA growth to 2016) and three growth areas (Thames Gateway, Milton Keynes Aylesbury Vale and Ashford). Increasingly it will be important to recognise and address the skills challenges in the economic areas covered by Local Enterprise Partnerships.

1.10 It is worth noting the strong impact of London on the economy and employment in the South East; 410,000 people commute to London daily from the region (around 10% of the employed population). This compares to 160,000 who come from London into the South East for work.

1.11 The South East's relatively strong economic performance masks significant disparities within the region, with over 485,000 people living in areas classified as amongst the 20% most deprived in England (illustrated by the orange and red areas in Figure 4). In some parts of the region, unemployment exceeds 8%. In others, over 11% of the working age population have no qualifications. These areas are often characterised by low skills levels, social and economic deprivation and a relative lack of private sector employment.

Figure 4: Areas of deprivation in the South East[3]



3 The key indicates the percentage decile of deprivation, where red is the most deprived, i.e. those living in the red/orange areas live in the 20% most deprived areas in England.

2. Current and Future Economic Demand

This section outlines changing skills needs relevant to each of the three objectives:

(I) Develop the skills base, especially at higher levels, needed by emerging and growing industries to compete nationally and globally

2.1 Meet skills needs for emerging and growth industries

The South East has the second highest concentration of high growth businesses in the UK. Its strong knowledge based economy (one third of current employment) is recognised as key to the region's competitiveness and growth prospects. Many of these sectors have the potential to grow into new markets and to support an export led recovery. Over the last decade there has been significant growth in employment in managerial, professional and associate professional roles, which together now total almost half of all regional employment. It is anticipated that a significant amount of expansion (i.e. new jobs) over the next seven years will continue to be in these higher skilled occupations, especially relating to new technology, science and engineering including software, bio-science and new construction techniques, and in the service sector, such as corporate and finance managers.

Key message A: there is demand from both replacement and new jobs for managerial, professional and associate professional skills across a variety of high growth and high volume sectors.

2.2 Promote the importance of science, technology, engineering and maths skills (STEM)

There is an ongoing need for skills in STEM subjects from levels 2 to 4 and beyond (especially over level 3) to enable further growth of identified priority sectors within the South East, which are critical for its competitiveness and raising productivity (see point 1.3).

- In <u>financial and professional services</u>, skills shortages include management, analytical, statistical and regulatory compliance areas. Future shortages are forecast in skills such as risk management, corporate governance and legal services, in part driven by stricter regulation. This sector is important throughout the region, with the heaviest concentrations in areas such as Surrey and north Sussex.

- Evidence from <u>ICT, software and digital media</u> businesses suggests skills gaps currently affect around 75% of technology professionals, particularly in ICT programme management, supplier management and service management. The technology professional workforce is forecast to grow at 1.2% per year with the strongest growth being in high skills areas, particularly software professionals. The Thames Valley is expected to continue to be a focus for ICT companies.

- Skills needs in <u>pharmaceuticals, life sciences and healthcare</u> include management, customer handling and engineering. Life sciences and medical technologies are experiencing gaps in mathematical, technical and leadership and management skills. Future drivers for skills will be heavily linked to emerging technologies. These sectors have a notable presence in parts of Oxfordshire, Kent and Sussex.

- <u>Advanced engineering and marine</u> skills shortages have been recognised in high end STEM and associate technician roles. Specific skills needs include circuit design, control systems, and mathematical modelling. Skills shortages are a particular problem in the composites sector, electrical installation and boat building. There is a perception among employers of poor STEM skills held by some graduate engineering entrants. Geographical concentrations of these sectors include South Hampshire and Kent. Key infrastructure projects include Crossrail and redevelopments of Reading station and Slough Trading Estate.

- <u>Environment and energy</u> businesses are highly dependent on STEM skills at levels 2 to 4 associated with engineering and research and development roles. Parts of this sector are still in a formative stage but the number of STEM graduates is not expected to be sufficient to meet demand. Alongside engineering, skills such as mathematical modelling, prototyping and computer simulation are expected to be in short supply. These will be especially critical for offshore wind developments in areas such as Kent (where graduate retention is already a challenge) and in Hampshire and the Isle of Wight. In these areas associated onshore developments will also be important.

- Within the aerospace and defence sector skills demand is particularly high for engineers in the satellite and defence industries. 10% of organisations are currently experiencing skills gaps, with 14% reporting difficulty in recruiting STEM graduates because of competition. Upskilling and multi-skilling will also be important because of the ageing workforce. This sector is particularly significant in parts of Hampshire.

Across these sectors, there is widespread recognition of an increased demand for skills, especially STEM, to support the growing low carbon revolution in, for example, waste management, construction and energy reduction. In addition, higher levels of multiskilling are required where technical or specialist skills are combined with another skills area, such as business, legal or financial. Similarly there is a need for technical abilities to be combined with high levels of innovation and enterprise skills.

Employment opportunities and emerging career paths related to STEM should be more clearly promoted from early secondary school through to FE and HE.

Key message B: there is current and growing demand for STEM skills, especially at level 3 and above, across all high growth sectors.

2.3 Improve the match of graduate supply and demand

Just over a third of the working age population have qualifications to at least level 4, however the rate of increase is slowing. Despite this relatively high figure, recent levels of graduate unemployment and underemployment have been exacerbated by the downturn. This is noticeably less pronounced for graduates in STEM-related subjects, partly because these skills are critical for the majority of the region's priority sectors.

There is a need to ensure that graduates are industry and employment ready across the South East. In addition, there are low graduate retention rates in parts of the region such as north Kent and Ashford, and severe graduate underemployment in Brighton and Hove. There is a drive to increase the number of people training to level 4 in areas such as Milton Keynes and Basingstoke, and then to ensure they can continue to live and work locally.

Key message C: whilst continuing to improve the proportion of the workforce with level 4 skills and above, it is increasingly important that there is a good match with the subjects needed by employers, and more effective utilisation by employers of graduates' skills and potential.

2.4 Raise level 3 skills, especially at technician level

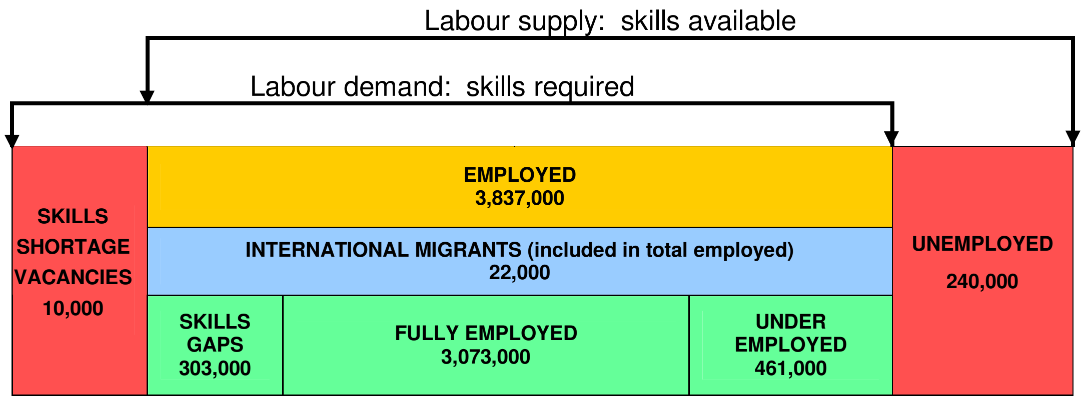
Level 3 is increasingly recognised as core to most jobs which support businesses in building competitiveness. Currently over half the working age population now has at least a level 3 qualification, which is above the national level, but the recent rate of improvement is slower than other regions. This threatens to erode the region's competitive advantage. Shortages of level 3 skills are now evident in some sectors, including manufacturing, construction management, communications and banking and insurance. In particular, the lack of availability of STEM skills at technician level has been cited as important for many priority sectors such as environment and energy. There are opportunities for growth in provision in programmes such as Apprenticeships. The areas which have the lowest proportions of population qualified to level 3 include Medway, the Isle of Wight and Slough, alongside a number of smaller pockets elsewhere in the region.

Key message D: level 3 skills show the greatest need for improvement in the South East, particularly at technician level, with improved progression to and beyond level 3 also being important.

(II) Increase the skills of those in and entering employment, to improve individual progression and to support higher levels of productivity

Figure 5 describes the relationship between skills available in the workforce and the skills required by businesses in the region, by looking at discrete components of the labour market.

Figure 5: Skills mismatches – key components



2.5 Ensure skills of the workforce are kept up to date and refreshed

Regular updating of skills and knowledge to keep up with current industry good practice, technology and processes is essential for individuals staying in work and for broader economic growth. In many sectors, workforce skills are on average one level behind current standards, with this being particularly prevalent in care and construction.

Forecasts for short term growth to 2012 suggest that distribution, hotels and catering, finance and business services and construction will see the greatest employment growth, and will account for 90% of overall growth. Much of the recent growth has been in part time employment and this is anticipated to continue.

In the longer term (2007-2017), there will be significant job opportunities within these sectors due to both replacement demand and expansion. Forecasts indicate a need for an additional 420,000 managers, 600,000 associate professional roles and 200,000 personal service roles, especially in customer care. There is also qualitative evidence of a need across all these roles for a higher level of generic skills, including communications and ICT user skills.

Occupations which have recently declined in numbers have been mainly those requiring lower skill levels. These include administrative and skilled trade occupations, ICT operations roles, cleaners, sales representatives and secretaries. The most notable decline going forward is anticipated in the public sector, where spending cuts have yet to significantly impact employment, but forecasts suggest ongoing reductions to at least 2013.

For the short term it is likely that competition for some jobs will be high, given the shortage of vacancies and current high level of unemployment. Examples of this include a 50% reduction in vacancies classified as hard to fill in the two years to 2009, and the fact that only 3% of employers reported that they had skills shortage vacancies. However, both these continue to be a challenge for SMEs. The care sector bucks this trend, with a high level of both hard to fill and skill shortage vacancies.

One area of specific need is the London 2012 Olympic Games where there will be a range of employment and skills opportunities relevant to the South East, especially relating to customer care in hospitality, tourism, retail and the voluntary sector. Other skills implications include the sport and active leisure sector, where there could be raised demand and increased skill needs for both qualified staff and volunteers. There is potential for skills shortages in catering (especially chefs), security and stewarding.

Key message E: job opportunities will exist across a range of service sector occupations, especially at higher skills levels, and attention will be needed to ensure progression from level 2 to level 3 and beyond. There will be a need to support the reskilling of public sector workers.

2.6 Improve the proportion with at least a level 2

Level 2 is increasingly the starting point for the vast majority of employment in the South East and whilst 73% of the working population is qualified to at least this level, the rate of growth lags behind the national average. Level 2 skills are especially important in all the major employment sectors including retail, health and hospitality and there is evidence of skills gaps and shortages affecting a number of these. For example, 17% of retail employers report skills gaps and these are most prevalent for sales and customer service. The areas with the lowest proportion of level 2 qualified adult working age residents are Slough, Medway and Portsmouth, as well as smaller pockets across the South East, especially near the coast.

Key message F: there remains a need to develop routes to achieve level 2 skills, especially in high volume employment sectors.

2.7 Address skills gaps

Over a fifth of organisations report skills gaps (i.e. when employers perceive their existing workforce not to be fully proficient in their jobs), a rise of 6 percentage points since 2007. This is likely to be a result of the recession as employers ask staff to take on additional responsibilities. By far the greatest number of skills gaps (over a fifth of the total) were in sales, ranging from local retail roles to those at international level. The main reported gaps across all occupations related to a lack of "technical, practical and job specific skills" (65%), followed by customer handling and problem solving. Migrant workers have recently played a key role in filling skills gaps, shortages and hard to fill roles, especially in the manufacturing, hospitality and health and care sectors, and sometimes in posts that are unattractive to the local population. The proposed introduction of an annual limit to migration from countries outside the EEA could lead to greater skills gaps and shortages, if action is not taken to upskill the local workforce. It is now timely to drive aspiration, improve perceptions and clarify prospects within careers related to these sectors, and to encourage employers to source skills much closer to home.

Key message G: greater attention is needed to address skills gaps and shortages which are likely to be exacerbated by forthcoming limits on migration.

2.8 Improve leadership and management skills

Leadership and management skills need further development to meet the changing needs of businesses and to drive economic growth. Improvement is needed across almost all employment sectors and at all levels, from supervisory and first line management up to specialist and senior roles. Evidence during the recession highlighted a need for improved skills associated with multi-skilling, strategy and planning, especially in SMEs. There is a need for skills to develop new businesses, self-employment (including for undergraduates), and enterprise, so that new and expanding businesses can succeed and grow. Entrepreneurship is of growing importance to both small businesses and within larger companies. There is also a need to consider new models of leadership and management, for example to deal with changing technologies.

It is notable that levels of management and professional training in the South East were lower than nationally, despite it being a proportionately more important occupation; only 46% in the region received training compared with a national average of 49%.

Key message H: there is a significant need to increase training in leadership and management across many employment sectors.

2.9 Equip young people for working life

The number of 15-19 year olds will decline by over 5% from 2009-2014, with a similar fall forecast for 10-14 year olds, indicating lower numbers of younger people for some years to come.

The South East rate of participation in learning in 2007/08 was 86% for 16 year olds and 74% for 17 year olds (2 and 4 percentage points below the national rates respectively). 78% of 19 year olds were qualified to at least level 2 in 2008/09 (slightly below the England rate), with 54% qualified to at least level 3 (2 percentage points above the national figure).

In 2009, 24% of employers considered 16 year olds poorly or very poorly prepared for work; for 17-18 year olds the figure is 18% and for HE leavers 11%. Immaturity, poor attitude and lack of motivation were the main reasons given for 16-18 year olds.

Early interventions, especially from age 11 onwards, are important to enable young people to understand future skills needs and enterprise opportunities, and to ensure they are supported in making choices about career pathways.

Key message I: improving participation and attainment rates and ensuring young people match the expectations of employers are priorities for the South East given its changing skills needs and the declining number of 15-19 year olds.

2.10 Reskill and upskill public sector workers

On average, the public sector cuts indicated in 2.5 above suggest that slightly under 2% of the workforce in the South East risk losing their jobs, rising to around 3% in the most affected areas. It is also likely that there will be private sector job losses as an indirect effect of public sector cuts, which could push total job losses in the South East above 100,000. Broadly speaking, Kent, East Sussex, Hampshire and Oxfordshire are most exposed to public sector cuts. In parts of these areas, unemployment rates tend to be higher than in elsewhere in the South East and private sector employment growth is expected to be more subdued.

Key message J: public sector funding pressures are expected to lead to a high level of redundancies across the South East, with particular impact in certain vulnerable areas.

(III) Provide effective support for those areas and groups disadvantaged in the labour market

2.11 Address needs of those disadvantaged and living in deprivation

Areas of deprivation exist throughout the South East. This is particularly apparent in coastal areas of north Kent, East Sussex and the Isle of Wight, as well as in parts of many urban areas such as Portsmouth, Slough and Milton Keynes. These are also significant in small, dispersed pockets, including rural areas. In these areas individuals often face multiple challenges including low skills, limited accessibility, housing and environmental challenges and poor health.

A significant proportion of those in deprived areas have lower skills levels. Whilst better than the national position, 8.5% of the South East working age population still have no formal qualifications (403,000). This challenge is greatest in Kent, Portsmouth, Southampton and Slough. There is a need for more jobs in these areas to be accessible to local residents.

Key message K: despite the relative affluence of the South East as a whole, there are many people throughout the region facing considerable challenges in the labour market, especially given its relatively high skills base and current low levels of vacancies.

2.12 Respond to the needs of the unemployed

Over half a million people are seeking work in the region. This comprises 272,000 of the economically inactive who want to work, and 240,000 unemployed. The unemployment figure has increased by almost a third over the year to September 2009 (latest available data), to a rate of 5.7%. The narrower claimant count of the unemployed stood at 3% in April 2010 (152,000) compared with 1.5% five years earlier. Although these average rates are not as severe as in some other parts of the country, the scale and extent of the challenge should not be underestimated.

These rates conceal significant sub-regional variations with especially high rates in the Isle of Wight, Portsmouth, Brighton and Hove, Medway and parts of Kent, such as Thanet and Gravesham. They also conceal differences by age, skills levels and duration of unemployment.

Figure 6: Claimant count unemployment change, April 2005-2010 by age category

	April 2005	April 2010	Change	% change
Aged 18-24	18,765	40,710	+21,945	+117%
Aged 18-24 claiming for over 6 months	3,125	9,975	+6,850	+219%
Aged 50+	13,900	26,770	+12,870	+93%
Aged 50+ claiming for over 6 months	5,545	11,810	+6,265	+113%
Total claiming for over 6 months	21,185	55,160	+33,975	+160%
Total unemployment	72,970	151,910	+78,940	+108%

Those claiming for more than six months have increased by 160% (to 55,000) in five years and 24,000 have been unemployed for over a year (160% increase in a year). 18-24 unemployment now stands at 41,000 (April 2010) compared with 19,000 (April 2005), although there are recent indications that unemployment amongst this age group is starting to decline as a result of significant public sector interventions. There is also some evidence that older workers have found it especially hard to re-engage in the labour market since the recession. In addition, the skills profile of the unemployed has changed; the proportion of people holding at least a level 3 qualification having risen from around 12% of total unemployment in 2005 to over a fifth in 2009. The generational cycle of benefit dependency is particularly chronic in some areas and a stronger learning and skills culture is required.

The impact of both the reassessment of those on incapacity benefits, and of public sector redundancies, is likely to be a continuation of relatively high levels of unemployment and also a more competitive employment market.

Key message L: unemployment rates are at relatively high levels with a disproportionate impact on younger people and the longer term unemployed, necessitating targeted and coordinated support. Future groups requiring interventions are likely to include ex-public sector workers.

2.13 Tailor support for target groups

A number of groups face major challenges in joining or remaining in employment and/or in skills development.

Many young people are outside of learning and training and are classified as NEET. In March 2010, 12,700 young people were NEET in the South East (5.7%). This meant the region was second highest by number, and second lowest by rate. The scale and importance of NEET means it remains a priority issue. In addition, a significant volume of young people are in employment without training (EWT) and though the rate (6% of 16 to 18 year olds) has decreased by a third in the past year it remains just above the national average of 5%. The rate is especially high in Oxfordshire, Portsmouth and Bracknell Forest.

Older workers are an increasingly significant group and represent an under-used resource for the region. It is forecast that there will be an additional 124,000 older workers (45 to 65) by 2015, so that 42% of workforce will then be “older”. Already 13% of people over state pension age were working in 2007/8 (higher in coastal areas). In the longer term, future growth of the South East could be constrained by labour shortages necessitating higher economic activity from older workers.

Another major challenge is those in the South East who still lack basic skills. Data suggests that 160,000 have very low literacy skills and 200,000 have very low numeracy skills. In parts of the region a significant percentage of the population needs help with English language skills. Lack of childcare provision is a key reason many do not attend courses in English for Speakers of Other Languages (ESOL), and engagement of males is low. Many highly qualified migrants have their skills under-utilised, as language barriers restrict them to low-skilled jobs.

Key message M: there are a number of groups that have specific challenges in finding and retaining employment and developing skills. They require intensive and tailored support.

3. Distribution of Current Investment[4]

This section outlines public and private investment in skills training.

3.1 Encourage increased employer investment in training

Around two million employees in the region received training in 2009 (54% of the workforce), and estimates indicate that employers in the region spent around £6bn on training that year.

Between 2007 and 2009 the proportion of employers providing training increased slightly (to 70%) although the proportion of the workforce receiving training declined by 7 percentage points, to 54%. The latter figure compares with the English average of 56%. Survey evidence also suggests that rates of training were generally lowest amongst small employers and highest in the public sector.

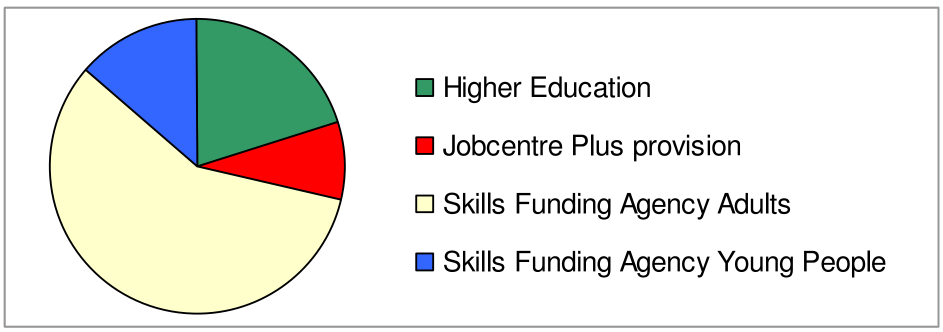
28% of employers provided training over the previous 12 months via FE colleges (3 percentage points lower than England), with the service sector being significantly less likely to engage with FE colleges in the South East than nationally.

Key message N: there are opportunities for FE to be more involved in providing training for employers, including the public sector and SMEs.

3.2 Focus public support in line with employer and individual needs

Annual public expenditure on post-16 education, training and skills in the South East supported over 1.1 million learners in 2008/09, divided as shown in Figure 6.

Figure 7: Overall proportions of learner volumes (2008/09)



Overall, volumes and levels of Skills Funding Agency[5] funded learning have remained stable over the last three years[4].

Public funding policy has been focused on level 2, resulting in over half of all publicly funded starts funded in 2008/09 being at level 2 or below, very similar to the previous two years. Level 3 and level 4 proportions have also remained constant[4].

However, there have been shifts from delivery at level 2 to level 3 and between sectors in some specific programmes and sectors as shown in Figure 8 below.

Enrolments on Apprenticeships (level 2) and Advanced Apprenticeships (level 3) have both risen in the past three years as a result of funding increases[6], with two thirds of provision at level 2 and a higher proportion of older learners.

Volumes of Skills for Life delivery have been high and this remains a significant component of skills delivery in the South East[7].

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[4] Underpinning this statement is a detailed set of data and information on the take up of skills training by industry sector (by both the sector qualification and SIC footprints) in the region, produced by the Data Service from Skills Funding Agency learner data. This sectoral analysis is not currently available as part of the Government's published Statistical First Release, and therefore cannot be referenced or included within the Statement. For further regional information from the Statistical First Release, see: http://www.thedataservice.org.uk/statistics/statisticalfirstrelease

[5] Provision between 2006 and 2009 was funded by the Learning and Skills Council (LSC) which was succeeded by the Skills Funding Agency and Young People's Learning Agency from 1 April 2010.

[6] Statistical First Release, 24th June 2010, Table S6.1

Figure 8: Publicly funded learning provision

Skills Funding Agency Employer Responsive Starts[8]		2006/07	2007/08	2008/09
Adult Apprenticeships	Apprenticeship starts	7,500	11,500	14,200
	Advanced Apprenticeship starts	4,900	6,800	8,100
	Total starts	**12,400**	**18,300**	**22,300**
Young People's Apprenticeships	Apprenticeship starts	10,900	10,800	9,700
	Advanced Apprenticeship starts	3,200	3,000	3,100
	Total starts	**14,100**	**13,800**	**12,800**
Train to Gain	**Total starts**	**22,300**	**39,200**	**92,800**
Total Employer Responsive Starts		**48,800**	**71,300**	**127,900**

Overall Skills Funding Agency FE and Skills Participation[9]		2006/07	2007/08	2008/09
Adults	Participation volumes	419,600	441,100	492,500
	(Incl. Skills for Life starts)	*102,000*	*104,880*	*118,600*
Young People	Participation volumes	147,600	152,100	155,400
	(Incl. Skills for Life starts)	*69,800*	*70,200*	*73,700*
Total Learner Responsive Participation		**567,200**	**593,200**	**647,900**

Key message O: overall levels of provision show much stability over the past three years, with increases in volumes largely reflecting budget changes.

3.3 Align skills provision to match gaps and changes in employer demand

The top six sectors (accounting for almost half of all starts over the last three years) across all Skills Funding Agency funded adult (aged 18+) programmes were[4]:

- Health and care
- ICT
- Construction
- Hospitality
- Building services
- Customer services

Almost a fifth of all people over the last three years who started learning or training funded by Skills Funding Agency programmes, were studying in areas related to health and caring[4]. Legislative requirements have contributed to this high proportion.

In some sectors such as health and care, transport, construction and hospitality, provision appears to broadly meet need. In some cases, provision has shifted in line with need, such as an increase in level 3 in health and social care and increasing adult Apprenticeships in customer service. There are potential progression issues where large volumes of level 2 delivery are not matched by significant volumes at higher levels, for example with ICT[4].

Key message P: responsiveness to employer demand varies, with some re-alignment needed to support improved progression.

3.4 Further increase participation in young people's learning

There has been an increase in the volume of young learners over the past three years with over 196,000 in learning in 2009/10. Around 45% of young people are following GCSE and

7 Statistical First Release, 24th June 2010, Table S5.1
8 Statistical First Release, 24th June 2010, Tables S6.1, S7.1
9 Statistical First Release, 24th June 2010, Tables S3.1

‘A’ Level courses, 42% are in vocational learning and 7.5% are apprentices[10]. The overall proportion taking ‘A’ levels has remained relatively static with the top three subject areas being science and mathematics, arts, media and publishing and languages, literature and culture. These accounted for almost 60% of the starts over the last three years[4].

In non-Apprenticeship vocational learning, the top four sectors by learner starts have been creative and cultural (mainly level 3), sport and leisure, hair and beauty and hospitality (both the latter mainly at level 2). These sectors equated to nearly 40% of starts over the three years. There has been significant growth in some vocational sectors with modest numbers of learners, e.g. ICT[4].

There was a 7% rise in young people’s Skills for Life starts over the last three years, reaching 73,500 starts in 2008/09[7].

Key message Q: provision funded by the Young People’s Learner Responsive budget has increased in line with learner demand, though patterns of provision have remained fairly static.

3.5 Increase the scope and volume of Apprenticeship provision to meet industry demand

About 7.5% of 16-18 year olds in learning in 2009/10 are apprentices. Apprenticeships starts for young people decreased by 9% to 12,800 in 2008/09[6] although there is evidence of an increase in starts in 2009/10. The top four sectors by numbers of starts over the three years from 2006/07 to 2008/09 were hair and beauty, engineering and manufacturing, automotive and construction, together accounting for almost half of starts in 2008/09[4].

There are some mismatches with employer demand, including a gap in ICT provision in medium sized businesses (feedback from employers suggest that the framework is better suited to big companies). There is also a lack of providers offering Apprenticeships in creative and cultural subjects, logistics and telecoms.

Key message R: Apprenticeships remain an important route for a significant proportion of young people and help meet skills demand in a number of key sectors, with potential for more penetration in growth sectors and new technologies.

3.6 Support employer demand through adult Apprenticeships

Following the introduction of Apprenticeships for people aged over 25 in 2007/08, total Apprenticeship starts increased by almost 21% to 22,300 with particularly strong growth at level 2[6]. The top three occupations in 2008/09, as measured by numbers of starts, were customer services, science and engineering and hospitality, together accounting for 34% of starts in 2008/09[4]. Customer services, hospitality, health and retail, particularly at level 3, tend to attract older recruits, partly because of a supervisory and management element to the qualifications. Starts relating to the Ministry of Defence contributed a notable proportion to the total starts over this period.

When surveyed in 2009, approximately 8% of all South East employers offered Apprenticeships, with the top four, in volume terms, relating to building services, the motor industry, construction and science and engineering[11].

Key message S: adult Apprenticeships have seen strong take up demonstrating considerable interest from employers in reskilling and upskilling through this route, including in science and engineering.

3.7 Continue to support businesses through work based training

Of the 154,000 Train to Gain learners[12] over the last three years, almost three quarters of all starts were at level 2 with a shift towards level 3 in line with policy developments and funding over the same period[4].

[10] YPLA 2010 Strategic Analysis Regional Summary Paper
[11] UKCES (2010), National Employer Skills Survey for England 2009: South East Report
[12] Statistical First Release, 24th June 2010, Table S7.1

The top three sectors funded by Train to Gain were health and care, construction and customer service, accounting for 45% of all starts over the period[4].

There have been significant increases in Skills for Life volumes due to the expansion of the Train to Gain programme and increased flexibilities in the delivery of this component of the programme[13].

Businesses with 1-49 employees, which employ 31% of the South East workforce[14], accounted for around 40%[4] of all Train to Gain starts over the last three years.

Key message T: Train to Gain has helped raise qualification rates, especially in key employment sectors such as health and care and construction.

3.8 Maintain provision to support those at lower skills levels

Overall numbers of adults participating in learning in FE totalled 492,000 in 2008/09[9] with around three quarters at level 2 or below. This proportion has remained relatively static over the last three years, as have the proportions learning at levels 3 and 4[4].

The top three sectors in terms of numbers of people in learning funded by Adult Learner Responsive (ALR) have remained the same over the period: health and care, ICT and building services accounting for one third of all enrolments in 2008/09. ICT provision has focused at level 1, health and care at level 2 and building services has a slightly higher focus at level 3[4].

There was a 16% rise in adult participation in Skills for Life provision over the last three years with 118,400 learners in 2008/9[5]. Participation in both numeracy and literacy has increased over the last three years with the growth in those taking numeracy qualifications almost 20 percentage points higher than that of literacy. There has been an overall decrease in participation in courses in ESOL during this period[7].

Key message U: adult learning funds, though reducing, have continued to support high volumes of learning especially at lower skill levels.

3.9 Build on the strengths of HE and continue shifts to meet changing employer needs[15]

In 2008/09, 233,000 students were enrolled in HE institutions in the South East, a rise of 3 percentage points from the previous year. The most notable trends in the last three years have been increases in learner volumes in business and administrative studies, creative arts and design, biological sciences and languages courses, and decreases in subjects allied to medicine.

The age profile of students has remained static over the period and is slightly older than the national picture, with almost 40% of students aged over 25. Proportions at each level of study also remained static across foundation, undergraduate and postgraduate degrees, at 3%, 74% and 22% respectively. There is a slightly lower ratio of postgraduates to undergraduates than the national average.

In 2008/09 there were proportionately more undergraduates in the South East studying law and media, film, television and publishing than the national average (8% and 11% more respectively), and fewer in agriculture and related subjects and mathematical sciences. There were 4 percentage points fewer students studying part-time (61,000) than the national average of 30%. Almost 13,000 HE students were taught within FE colleges in 2007/08.

Key message V: participation in HE has increased at a faster pace than demographics and some shifts in provision have aligned with changing skills needs.

[13] Skills Funding Agency South East data
[14] Small Business Service Analytical Unit
[15] Higher Education Statistics Agency (HESA) commissioned analysis. For the purposes of this section learner numbers and funding relating to the Open University (which is based in the South East) have been excluded.

4. Shifts in Investment and Other Priorities for Intervention

This section sets out the highest priorities for attention to ensure skills provision better supports the South East's drive to create more employment opportunities, increase productivity and advance economic success. These priorities relate back to the key messages outlined in Sections 2 and 3 of this Statement.

(I) Develop the skills base, especially at higher levels, needed by emerging and growing industries to compete nationally and globally

4.1 **Increase the quantity and relevance of education and training at levels 3 and 4** to better meet higher skills needs in all sectors and maintain the South East's competitiveness compared to the UK and globally. Dialogues with employers indicate a need for a multi-disciplinary knowledge base, combining technical and specialist qualifications with skills such as commercialisation and business development. Apprenticeships can play a key role in this.

4.2 Raise **participation and attainment of STEM skills at level 3 and above** including in environmental engineering, aerospace and defence, biopharma and ICT software sectors, which are forecast to create significant employment. Support partnerships of providers and employers to improve provision, including through Apprenticeships, in specialised and niche areas. These include low carbon construction, aircraft maintenance, advanced engineering including composites, renewable energy including off shore wind, and software engineering. To achieve economies of scale, providers may need to aggregate demand from a range of companies, many of them SMEs.

4.3 In the light of evidence pointing to skills levels being one level behind industry requirements in some sectors, renew emphasis on **progression to and attainment at level 3**, to include an increasing focus on Apprenticeships. Improve capacity to deliver skills to feed growth in **associate professional and technician occupations**, especially relating to STEM subjects, business occupations, health and care and ICT.

4.4 Prepare for **current and future skills needs associated with the low carbon economy.** This will respond to the expected impact of the combined forces of climate change, resource scarcity and energy security, which will lead to a growth in the global environmental technologies market. Alongside this, many mature sectors will need to adapt to new low carbon opportunities and challenges, for example in environmental and energy metering, low carbon construction and low carbon facilities management.

4.5 Ensure provision is available to respond to skill gaps emerging amongst **managers and professionals** across a range of sectors, especially in relation to ICT, the digital economy and technological change more broadly. Also consider the emerging needs for cross cutting skills and skills combinations such as law and low carbon skills, ICT and biopharma.

(II) Increase the skills of those in and entering employment, to improve individual progression and to support higher levels of productivity

4.6 Retain a focus on **training at lower skills levels, including Skills for Life and level 2,** with a stronger emphasis on progression. Focus on frontline personal service occupations, especially in the care sector, customer service and sales, where there are ongoing skills gaps and recruitment opportunities. Review the balance of private and public investment given evidence of significant reliance on the latter and likely reductions in funding.

4.7 Continue to focus on building **skills in health and care** given high levels of anticipated expansion demand (e.g. associate professional) and replacement demand (e.g. social care) and specific skills such as ICT to support technological advancements in telecare and in assisted living. This is a critical sector for recruitment from unemployment.

4.8 Provide adequate **training opportunities for individuals in skills shortage areas** highlighted by the Migration Advisory Committee and to fill gaps likely to result from the introduction of limits on number of workers entering the UK from outside the EEA (e.g. health, care, food operations, hospitality and professional areas such as research, scientists, technicians and a range of engineers). These skill and job areas could present opportunities for the unemployed.

4.9 **Raise attainment and participation rates amongst 16-19 year olds** to prepare and equip them for the forecast growth in occupations often requiring at least a level 3 qualification (which is likely to become the new employability standard by 2020), especially in technological, engineering, business and science areas. Ensure there is attention, early in education, to raising employability and business skills and awareness of future career paths to better meet employers' expectations. Maintaining the focus on a relevant and accessible curriculum at level 2 and reducing NEET volumes also remain critical.

4.10 Develop a stronger learning and skills culture, which will enable **progression through learning** and help to address the falling rates of qualification increases at levels 2 to 4. This should be supported by effective information and advice as part of a coordinated skills system. Provision and advice should recognise the ongoing need to refresh skills, especially as the length of 'working life' increases.

4.11 In response to growing skills gaps, higher rates of underemployment and ongoing qualification deficits, **work with employers to enable them to make best use of skills**. This includes improving the skills of lower performing staff and making more use of the skills of better qualified people, including graduates. It is important that employers consider the returns on investment that skills training can bring, to stimulate a cycle of higher skills supporting job creation and business growth. This needs to extend across the workforce and to consider medium term changes to the workforce including the capacity and potential of older workers.

4.12 Provide training which improves **leadership and management skills**. This includes addressing skills issues in major sectors such as business and financial services, in emerging areas such as risk, change, financial management and corporate governance, and more specific sector needs. Focus on the requirements of SMEs and the skills needed to drive enterprise, entrepreneurship and innovation.

4.13 Consider the need to review and tailor support for reskilling former **public sector** workers, for example, by providing private sector work experience and specific job training (e.g. commercial skills, cost/profit based project management).

(III) Provide effective support for those areas and groups disadvantaged in the labour market

4.14 Further develop vocationally relevant and accessible **provision for the unemployed,** in conjunction with partners and the emerging new Work Programme. Effectively coordinate training to meet current and future skills needs (e.g. care, retail, hospitality), and especially support areas where residents face barriers in accessing local jobs.

4.15 Provide better specialist and flexible employability and skills training for **target groups** amongst the unemployed, especially those aged 16 to 24, those who have been out of work for long periods of time. This includes those moving from other benefits, people aged over 50 and those with multiple and diverse needs.

4.16 Support the community and voluntary sector to provide **crucial services to support vulnerable people and disadvantaged groups,** including effective transition routes towards economic activity and to aid social mobility. This is especially important for certain target groups including those who are NEET and those longer term unemployed. Close working with local community and voluntary sector organisations, including the upskilling of their staff, will be critical, given the strength of their relationships with these groups.

Cross-cutting themes

4.17 Further develop effective and expert **information, advice and guidance** for young people and adults. Increase the use of ICT to access services, focus on the skills needs of new and changing employment opportunities, especially in high growth sectors, and drive up aspiration and ambition. Support the development of structured mechanisms to collate and disseminate robust employer led labour market intelligence, to enable providers to better monitor and promote the outcomes of provision.

4.18 Build on the strengths of existing and emerging partnerships, particularly Local Enterprise Partnerships and other local collaborations, and ensure that:

- skills are a priority issue, informed by a strong employer voice
- there is effective identification of skills needs and strategic solutions
- there is close working between employers (including clusters of SMEs), public bodies, agencies and providers
- opportunities arising from providers' new flexibilities and autonomy are maximised
- the best and most cost effective ways to address needs are determined
- new arrangements to respond to skills needs are developed, such as through HE and FE collaboration
- new functional geographies and arrangements are considered

4.19 Continue to work with employers and training providers to align provision to national standards identified by Sector Skills Councils and to **ensure provision reflects new and changing practices,** especially in new technologies and low carbon sectors. Support the development of flexible and modular approaches and CPD opportunities (including professional) to ensure the workforce is fully conversant with new practices and legislation, including in areas such as finance and governance.

4.20 In the light of the tight fiscal position, all training organisations will need to **maximise co-financing opportunities** with individuals, employers and other funding sources. Alongside this it is imperative that the voices of employers and individuals help shape the training offer.

ANNEX 1: ENGAGEMENT AND CONSULTATION

Stage 1: Development of the draft South East Skills Priorities Statement (April to July 2010)

There was extensive partnership working as part of the development of the draft Skills Priorities Statement from a wide range of stakeholders and partners including:

(a) The Skills Working Group (SWG)[16],
The SWG represents a wide range of private sector, local government, third sector and skills provider interests. The SWG has guided the development of the draft Statement and endorsed the key objectives and evidence base underpinning the Statement. The Group has reported to and consulted with the South East Economic Development and Skills Board on skills issues and priorities.

(b) Consultative meetings/workshops (April to August 2010)
In developing the draft Statement consultative meetings took place with SWG members in their representative capacities, and other stakeholders covering:

• Local Authorities • Selection of Higher Education Institutions • Association of Learning Providers South East (ALPSE) • The Association of South East Colleges (AoSEC) • FE Sector	• Jobcentre Plus • Employment and Skills Boards • Sub regional Economic Partnerships • Other providers • Local partnerships • Sector Skills Councils • Trade Unions	• Next Step • Employer rep. bodies • Regional Action and Involvement South East (RAISE)/Third Sector • Government Office for the South East	• Young People's Learning Agency • Skills Funding Agency (including National Apprenticeship Service) • South East Science, Engineering and Technology Advisory Council (SESETAC)

Workshop sessions took place with:

- The Economic Development and Skills Board (EDSB)
- Higher Education South East's Vice Chancellors' Forum
- HE network groups
- Skills Funding Agency
- College Business Development Managers Group
- The Association of South East Colleges

(c) Key Questions consultation
A questionnaire was devised inviting evidence and qualitative/soft intelligence on the skills needs of the South East from a wide range of partners and stakeholders. Twenty-two formal responses were received from:

Stakeholders/Partners	
• Canterbury Christ Church University • University of Reading (Biopharma) • Greenwich University • Kent University • Association of Learning Providers South East (ALPSE) • Employers' Engineering Federation South East • Fast Track team – Inward Investment SEEDA	• SE Financial Service Industry representatives • Regional Action and Involvement South East (RAISE) • The South East Science, Engineering and Technology Advisory Council (SESETAC) • Next Step South East • Third sector partners

[16] The purpose of the South East Skills Working Group is to help grow the economy of the South East through identifying skills needs and setting work in hand to ensure a match between skills demand and supply.

Sector Skills Councils	
• Skills for Logistics • e-Skills • Asset Skills • Construction Skills • Creative and Cultural Skills • EU Skills	• Skills Active • Lantra • Summit Skills • Cogent • Institute of the Motor Industry

Stage 2: Consultation on the draft South East Skills Priorities Statement (August to September 2010)

After the initial developmental consultation a wider consultation took place between 16th of August and 17th of September. The draft statement along with a covering letter inviting comments and detailing the consultation was sent to:

Businesses and Business Representative Bodies	Government and Local Government Organisations	Universities, Colleges and Training Organisations

• The South East Economic Development and Skills Board (EDSB)
• South East Employment and Skills Boards (ESB)
• South East Economic Partnerships (SEEP)
• Sector Skills Councils
• SEEDA Board
• Sub regional Economic Partnerships
• Institute of Directors (IoD)
• Confederation of British Industry (CBI)
• Federation of Small Businesses (FSB)
• South East Business (SEEBUS)
• National Skills Academies (NSAs)
• Financial Services Sector – South East Forum
	• Chief Executives and Leaders of the South East England Councils (SEEC)
	• Higher Education Funding Council for England (HEFCE)
	• National Apprenticeship Service (NAS)
	• The Skills Working Group (SWG) including representatives from:
	  o Local Authority
	  o Skills Funding Agency
	  o Young People's Learning Agency (YPLA)
	  o Job Centre Plus
	  o Government Office for the South East
	• Regional Action and Involvement South East (RAISE)
	• Third sector partners
	• Partnership for Urban South Hampshire
	• The South East Diamonds for Investment and Growth Network
		• Association of South East Colleges (AoSEC)
		• Association of Learning Providers South East (ALPSE)
		• Higher Education South East (HESE)
		
		AoSEC, ALPSE and HESE disseminated to their respective networks

The Skills Funding Agency made inputs on the Statement to provider network meetings across the region and the Statement was presented to the South East England Councils Executive in September.

Response to feedback from the August to September 2010 Consultation

Responses were received from a range stakeholders including Local Authorities, Sector Skills Councils, Universities, Third Sector organisations and Further Education networks. Consultation responses will be reflected in the final version of the Statement.

ANNEX 2: LOCAL AREA EMPLOYMENT AND SKILLS SUMMARIES

Some indicators below have been colour coded according to their position relative to the regional average. Because of statistical confidence levels associated with much of this data, results should be treated with caution.

KENT AND MEDWAY

	KENT	MEDWAY
Area (km^2)[17]	3,544	192
Total Population ('000)[16]	1,407	254
Economic Activity Rate (%)[b18]	81.4	80.2
Economic Inactivity Rate (%)[17]	18.6	19.8
Self Employment (%)[17]	10.7	7.4
Unemployment (No)[17]	43,900	13,500
Unemployment (%)[17]	6.5	10.6
% Working age with no qualifications (%)[19]	11.4	9.6
% Working age with at least level 2 (%)[18]	68.9	68.1
% Working age with at least level 3 (%)[18]	48.4	43.9
% Working age with at least level 4 (%)[18]	27.3	24.5
% Employed In Elementary Occupations (%)[17]	11.5	13.2
% Employed in Professional/Associate Professional/Mgr Roles (%)[17]	43.8	42.2
Top 5 Sectors (Employment) (%)[c20]		
• Health	13%	14%
• Retail	13%	13%
• Education	11%	13%
• Public admin and other	10%	9%
• Manufacturing	8%	10%

EMPLOYMENT AND SKILLS CHARACTERISTICS AND PRIORITES

- Increasing numbers of people trained and educated for knowledge intensive industries
- Improving poor graduate retention levels to help meet the needs of key growth sectors
- Priority sectors around ports and logistics, advanced manufacturing, construction, health and care. Opportunities anticipated in environmental technologies, business and financial sectors, creative industries, tourism and leisure and sustainable construction techniques
- Relatively low skill levels across levels 2 to 4
- Renewable energy which links to offshore wind opportunities (e.g. maintenance skills) around Thanet offshore and the London Array
- Reducing worklessness and economic activity; Thanet has highest skills needs
- Oversupply of lower paid work
- Priorities for Thames Gateway include: environmental technologies, construction, finance, creative industries, advanced manufacturing and logistics. For Ashford, priorities include: employability and enterprise skills, business/financial services, transport, logistics, advanced manufacturing, engineering, ICT, life sciences, creative industries and environmental technologies.

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17 Regional Trends 2009
18 LFS, 2009
19 http://www.thedataservice.org.uk/NR/rdonlyres/AC4DC94B-54F2-4F31-A7FF-E4E08C2210C4/0/TABLESFORWEBAPSsupplementarytablesbrokendownbylocallevelrevised25Aug.xls
20 ABI, 2008

SURREY

	SURREY
Area (km^2)	1,663
Total Population ('000)	1110
Economic Activity Rate (%)	82.0
Economic Inactivity Rate (%)	18.0
Self Employment (%)	11.8
Unemployment (No)	19,600
Unemployment (%)	3.5
% Working age with no qualifications (%)	6.5
% Working age with at least level 2 (%)	78.6
% Working age with at least level 3 (%)	62.1
% Working age with at least level 4 (%)	42.5
% Employed In Elementary Occupations (%)	6.6
% Employed in Professional/ Associate Professional/Mgr Roles (%)	56.6
Top 5 Sectors (Employment) (%)	
• Health	11%
• Retail	10%
• Education	10%
• Public admin and other	
• Business, admin and support services	9%
• Professional Scientific and technical	11%

SUSSEX AND BRIGHTON

BRIGHTON & HOVE	EAST SUSSEX	WEST SUSSEX
83	1,709	1,991
257	510	781
78.8	81.7	82.8
21.2	18.3	17.2
11.3	15.9	11.3
10,900	13,900	20,500
8.0	6.1	5.5
8.2	9.8	9.2
78.9	70.6	71.9
63.9	48.9	51.1
42.0	28.3	31.8
9.8	11.2	11.3
49.8	40.5	45.1
14%	18%	12%
11%		12%
12%	11%	9%
10%	11%	9%
10%	5%	
	5%	

EMPLOYMENT AND SKILLS CHARACTERISTICS AND PRIORITES

SURREY

- High skill levels overall, many related to knowledge-based industries
- Strong influence of London, high volumes of commuters, some outsourcing from London
- Skills to support economic strength areas e.g. Guildford in research and development, creative skills and pharmaceuticals
- Needs of lower skilled and workless people need to be accounted for
- High levels of NEET in parts of urban Surrey
- Key sectors include IT, pharma, multi-media creative industries and finance and business services, especially in Guildford
- Need to support entry level training for low skilled jobs, e.g. retail and leisure
- Demand expected from town centre redevelopments including Redhill and Woking
- Key developments include McLaren establishing a new production facility near Woking

BRIGHTON & HOVE

- Creative and digital media in Brighton and Hove and Sussex coastal strip
- Increasing number of high value added jobs in area
- Lack of higher level jobs relative to the graduate population. Need higher value added opportunities
- NEET numbers and educational attainment remain a concern

EAST SUSSEX

- Soft skills lacking, e.g. customer service, communication
- Lack of understanding about the offer
- Commitment to training is poor by national standards
- Need to address low skills base and create more pathways up to and into HE
- Creating a more enterprising and entrepreneurial culture
- Responding to low business start-ups

WEST SUSSEX

- Progression from level 2 to level 3 and beyond in Crawley and the Gatwick Diamond
- Enterprise and SME support in Gatwick Diamond and coastal towns
- Level 3 and level 4 technical skills in the Gatwick Diamond
- Modest knowledge based economy
- Polarised skills base
- Low skills and aspirations, particularly in 25 to 50 age group
- Interested in developing sustainable construction technologies

HAMPSHIRE, PORTSMOUTH, SOUTHAMPTON AND ISLE OF WIGHT

	HAMPSHIRE	PORTSMOUTH	SOUTHAMPTON	ISLE OF WIGHT
Area (km^2)	3,679	40	50	380
Total Population ('000)	1,286	200	235	140
Economic Activity Rate (%)	84.9	77.9	77.9	75.7
Economic Inactivity Rate (%)	15.7	22.1	22.1	24.3
Self Employment (%)	9.0	7.2	7.1	10.9
Unemployment (No)	32,800	8,100	8,800	4,800
Unemployment (%)	5.1	7.9	7.0	8.2
% Working age with no qualifications (%)	7.7	11.7	10.1	9.6
% Working age with at least level 2 (%)	74.0	70.4	68.7	70.6
% Working age with at least level 3 (%)	52.4	50.7	50.3	48.7
% Working age with at least level 4 (%)	32.8	27.5	28.5	25.1
% Employed In Elementary Occupations (%)	11.1	13.2	9.5	13.1
% Employed in Professional/Associate Professional/Mgr Roles (%)	46.4	44.0	44.3	38.2
Top 5 Sectors (Employment) (%)				
• Health	10%	15%	16%	16%
• Retail	11%	11%	11%	13%
• Public admin and other	10%	14%	9%	12%
• Education		9%	12%	11%
• Manufacturing	10%	10%		
• Business, admin and support services	9%		11%	

EMPLOYMENT AND SKILLS CHARACTERISTICS AND PRIORITES (HAMPSHIRE AND ISLE OF WIGHT)

- Deprivation remains a concern in South Hampshire; unemployment black spots on the Isle of Wight and in some wards in Southampton and Portsmouth
- Aerospace opportunities in North Hampshire
- Strong tourism base and marine skills base in South Hampshire and the Isle of Wight
- Environmental technology skills including offshore wind seen as an opportunity for the area (IoW, PUSH area and Hampshire) and spin offs
- Low skills base, basic skills needs, lack of high skills opportunities
- Management and leadership skills lower than the South East average
- Surplus of graduates looking for relevant employment, but need to improve skills at levels 2-4
- Keen to develop low carbon economy in South Hampshire; potential development of Whitehill and Bordon ecotown
- Key developments include: Vestas building their R&D capacity on the Isle of Wight; development of 47.5 hectares of employment land at Hartland Park in Farnborough; construction of 168 homes beginning at Woolston Riverside in Southampton; wind farm construction scheduled for the Isle of Wight in 2013

EMPLOYMENT AND SKILLS CHARACTERISTICS AND PRIORITES (PARTNERSHIP FOR URBAN SOUTH HAMPSHIRE – PUSH AREA)

- Establishing a significant advanced manufacturing and engineering training function
- Establishing an employer led Apprenticeship Training Agency with a focus on SMEs and priority sectors
- Strengthening local business partnerships between employers, HEIs, FE and schools, focused on priority sectors
- Extending Skills Development Zone beyond Southampton
- Promoting graduate retention with a stronger emphasis on internships, work placements and curriculum reform
- Aligning the single work programme to provide routeways to employment for those not engaged in the labour market
- Creating opportunities for residents to access jobs in sectors underpinning employment growth, such as business services, health and care, retail and the visitor economy
- The PUSH area has identified strengths in advayenced manufacturing, marine, environmental technologies and transport and logistics

BERKSHIRE

	BRACKNELL	READING	SLOUGH	WEST BERKSHIRE	WINDSOR AND MAIDENHEAD	WOKINGHAM
Area (km^2)	109	40	33	704	197	179
Total Population ('000)	115	146	121	153	143	159
Economic Activity Rate (%)	85.6	82.6	78.3	85.9	83.4	82.8
Economic Inactivity Rate (%)	14.4	17.4	21.7	14.1	16.6	17.2
Self Employment (%)	9.2	6.6	7.6	10.5	10.2	8.4
Unemployment (No)	3,300	5,700	4,100	3,800	3,500	4,900
Unemployment (%)	5.1	7.0	6.7	4.6	4.8	5.8
% Working age with no qualifications (%)	6.0	9.8	10.2	5.5	6.7	5.0
% Working age with at least level 2 (%)	75.0	67.9	67.1	77.7	77.3	82.5
% Working age with at least level 3 (%)	55.9	51.6	44.5	59.8	60.2	66.9
% Working age with at least level 4 (%)	33.3	34.7	26.4	38.6	41.6	47.2
% Employed In Elementary Occupations (%)	9.3	12.5	13.2	7.1	6.0	5.9
% Employed in Professional/ Associate Professional/Mgr Roles (%)	47.9	49.7	42.0	50.7	61.6	62.3
Top 5 Sectors (Employment) (%)						
• ICT	11%	11%	10%	13%	10%	16%
• Professional Scientific and technical	18%		8%	9%	12%	11%
• Retail	9%	11%		9%	10%	
• Business, admin and support services	8%	10%	12%			9%
• Public admin and other		10%		9%	9%	8%
• Manufacturing			12%	12%		
• Education					9%	16%

EMPLOYMENT AND SKILLS CHARACTERISTICS AND PRIORITES

- Potential flatness in growth of skills – concern that a 'glass ceiling' has been reached
- ICT skills for hard programming and sales and marketing skills
- More progression opportunities to level 3 and 4
- More employer engagement with the education and skills system (and link to improving Apprenticeship and internship offers)
- Increase labour market participation (Reading Diamond)
- Reading – strong demand for financial and professional services and ICT
- Unemployment is a particular issue for Slough
- Lack of HE provision in Slough; need to increase proportion with qualifications at levels 2 to 4
- Key developments include: Crossrail project; business park developments in Slough Trading Estate; redevelopment of Reading Station

MILTON KEYNES, OXFORDSHIRE AND BUCKINGHAMSHIRE

	MILTON KEYNES	OXFORDSHIRE	BUCKINGHAMSHIRE
Area (km^2)	309	2,605	1,565
Total Population ('000)	232	640	493
Economic Activity Rate (%)	83.7	82.9	83.9
Economic Inactivity Rate (%)	16.3	17.1	16.1
Self Employment (%)	6.1	10.2	14.7
Unemployment (No)	9,600	16,400	11,700
Unemployment (%)	7.6	5.0	4.7
% Working age with no qualifications (%)	9.7	5.0	8.7
% Working age with at least level 2 (%)	69.3	76.1	71.9
% Working age with at least level 3 (%)	49.2	60.3	52.8
% Working age with at least level 4 (%)	31.7	38.6	35.6
% Employed In Elementary Occupations (%)	12.2	9.5	6.4
% Employed in Professional/Associate Professional/Mgr Roles (%)	46.6	50.0	53.1
Top 5 Sectors (Employment) (%)			
• Retail	12%	10%	10%
• Professional Scientific and technical	10%	10%	9%
• Education	8%	14%	9%
• Public admin and other		10%	10%
• Health		11%	11%
• Business, admin and support services	9%		

EMPLOYMENT AND SKILLS CHARACTERISTICS AND PRIORITES

MILTON KEYNES

- Qualifications lag behind statistical neighbours and are lower than needed for a growing knowledge economy
- More graduate level jobs
- Network Rail creating 3000 jobs
- Logistics Apprenticeships associated with MKSM
- Low carbon opportunities – low carbon "live and work" ambition: linked to Smart Grid, low carbon living, work skills
- Knowledge based industries (creative/digital, advanced engineering, sustainable construction, high end logistics, financial services)
- Regeneration challenges in some parts of the city
- Opportunities for young people (partly linked to unemployment/NEET levels) with stronger progression pathways
- MKSM sector priorities are logistics, creative industries, motor sport/high performance engineering and sustainable construction/built environment

OXFORDSHIRE

- Science and technology skills in the south of the county especially technician level, including Space industry atomic energy research at and around Harwell
- Redirect public expenditure towards strategic business sectors with a propensity for high growth
- Issues around soft skills
- Commercial opportunities for graduates
- Improved aspirations with appropriate guidance for young people
- Bicester ecotown development potential

BUCKINGHAMSHIRE

- Enterprise skills – aim to be the entrepreneurial heart of England, especially supporting business start up and immature companies, including increasing employment.
- Some evidence of a shortage of intermediary and technician level skills
- Skill gaps in sales, technical, admin services, sales and marketing; most pronounced in Wycombe
- Need for graduate level employment opportunities to attract graduates back to the county
- Young people to have better awareness of tomorrow's jobs through improved advice

ANNEX 3: THE EVIDENCE BASE

Supporting this Priorities Statement is a comprehensive evidence base for the South East drawing together a range of sources. These include the following regional and sub-regional sources:

- Government derived data sets such as employer and labour force surveys, unemployment data, migration figures, etc,
- Employer surveys including analysis from NESS 2009
- Other sector-specific research including SSC and RDA reports
- South East and sub-regional contextual and skills reports
- UKCES Annual Skills Audit and Working Futures 3 data
- Additional bespoke analysis produced by the Institute for Employment Studies
- Academic research
- Additional qualitative research undertaken for this evidence base where quantitative information was limited

The structure of the evidence base is shown below.

1 Economic Context

1.1 The South East context
1.2 Spatial variation
1.3 Deprivation
1.4 Recession/post recession
1.5 Economic health
1.6 Population forecasts
1.7 Economic activity and employment
1.8 Business volumes and sizes
1.9 Business formation rates
1.10 Earnings
1.11 Links to other economic issues
1.12 Implications for skills

2 Skills and Jobs in the South East

2.1 Employment and occupational structure and forecasts
. 2.2 Skill levels
2.3 Generic skills
2.4 Skills for Business Owners/Entrepreneurs
2.5 Vacancies
2.6 Implications for skills

3 Target Groups

3.1 Unemployed people
3.2 Special interest groups
3.3 Implications for skills

4 Skills Mismatches and Training Activity

4.1 Skills shortages
4.2 Skills gaps
4.3 Underemployment
4.4 Migration
4.5 Training activity
4.6 Implications for skills

5 Sectors

5.1 Key employment sectors
4.2 SEEDA's priority sectors
4.3 The third sector

Appendix One: Local Skills and Employment Priorities
Appendix Two: Qualification Levels
Appendix Three: Sector Skills Councils
Appendix Four: Learning and Skills Provision
Appendix Five: European Economic Area