

The Marches LEP and Hereford Enterprise Zone Skills Plan – Evidence Base

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EXECUTIVE SUMMARY

In August 2012 Worcester Research was commissioned by The Marches Local Enterprise Partnership (LEP) to produce an evidence base which would enable partners to develop a skills action plan for both the LEP area and the Hereford Enterprise Zone.

The research was to include an analysis of: the skills needs of employers (both now and in the future); the supply of skills at the current time along with the likely future trajectory; the identification of recruitment difficulties as well as skills gaps amongst the existing workforce; and, forecast changes in terms of sectors, occupations and skillsets.

The research was undertaken through an analysis of more than 30 different secondary data sources and seeks to, wherever possible, triangulate different sources of intelligence in order to produce a holistic picture.

KEY FINDINGS

The Demand for Skills

- The current level of recruitment activity in The Marches appears to be significantly lower than that found nationally, and those jobs available tend to be skewed towards the lower end of the occupational spectrum.
- Overall, just 3% of local employers report experiencing difficulties in filling vacancies which is lower than the 4% seen nationally.
- Where difficulties in recruitment do exist they are most acutely felt in relation to Skilled Trades and Caring, Leisure & Other Support occupations.
- Whilst skills deficiencies are an important cause of recruitment difficulties, a range of non-skills issues, such as remote location and poor transport, are significant causes of recruitment problems across The Marches.
- Just 1% of firms have skills shortage vacancies as compared with 3% across England as a whole. However, where they do exist skills shortages appear to affect Skilled Trades and Caring, Leisure & Other Service occupations most acutely.
- The skills most commonly lacking amongst would be recruits are: job specific and technical skills; problem solving; literacy; team working; oral communication; customer handling and numeracy. The basic skills of literacy and numeracy are both identified as a larger concern amongst local employers than is the case across England.
- Approximately one-in-seven local employers face skills gaps amongst their existing workforce, with an estimated 5.5% of the workforce identified as not fully proficient in their roles. This is just slightly lower than the figure of 6% seen nationally.
- Skills gaps are most prevalent amongst Elementary, Caring, Leisure & Other service roles, Admin & Clerical and Managerial roles.

- The presence of skills gaps appears to be having a smaller impact upon local employers than is the case nationally, with just 10% of firms affected describing them as having a major impact, as compared with 15% nationally.
- Approximately 12% of the workforce holds skills and qualifications that are not being fully utilised at the current time. This under-utilisation represents a loss of economic potential and seems to be highest amongst employees in Herefordshire.

The Marches Workforce

- Projections suggest that although the population is set to grow, most growth will occur amongst those aged over 60.
- Approximately 73% of the working age population (280,800 people) are in work in The Marches, and although the employment rate has been declining, the percentage in employment remains above the national average.
- The workforce is made up of 53% men and 47% women and jobs are heavily differentiated by gender. Part time work is prevalent and the LEP has the second highest rate of part-time working amongst women in the country.
- Around half of all workers are employed in Public Administration, Education, Health and Distribution. Manufacturing accounts for 1 in 7 jobs.
- The occupational structure of the workforce differs in some key respects from that of England in that The Marches has fewer 'higher skilled' occupations such as Managers, Professionals and Associate Professional staff and more skilled, semi-skilled and elementary workers than average. Reflecting this structure, the workforce is less well qualified than average, with 49.1% having qualifications above Level 3 compared to 52.3% nationally.
- Crucially, the qualifications gap is widening with national growth in Level 4 qualifications outstripping local growth rates.
- 135,800 people of working age – more than 1 in 3 of the total - are qualified to below Level 2. 12% of 16 -19 year olds have no qualifications at all.
- Data shows that 30 out of every 1,000 residents enrolled at university in 2008/09, a little below the average of 33 per 000. An estimated 47% of them return to The Marches for their first job on graduation.
- The Marches has a relatively high rate of self employment accounting for 11.4% of the working age population (44,000 people). However, the past 12 months has seen a sharp fall in male self employment.
- Migrant workers make a significant contribution to the workforce, with Herefordshire as the most popular destination. Numbers peaked in 2007 and have declined since then, but remain high at just under 4,000 workers.
- In recent years, unemployment rates have risen to their highest for more than a decade and currently 12,117 people (3.1%) in The Marches are unemployed, a little below the national rate of 3.8%. Long term unemployment has been rising and 40% of the unemployed have been looking for work for more than 6 months.

Young People and the Labour Market

- Approximately 90% of 16-17 year olds participate in some form of post-compulsory learning. Students are more than twice as likely to attend Sixth Form College as average.
- Currently there are 1,460 young people aged 16-18 classed as NEET (6.8%) compared with 8.1% nationally. Although the figure for The Marches is below the national average, the rates for Telford & Wrekin and Herefordshire are the highest in the West Midlands region.
- 3,750 people aged 18-24 are currently unemployed and, at 7.6%, the youth unemployment rate is above the England rate of 7.3%. Currently the number of young people who have been looking for work for more than 6 months is the highest for a decade and figures have risen sharply in the past 12 months.
- Until last year, attainment in The Marches in terms of the percentage of pupils gaining 5 GCSEs A*-C (including English and Maths) was better than average, but for the first time in 2011, The Marches slipped behind the national rate.
- At Level 3, young people's attainment remains just above the national rate.
- 9% of employers in The Marches recruited 16 year old school leavers in the recent past, slightly more than the 7% of employers in England. Conversely, local employers are less likely to take on graduates (7% vs. 10%).
- Most employers are satisfied with the skills of their young recruits, although a significant minority consider them poorly prepared for the demands of the workplace. Skills identified as missing include a lack of experience and poor attitude/motivation. More than 1 in 10 employers also highlighted weaknesses in literacy and numeracy.
- Numbers of Apprenticeship starts have been rising over time, driven by increasing numbers of apprentices aged over 25. In contrast, there are fewer 16-18 year old apprentices now than there were in 2007/08.
- Most Apprenticeships are at Level 2 (58%), however, the proportion of Advanced Apprenticeships has been on a rising trend and they now account for 41% of the total, up from 21% in 2005/06.

Training & Workforce Development

- In the past 12 months 58% of employers in The Marches have trained their staff, a level very similar to that seen nationally.
- The propensity to train rises with firm size, thus while 55% of small firms with under 5 employees provide training this rises to 97% of firms with more than 100 employees.
- Encouragingly, employers in the six sectors identified by the LEP as priorities for future economic growth have an above average propensity to train.
- The main type of training supplied is job-specific (81%), with Health and Safety training as the next most commonplace form of training.
- Local employers are considerably less likely to provide management training (25% compared with 34% nationally) and supervisory training (26% compared with 32% nationally) than average. Only 38% of managers in The Marches have received recent training compared with 45% across the UK.

- An estimated 11% of all employees have received training that will lead to a qualification, mostly at Level 2.
- Caring, Leisure & Other Services staff are most likely to receive training and Managers and Machine Operatives the least.
- Local employers are a little more likely than average to consider that their staff do not need training and that training is not a priority. Employers in The Marches are also less likely to have a training plan, business plan or training budget than is true nationally.

Future Employment, Skills and Qualifications

- Total employment fell by 2.7% between 2005 and 2010 and is not expected to begin to recover until after 2015, which is later than in England generally.
- Between 2015 and 2020 employment is predicted to increase by approximately 4% with the proportion accounted for by part-time and self employment rising faster than full-time employment.
- Women are forecast to take-up 11,000 of the 12,000 additional jobs generated between 2015 -2020, which is a greater share than that forecast nationally. As a result of the increase in female employment, the workforce will be almost perfectly gender balanced by 2020.
- The employment forecasts of individual sectors of the economy are forecast to vary significantly over the next ten years, with business support services, construction and professional services all likely to witness the strongest growth.
- The employment prospects of the six key sectors identified by the LEP also vary significantly with forecast growth amongst the Food & Drink, Tourism and Security industries but contraction in Advanced Manufacturing and Defence. This does not, however, take into account the possible positive effects of the Enterprise Zone.
- The occupational profile of the area's workforce is also set to continue to change with more Managers, Professionals, Associate Professionals and Caring, Leisure & Other Services. Total employment volumes amongst many lower order occupations, such as elementary roles, will continue to decline.
- Overall, The Marches labour market will need to recruit approximately 132,000 new recruits over the period 2010-2020. Most of this will be to fill vacancies left by people leaving the workforce or moving out of the area.
- In order to meet the needs of an economy using more Managers, Professionals and Associate Professionals the qualifications profile of the workforce will have to change. Overall there will be a need for 9% more of the workforce to hold degree level qualifications by 2020 than was the case in 2010. There will also be a significantly lower demand for people with low or no qualifications in the future.
- Only one-quarter of jobs will be open to people with qualifications below level 2 in the future. Given that roughly one-third hold low or no qualifications today this would suggest a significant proportion of the workforce would be permanently unemployed even in a much more buoyant labour market.

1. INTRODUCTION

Worcester Research was commissioned by The Marches LEP in August 2012 to prepare a robust and up to date research report on the skills base of The Marches. The report is designed to aid local understanding of the labour market and to identify the critical skills and employment issues which exist as the basis for the future development of a skills strategy. The analysis focuses first and foremost on the LEP area, but highlights local data where this is relevant and where summary statistics would mask significant intra –LEP differences. Partners across the sub region, including the Hereford Enterprise Zone have overseen the research and the findings are designed to be shared with partners to facilitate collective action.

The analysis draws on a wide body of evidence and research, but in particular makes extensive use of:

- The Employers Skills Survey 2011 released in September 2012;
- Local projections of workforce change based on Working Futures forecasts published by UKCES; and
- The Annual Population Survey.

The report draws important conclusions about many issues that are at the heart of the LEP's agenda: the need to strengthen the links between business and learning; the problems of skills shortages; and the need to develop and promote Apprenticeships as a high quality route for young people and employers. It raises questions as to how best to enhance the ability of businesses in The Marches LEP to compete in global markets and examines what skills will be needed to attract business investment in the Enterprise Zone. It provides the latest intelligence as to where the LEP is now and how it is likely to change and grow in the future, to provide a sound basis for future action.

Background to the research

The Marches is a relatively small LEP area with a population of 630,000 people and more than 28,000 businesses. Although it is a rural economy, manufacturing plays an important role and the area has one of the highest concentrations of manufacturing employment of any LEP. The range of its major employers conveys the breadth of its economy from leading advanced manufacturers such as Bischof and Klein and Fujitsu; food processors such as Muller Dairy and Anglo Beef Processors to a fast growing business tourism industry based on the area's heritage and landscape quality. Recently, The Marches has successfully attracted significant investment to the area, with GKN investing in its Land Systems site at Telford and Tbilisi Aircraft Manufacturing set to locate to the Hereford Enterprise Zone, thereby confirming its potential to become a hub of advanced manufacturing.

As well as being home to major international companies, The Marches business base predominantly comprises of small and medium sized enterprises stemming from its strong entrepreneurial culture. The area has one of the highest self employment rates of any LEP, and with 44 enterprises per 000 of population it has far more businesses per person than nationally (34 per 000). However, perhaps one of the most significant underlying themes of this analysis is that whilst the recovery from the worst recession for 80 years will be the key challenge for the LEP; long term issues persist and the future economic prosperity of The Marches and its national and international competitiveness are closely tied to the *structure* of the local economy and its past performance. Thus, whilst the economy has many strengths, for instance:

- Its unemployment rate has been consistently below the national average (currently 3.1% compared with 3.8%) and with the onset of recession, its job losses have been below average;
- It has a high employment rate (73%) well above the national average (70%);
- Its population has grown 11.7% between 1990 -2010, faster than nationally (9.5%); and
- Its relative ranking in terms of economic output per head has improved through time from 30th in 1998 (out of 39 LEPs) to 27th in 2009.
- In comparison with other LEPs it has the third highest number of enterprises per thousand of the population.

There are, however, a number of structural weaknesses, for example:

- Economic output per head is very low at £15,700 compared with £20,700 nationally;
- Currently The Marches has a relatively low share of employment (16%) in the knowledge economy and high and medium tech manufacturing – the 7th lowest of all LEPs;
- It has the third lowest share of employment in growth sectors of any LEP, just behind the Black Country and Cornwall and the Isles of Scilly;

In many respects The Marches mirrors the national economy in its 'high employment- low productivity' performance. Nationally, our workforce is less skilled than that of France, Germany and the USA and this is estimated to contribute to the UK being at least 15% less productive than those countries.¹ In turn, The Marches' productivity is 24% below that of England, indicating that there may well be a significant local issue around the supply of and demand for skills.

In recent years, a substantial body of research has developed to examine the role of education and skills in explaining the country's relatively poor productivity and hence economic performance. The analysis points to a weakness in basic skills and in intermediate technical skills which are increasingly important as jobs

¹ ONS: International Comparisons of Productivity, October 2010

become more highly skilled and technological change accelerates. There is also recognition that the global economy is undergoing a period of restructuring with rapid changes in ICT, consumer demand and innovation, which is driving forward changes in skills needs. Consequently there is a renewed focus on the importance of vocational qualifications and in ensuring that the learning pathways associated with undertaking such qualifications are clear to learners, their advisers and employers. This includes not only routes into work and further training but routes into Higher Education.

In the words of UK Ambition 2020 published by UKCES:

"The challenge for the UK employment and skills system is formidable. We need to build a system to match the high skill, people driven economy of the future – a system that responds well to business need while opening opportunity for all people. We must increase the ambition and aspiration of individuals to gain new skills – not just once, but throughout their working lives. We must transform the way that employers invest in their workforce and use the skills of their employees. And we must achieve this radical change in a way that delivers much higher performance at lower cost."

This latter point regarding the ways in which employers use skills, marks a recent and developing shift in focus for skills policy. For many years the main focus of policies relating to skills has been about improving the **supply** of skills, however, increasingly, attention is turning to the **demand** for skills, seeking to understand how skills are being used effectively in the workplace. If the economy is to move from a "low skills equilibrium", i.e. an economy characterised by low-wages and with a relatively high proportion of standard product companies, there needs to be attention to better skills utilisation and high performance workplaces. This is a key theme to emerge from the local research.

The policy context

Currently, the major challenge facing policy makers at all levels is how to return the economy to growth. The Coalition government is looking to 'rebalance the economy' away from an overreliance on public sector jobs and towards private sector growth; away from an overdependence on financial services and towards manufacturing; and away from the South East towards other parts of the country. The Marches, aided by the potential of the Enterprise Zone is well placed to support this agenda.

The election of the Coalition government in May 2010 has also ushered in some key changes to the policy context for the research. In the skills and learning agenda, there is a new emphasis on voluntarism, markets and private investment to secure world class skills in the UK. Furthermore, despite a marked shift in policy, the underpinning analysis around skills and learning supply has remained constant; and whilst the Leitch targets have been abandoned, a commitment to

their ambitions remains. In short, there continues to be a focus on skills as the major driver of economic competitiveness and social mobility. Thus, the five priorities of the UK Commission on Employment and Skills reflect this and aim to achieve a system which delivers the “high skill, people driven economy of the future”. Its priorities emphasise the interdependence of skills and economic development; the need for responsive provision and an imperative to maximise the local skills base.

The Government White Paper, Skills for Sustainable Growth, published in November 2010, accompanied by an investment strategy, Investing in Skills for Sustainable Growth also continue to emphasise the importance of achieving high levels of participation in skills development, but they move away from focusing on particular sectors to providing greater freedom for providers to deliver provision linked to local needs and the principle that those who benefit from training should pay.

The Local Growth White Paper also provides relevant context; it sets out the policies the government has put in place to ensure that local areas have the tools and incentives to maximise their potential for growth. These policies are based around three central themes:

1. Shifting power to local communities and businesses – Based on the understanding that every place is unique and has potential to progress, the government believes that localities themselves are best placed to understand the drivers and barriers to local growth and prosperity, and as such should lead their own development to release their economic potential. The creation of Local Enterprise Partnerships stems from this analysis.

2. Promoting efficient and dynamic markets and increasing confidence to invest by creating the right conditions for growth and prosperity, allowing markets to work. This involves reforming the planning system, so that it continues to support economic growth and is more engaged with businesses and local communities.

3. Focused investment - tackling barriers to growth that the market will not address itself, supporting investment that will have a long term impact on growth and supporting the transition of areas with long term growth challenges to better reflect local demand. National and Local government policies should work with, and promote, the market, not seek create artificial and unsustainable growth. The White Paper also set out detail around the Regional Growth Fund to support economic growth across England and help those areas that have been particularly affected by public sector cuts.

Together, these policies provide the direction and framework for action by the LEP in tackling the issues raised by this analysis.

Structure of the report

The remainder of this report is set out as follows:

Chapter 2: The Demand for Skills – an overview of key findings from the national Employers Skills Survey 2011.

Chapter 3: The Workforce of The Marches – a supply side analysis focusing on the structure of the workforce in terms of occupation, industry, age and qualifications.

Chapter 4: Young People and the Transition to the Labour Market – explores the relative attainment of young people; their participation in Higher Education; the uptake of apprenticeships and youth unemployment.

Chapter 5: Training and Workforce Development - the Employers Skills Survey 2011 provides up to date information on training patterns and the extent to which employers seek to develop the skills of the workforce.

Chapter 6: Future Employment, Skills and Qualifications – provides an overview of forecasts for The Marches economy in terms of occupations, sectors and skills needs.

Chapter 7: Key Issues and Challenges – draws out the main themes to emerge from the research and their implications for the development of skills policy.

2. THE DEMAND FOR SKILLS

Key Points

- The current level of recruitment activity in The Marches appears to be significantly lower than that found nationally, with the rate in Herefordshire being only half the national average.
- Amongst companies with vacancies, those job opportunities on offer tend to be skewed towards the lower end of the occupational spectrum, with 25% of local companies recruiting to elementary occupations as compared with 15% seen nationally. Conversely, very few local companies have vacancies for managers or professionals.
- Overall, just 3% of local employers report experiencing difficulties in filling vacancies which was lower than the 4% seen nationally.
- Approximately 18% of vacancies in The Marches were categorised as hard-to-fill, which was lower than the 22% seen nationally.
- Where difficulties in recruitment do exist they are most acutely felt in relation to skilled trades and caring, leisure and other support occupations.
- Whilst skills deficiencies are an important cause of recruitment difficulties, a lack of relevant work experience and low levels of people interested in the type of work are also key issues. Qualification deficiencies also appear to be very low at the current time, with just 3% of employers citing them as a cause of recruitment problems.
- Non-skills issues such as remote location and poor transport are significant causes of recruitment problems across The Marches.
- Just 1% of firms have skills shortage vacancies as compared with 3% across England as a whole. However, where they do exist skills shortages appear to affect skilled trades and caring, leisure & other service occupations most acutely.
- Amongst the LEP's six key sectors skills deficiencies seem to account for the majority of recruitment difficulties amongst the environment technology and advanced manufacturing sectors.
- The skills most commonly lacking amongst would be recruits are: job specific and technical skills; problem solving; literacy; team working; oral communication; customer handling and numeracy. The basic skills of literacy and numeracy were both identified as a larger issue amongst local employers than was the case across England.
- Approximately one-in-seven local employers face skills gaps amongst their existing workforce, with an estimated 5.5% of the workforce identified as not fully proficient. This is just slightly lower than the figure of 6% seen nationally.
- Skills gaps are most prevalent amongst elementary, caring, leisure and other service roles, admin & clerical and managerial roles.

- The presence of skills gaps appears to be having a smaller impact upon local employers than is the case nationally, with just 10% of firms affected describing them as having a major impact (as compared with 15%) nationally. However, amongst those which identify that they are affected the types of impact they are having include increasing operating costs and difficulties meeting quality standards both of which can affect the competitive position of The Marches long-term.
- Approximately 12% of the workforce holds skills and qualifications that are not being fully utilised at the current time. This under-utilisation represents a loss of economic potential and seems to be highest amongst employees in Herefordshire.

Introduction

The demand for skills is a derived demand for labour in order to meet orders, deliver services and respond to the wider needs of the economy. This chapter seeks to present evidence on the scale and nature of the demand for skills in The Marches, how well employers believe the existing available workforce meets those needs, areas where there is an apparent under-supply of skills as well as identify how effectively deployed are the skills already possessed by employees.

Drawing on a number of sources this section covers:

- The level and type of recruitment activity in The Marches area;
- The incidence, type and causes of recruitment difficulties;
- The scale, type and causes of skills gaps within the existing workforce; and,
- The utilisation of skills of existing employees.

Recruitment activity and difficulties

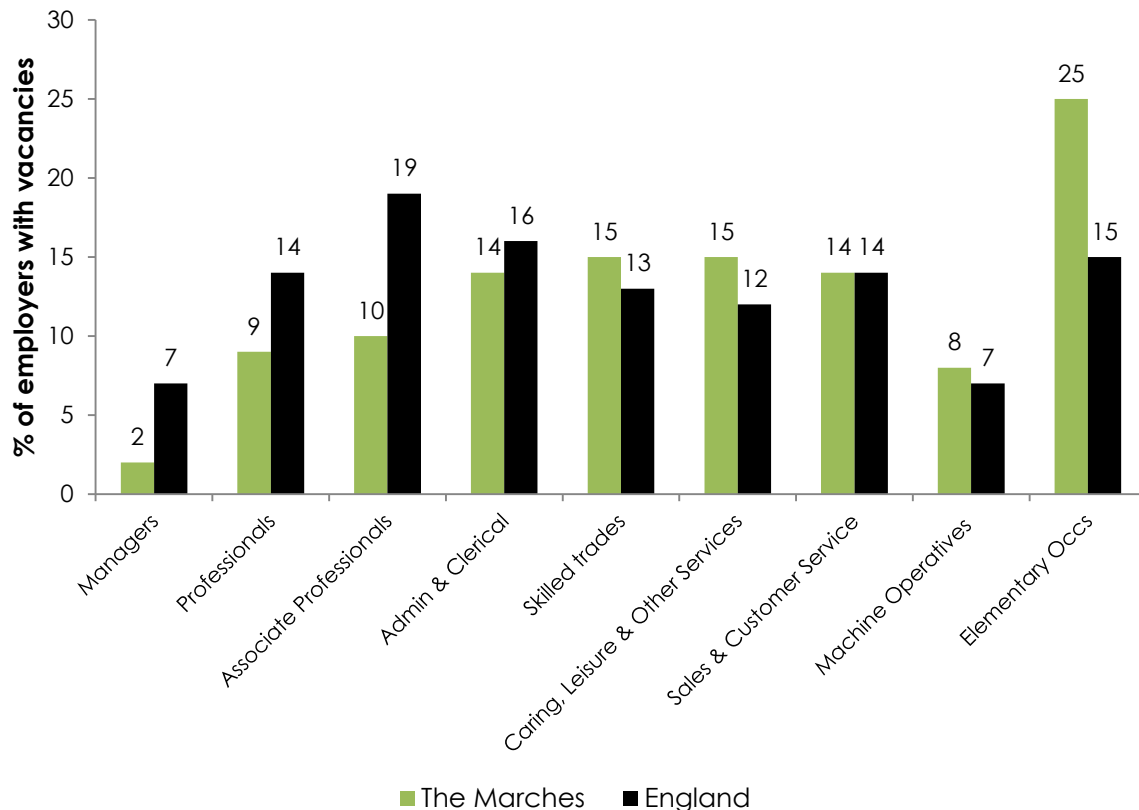
According to the Employer Skills Survey just 8% of firms across The Marches LEP area had a vacancy at the time of the survey which was only two-thirds of the level found across England as a whole (12%). This lower level of recruitment activity was evident in both Shropshire (9%) and particularly Herefordshire (6%), where the number of companies recruiting was half the national average. Only in Telford & Wrekin was the level of recruitment activity in line with the picture across England as a whole.

The total number of vacancies as a percentage of total employment equated to 1.9% which was some way below the 2.3% found across England. The average number of vacancies per recruiting employer was, however, 2.3 which was broadly the same as the figure found nationally.

Across the LEP area as a whole the low level of recruitment would indicate a rather static labour market with little churn providing few opportunities for new entrants or returners to the labour market.

Chart 2.1 provides further details on the proportion of companies with vacancies by occupational group and compares the data for The Marches to that found nationally. As can be seen, far fewer local companies had vacancies for higher level occupations such as managers, professionals and associate professionals than was the case across England. For example, just 2% of recruiting companies had vacancies for managers as compared with 7% nationally. Conversely, significantly more companies in The Marches were looking to recruit into elementary roles than is the case nationally.

Chart 2.1: % of organisations with vacancies by occupation



Base: All establishments with a vacancy
Source: Employer Skills Survey 2011

In addition to a low overall level of recruitment, The Marches area also has a lower than average level of companies reporting difficulties in recruiting new employees. As shown in Table 2.1 just 3% of all businesses reported the existence of hard-to-fill vacancies in 2011 which was one percentage point lower than the figure seen across England.

Within the LEP area itself Herefordshire companies appear to have the least difficulties recruiting new employees, with just 1% of companies identifying the presence of hard-to-fill vacancies. Herefordshire was one of just seven local authorities in the whole of England to report recruitment difficulties at such a low level.

Table 2.1: % of organisations with hard-to-fill vacancies

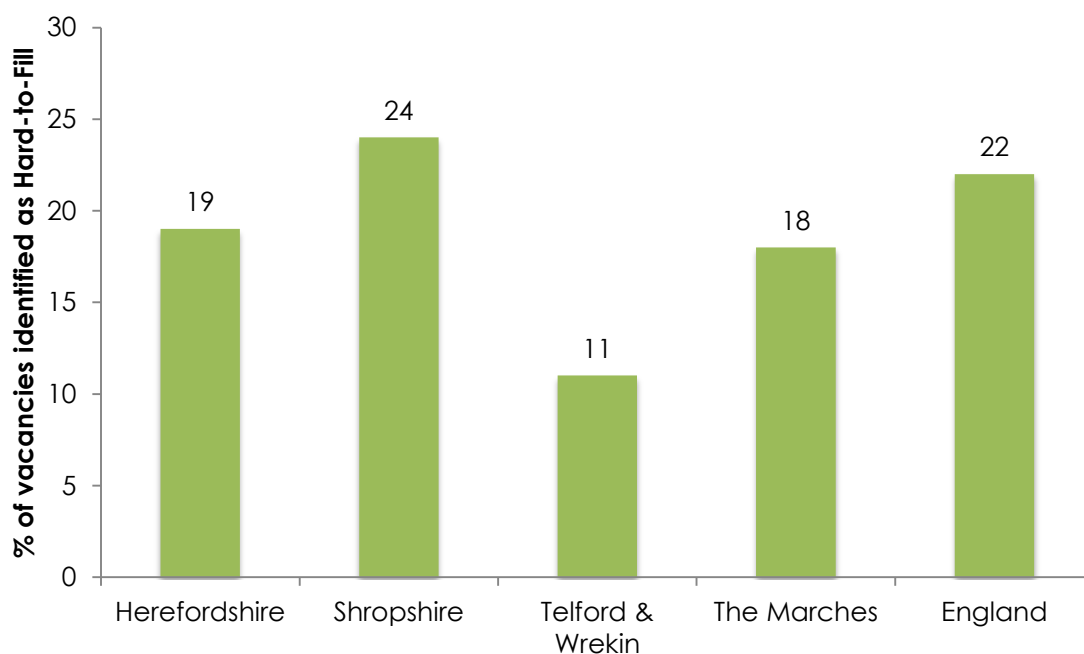
	Herefordshire	Shropshire	Telford & Wrekin	The Marches	England
% of organisations with HTF vacancy	1	3	3	3	4

Base: All organisations

Source: Employer Skills Survey 2011

While the volume of companies experiencing hard-to-fill vacancies may be lower in all local authority areas in The Marches, the data in Chart 2.2 demonstrates that overall the proportion of vacancies which are hard-to-fill is broadly similar to that found nationally. Data from the Employer Skills Survey 2011 shows that 18% of all vacancies were proving hard-to-fill at the time of the survey which was only slightly lower than the 22% seen across England. Within individual local authority areas the proportion of hard-to-fill vacancies ranged from a high of 24% in Shropshire to a low of just 11% in Telford & Wrekin.

Chart 2.2: % of all vacancies identified as hard-to-fill



Base: All establishments with a vacancy

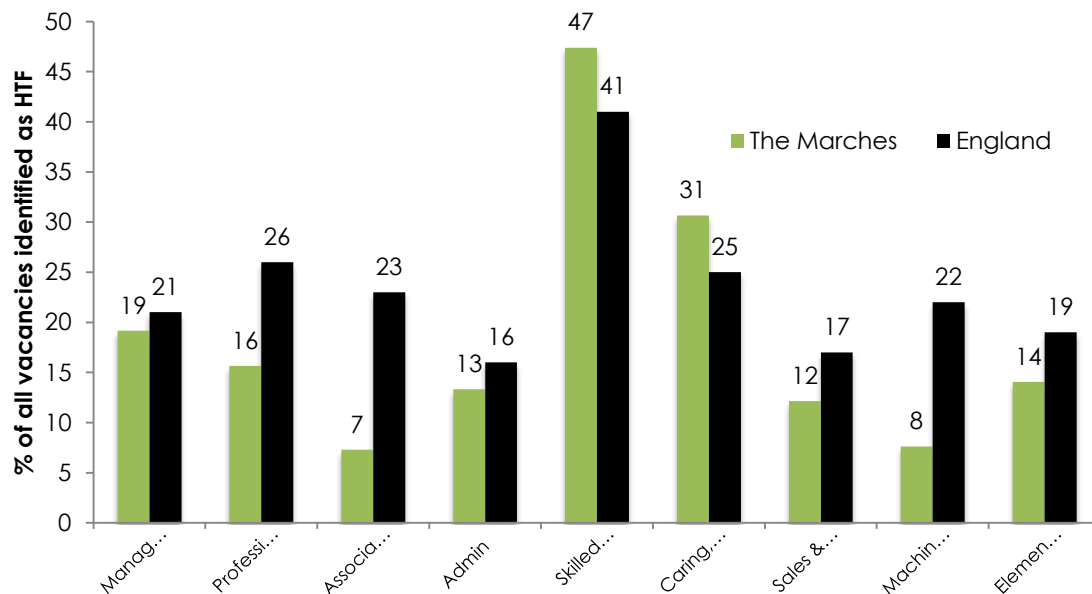
Source: Employer Skills Survey 2011

Chart 2.3 below provides further insight into the make-up of recruitment difficulties facing local employers. As can be seen vacancies for Skilled Trades and Caring, Leisure & Other Service roles appear to be proving much more challenging for local companies to recruit to than many other occupations. Almost half of all Skilled Trade vacancies were proving difficult to fill as well as almost one-third of Caring, Leisure and Other Service roles. In comparison with the findings nationally, local companies were experiencing greater difficulty filling these roles.

Conversely, the incidence of recruitment difficulties in relation to Professionals, Associate Professionals and Machine Operatives was significantly lower in The Marches than that faced England-wide.

This evidence suggests that understanding and addressing the causes of recruitment difficulties in relation to Skilled Trades and Caring, Leisure and Other Service roles should be a priority for local partners keen to develop a better functioning labour market.

Chart 2.3: % of vacancies identified as hard-to-fill by occupational group



Base: All organisations with vacancies
Source: Employer Skills Survey 2011

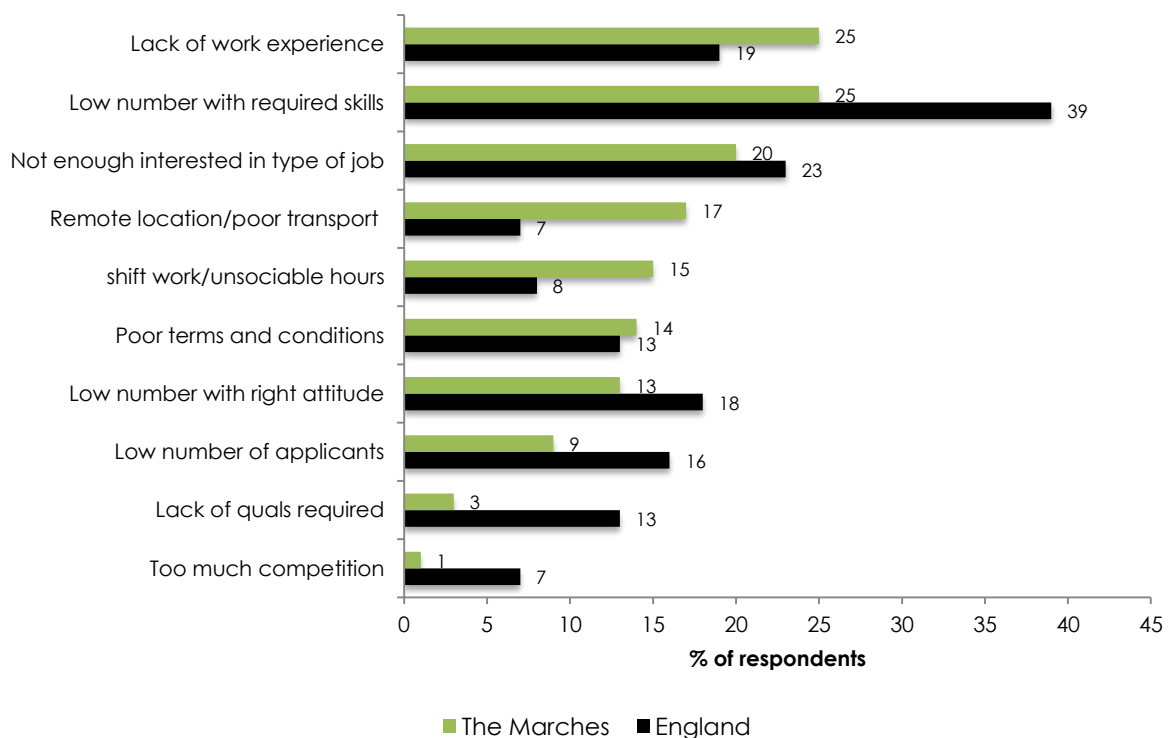
Causes of Hard-to-Fill Vacancies

In order to be able to effectively design solutions to recruitment difficulties affecting companies in The Marches area it is first necessary to explore the causes of those difficulties. Chart 2.4 provides details of the causes of hard-to-fill vacancies identified by employers and shows that the two most popular causes of hard-to-fill vacancies were a lack of relevant work experience and a low number of applicants with required skills, both of which were identified by a

quarter of all respondents. While the chart shows that these were also the top causes cited nationally, it is interesting to note that the proportion of employers identifying skills deficiencies was substantially lower in The Marches than across England as a whole. Skills issues per se in the external labour market therefore seem to be less of a barrier to economic growth than is the case nationally.

Chart 2.4 does, however, show the importance of non-skills related causes for hard-to-fill vacancies with one-in-five employers citing a lack of people interested in doing the type of work as a cause of difficulties. The remote location and poor public transport provision in the area was also identified as a factor by 17% of all employers. This was more than double the proportion of employers which identified this as a cause of recruitment difficulties nationally and reflects a specific barrier impacting upon The Marches local economy. Shift work and unsociable hours also featured more highly amongst the causes of recruitment difficulties affecting The Marches than was the case across the country.

Chart 2.4: Main reasons given for the existence of hard-to-fill vacancies



Base: All employers with HTF Vacancies
Source: Employer Skills Survey 2011

Finally, it is worth noting from Chart 2.4 that a lack of applicants with the required qualifications was much less prevalent as a cause of recruitment difficulties in The Marches than was the case across England. Just 3% of employers locally with recruitment difficulties considered this a main cause of their problems in comparison with 13% nationally. Why this should be the case is unclear but it

may, in part, reflect the disproportionately high level of recruitment amongst elementary roles evident in The Marches in comparison with the national picture. It could also reflect a lower level of expectations amongst employers in relation to qualifications.

Overall, the data contained in Chart 2.4 demonstrates the need to effectively address both skills and non-skills related causes of recruitment difficulties across The Marches.

Skills shortage vacancies

Focusing specifically on the role played by skills deficiencies in recruitment difficulties Table 2.2 demonstrates that, as a whole, The Marches area has a lower than national average incidence of recruitment difficulties associated with skills shortages. Across the LEP area just 1% of firms had a skills shortage vacancy as compared with 3% across England. Telford & Wrekin did, however, buck this trend with its level of skills shortage vacancies being in line with the national average. Why Telford & Wrekin should be different is unclear but it may reflect the generally higher level of recruitment activity and job opportunities available in the area in comparison with other parts of The Marches which may mean the area has a tighter labour market than that of either Shropshire or Herefordshire.

Table 2.2: Incidence of skills shortage vacancies

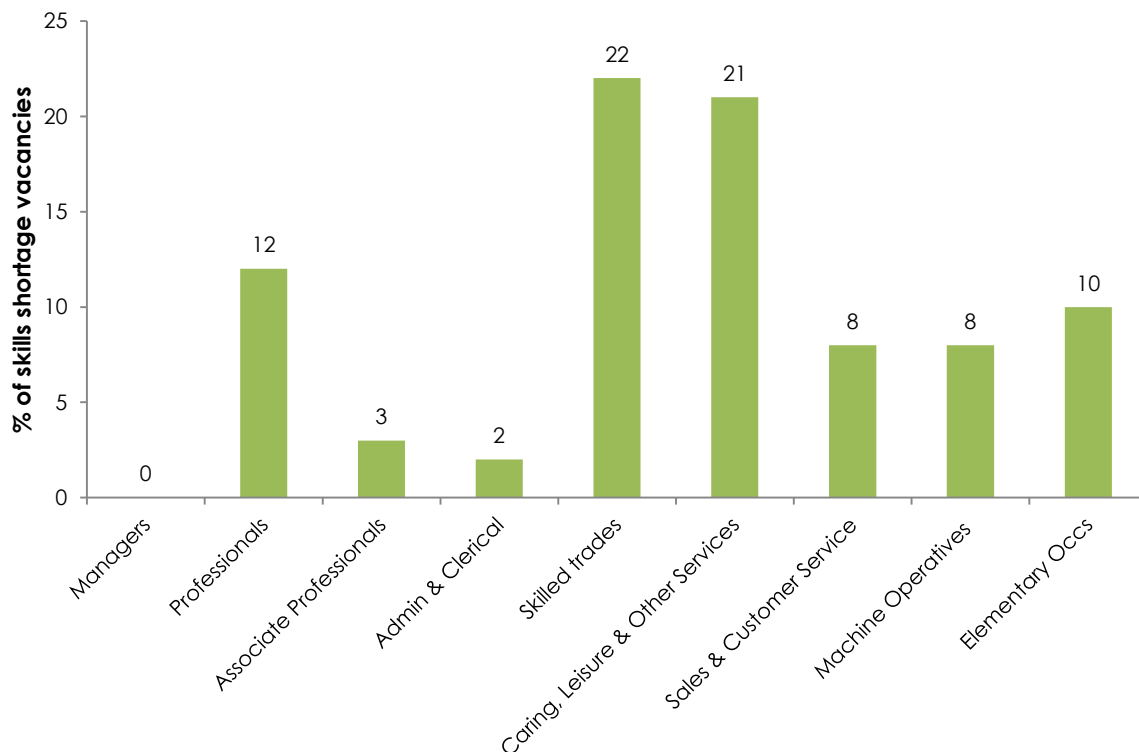
	Herefordshire	Shropshire	Telford & Wrekin	The Marches	England
Proportion of employers with at least one skills shortage vacancy	1%	1%	3%	1%	3%

Base: All employers

Source: Employer Skills Survey 2011

Around 12% of all vacancies in The Marches area were classified as skills shortage vacancies in comparison with 16% of all vacancies across England as a whole. As can be seen in Chart 2.5 skills shortages appeared to be highest amongst skilled trades and caring, leisure and other services staff. The data also indicates that the causes of hard-to-fill vacancies in relation to managers, associate professionals and admin & clerical roles are mostly, or entirely, related to non-skills issues such as the location/lack of public transport, a low level of applicants or poor terms and conditions.

Chart 2.5: Skills shortage vacancies as a % of all vacancies by occupation



Base: All employers with vacancies

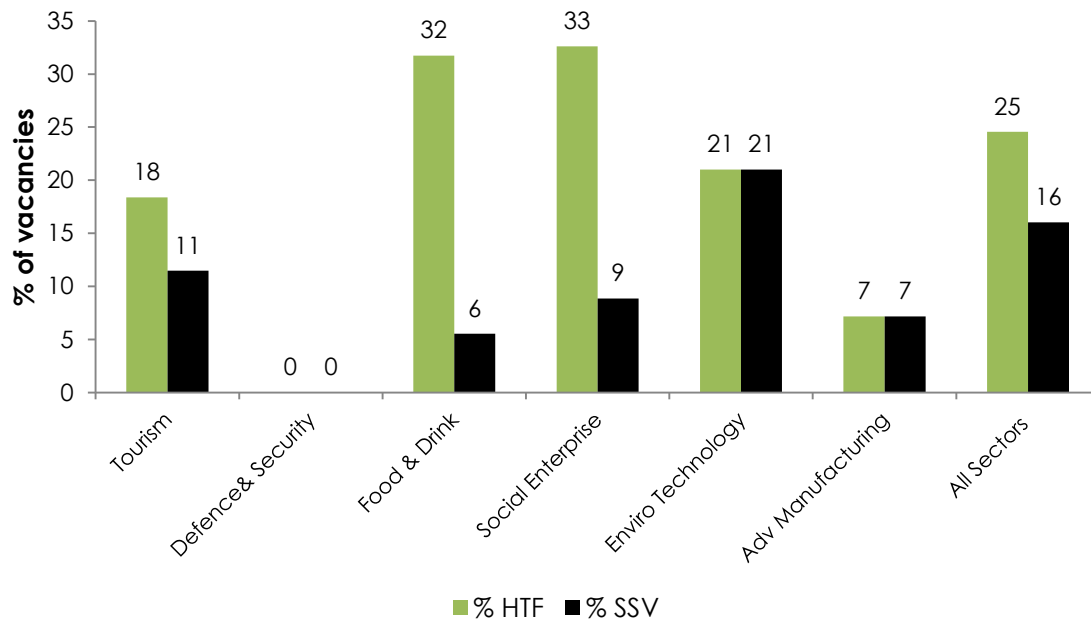
Source: Employer Skills Survey 2011

Skills shortage vacancies are also impacting differentially on sectors of the local economy. Chart 2.6 provides details from the 2009 National Employer Skills Survey on the proportions of vacancies in six key sectors proving both generally hard-to-fill and those proving hard-to-fill because of skills specific reasons. Hard-to-fill vacancies were higher than the all sector average for employers in the food & drink and social enterprise sectors, with approximately one-third of all vacancies in those sectors proving difficult to recruit to. Skills deficiencies, however, only accounted for approximately one-third of the reasons why they were causing employers difficulties. Non-skills related problems such as low pay, transport difficulties and a low level of sector attractiveness were much more important in these industries.

Skills deficiencies were much more important in relation to recruitment problems in the tourism, environmental technologies and advanced manufacturing sectors.

No defence and security sector vacancies were identified as proving hard-to-fill and therefore there is also no data on skills shortage vacancies.

Chart 2.6: HTF and SSV as a % of all vacancies by key sectors



Base: All employment

Source: National Employer Skills Survey 2009

Employers with skills shortage vacancies provided further insight into the specific nature of those skills deficiencies as can be seen below. Table 2.3 presents evidence for both The Marches and England and demonstrates the significant similarities between the two areas in terms of skills deficiencies. In both The Marches and England the top two skills shortages related to job-specific skills and technical or practical skills related to the type of role. Employers in The Marches area did, however, highlight a higher degree of dissatisfaction with applicants' skills in relation to: problem solving; literacy; team working and numeracy skills. The significantly higher degree of dissatisfaction with the core basic skills of literacy and numeracy amongst applicants should perhaps be particularly worrying as much previous research has demonstrated that these skills are vital pre-requisites in the acquisition of other skills.

Data from Table 2.3 also demonstrates the continuing need of employers to see improvements in applicants "softer" skills such as team working, customer handling and problem solving which were cited as shortages by between one-third and two-fifths of all respondents.

Skills in areas such as advanced IT & software, basic IT literacy and foreign languages appear to be causing fewer shortages in The Marches than in England as a whole. Unfortunately, what the data does not shed light on is if that is because they are in more bountiful supply locally or whether it simply reflects a lower overall demand in The Marches area than in England overall. Given the lower level of recruitment into managerial, professional and associate professional roles generally it may simply reflect a lower level of demand for these skills. If, however, the LEP is successful over time in shifting the balance of

employment in the area towards higher value adding sectors and occupations the demand for these types of skills would be expected to rise.

Table 2.3: Skills commonly lacking amongst applicants (% of employers)

	The Marches	England
Job specific skills	66	60
Technical or practical skills	50	46
Problem solving skills	44	37
Literacy skills	44	29
Team working skills	38	33
Oral communication skills	37	38
Customer handling skills	36	40
Numeracy skills	34	26
Planning & organisation skills	33	41
Written communication skills	32	33
Strategic management skills	21	29
Office admin skills	15	17
Advanced IT & software skills	10	21
Basic computer literacy/using IT	9	16
Foreign language skills	7	16

Base: All employers with prompted or unprompted skills shortage vacancies

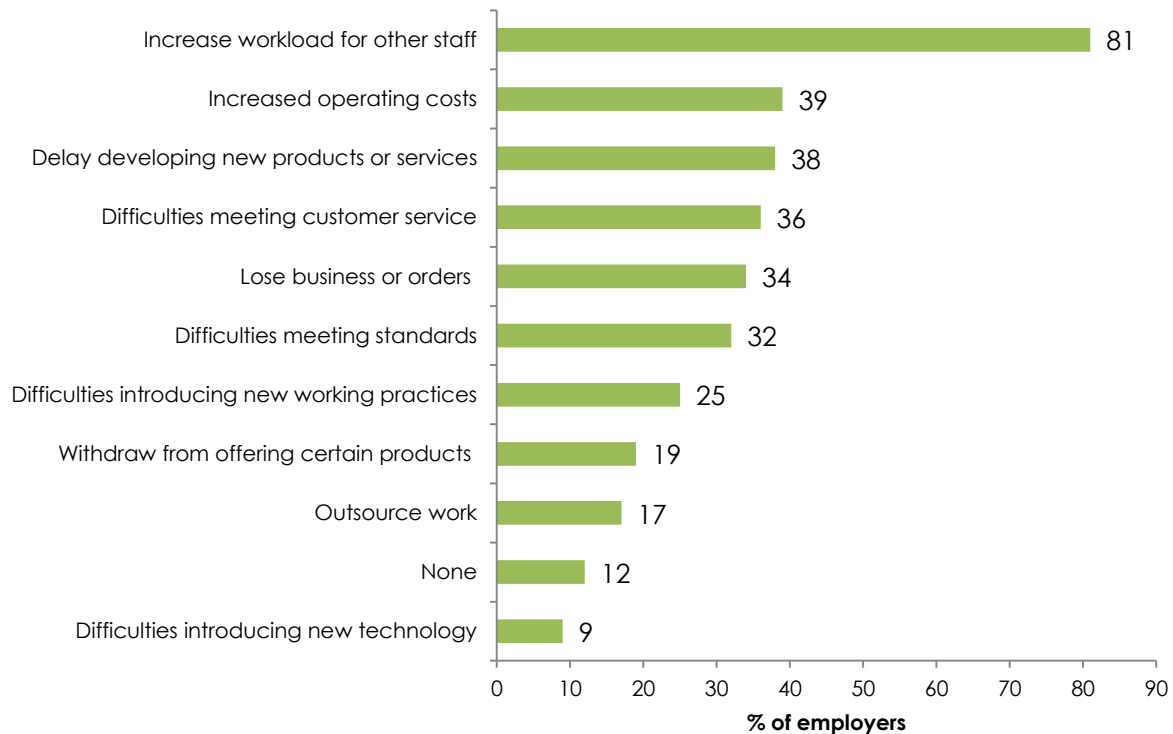
Source: Employer Skills Survey 2011

While at the current time the level of recruitment difficulties is relatively low the likelihood is that without co-ordinated action any return to economic growth is likely to see the problem increase in the future. Chart 2.7 provides details of the ways in which recruitment difficulties impact upon businesses within The Marches currently. The vast majority of firms with hard-to-fill vacancies cite the added pressure it places on other workers and almost two-fifths state that recruitment difficulties increase their operating costs and delay the development of new products and services. Furthermore, it makes delivering good customer service difficult, leads to a loss of business as well as difficulties maintaining quality standards. Only around one-in-ten (12%) companies affected by recruitment difficulties state that they are not adversely affected by them.

The data from Chart 2.7 provides the underlying rationale for why action to resolve skills and recruitment problems is so important. Effectively tackling the

causes of skills and recruitment problems offers the LEP area an opportunity to unlock economic capacity that has, up until now, been lost.

Chart 2.7: Impact of hard-to-fill vacancies on companies in The Marches



Base: All employers with hard-to-fill vacancies
Source: Employer Skills Survey 2011

Skills of the current workforce

While issues to do with the adequacy and quality of new recruits to the workforce of an area are important, the vast bulk of the skills and capacity of any locality are already in employment. This section will seek to examine: the proficiency of the existing labour force; the density and nature of any gaps in the skills of current employees; the perceived causes of those skills gaps; and the extent to which current skills are being fully utilised.

Table 2.4 provides details on the number and proportion of employers which believe they have at least one employee not fully proficient in their current role. As can be seen from the Table, The Marches LEP area has a total of approximately 4,300 employers facing skills gaps. This equates to around one-in-seven (15%) of all employers and is slightly higher than the figure seen across England as a whole.

Table 2.4: Number and % of organisations with any staff not fully proficient

	Herefordshire	Shropshire	Telford & Wrekin	The Marches	England
Number of organisations with a skills gap	1,351	1,901	975	4,227	254,800
% of organisations with at least one skills gap	15	14	20	15	13

Base: All employers

Source: Employer Skills Survey 2011

As shown in Table 2.5 approximately 15,500 employees across The Marches LEP area were estimated to have a skills gap in 2011. This equated to 5.5% of the current workforce and was slightly lower than the level found nationally.

While Telford & Wrekin had the highest density of employers reporting a skills gap amongst their existing workforce, Table 2.5 highlights that as a percentage of employment Telford & Wrekin actually has the lowest number of individuals lacking proficiency of any local authority in The Marches LEP. Both Shropshire and Herefordshire had approximately 6% of employees who were not fully proficient. This was broadly in line with the level found across England.

Table 2.5: Volume and density of skills gaps by local authority area

	Herefordshire	Shropshire	Telford & Wrekin	The Marches	England
Total number of employees with skills gap	4,674	7,778	3,109	15,561	1,281,800
% of all employees with a skills gap	6%	6.3%	3.9%	5.5%	6%

Base: All employment

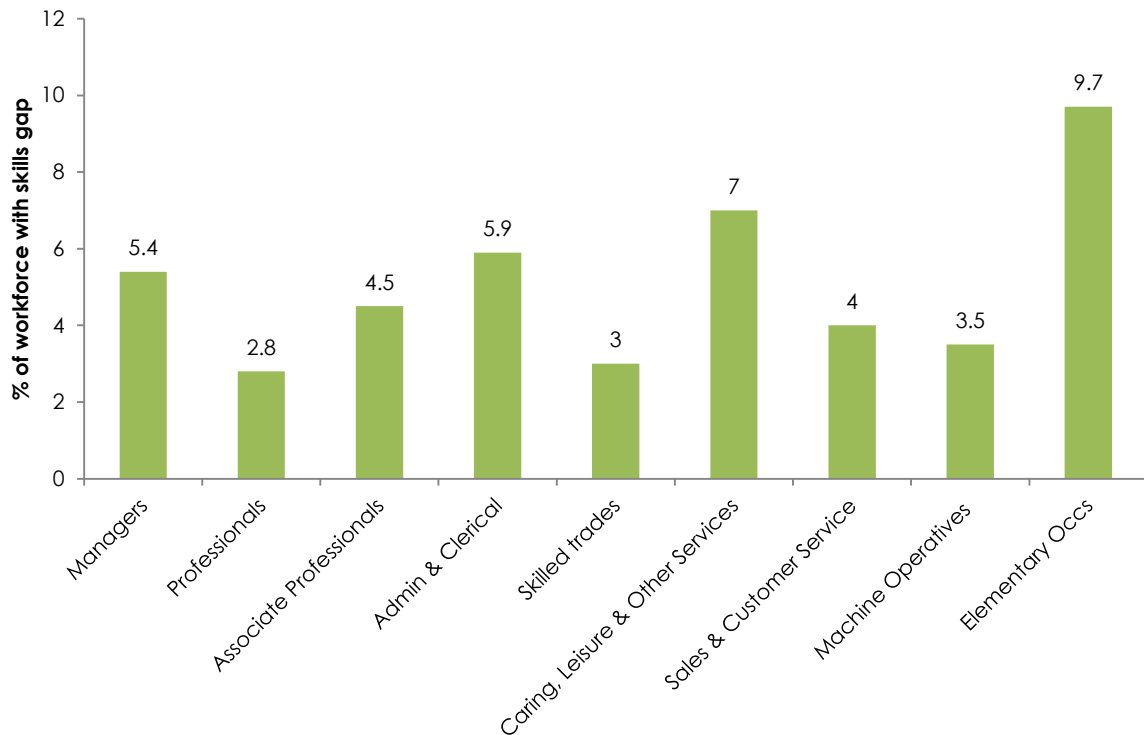
Source: Employer Skills Survey 2011

Chart 2.8 demonstrates that although an average of 5.5% of all employees lacked proficiency across The Marches area these gaps were not evenly distributed across all occupational groups with employers particularly

highlighting gaps amongst elementary occupations (9.7%); caring, leisure and other service roles (7%); admin & clerical (5.9%) and managers (5.4%).

It is interesting to note that whilst local employers report significant difficulties recruiting individuals to skilled trade roles those that are employed appear to be well prepared with only 3% identified as having a skills gap. One of the lowest rates of any occupational group.

Chart 2.8: % of employees with a skills gap by occupation

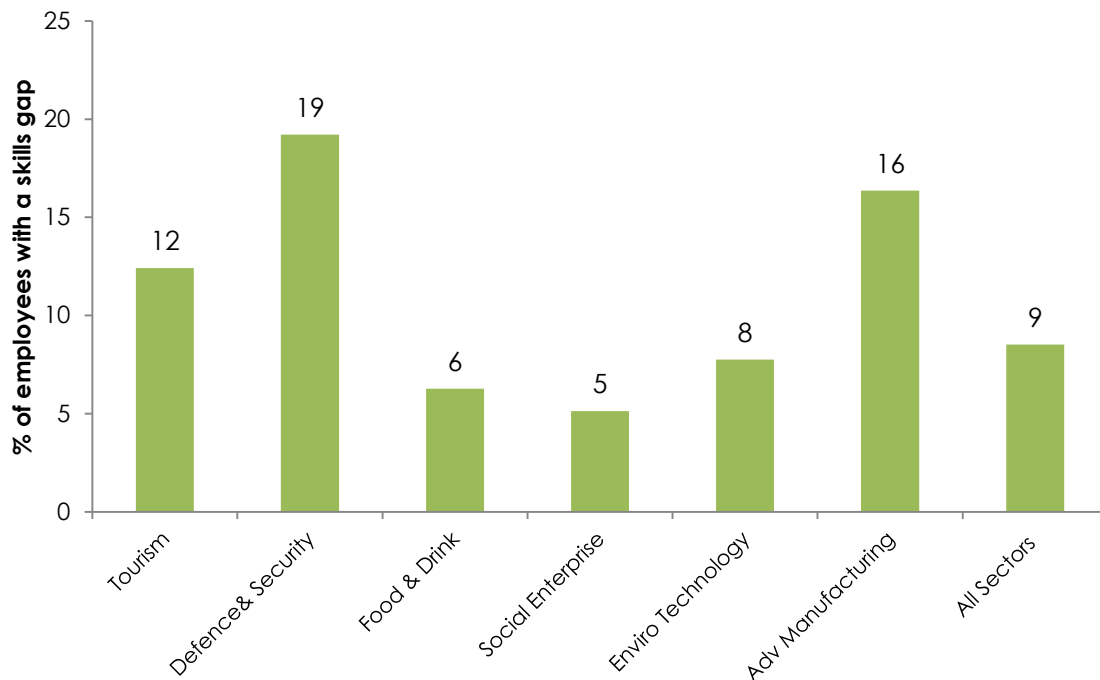


Base: All employment
Source: Employer Skills Survey 2011

Chart 2.9 provides further insight into the incidence of skills gaps within the six key sectors identified by The Marches LEP as the drivers of future economic growth. As can be seen from the chart, the prevalence of skills gaps varies significantly between key sectors, ranging from a high of 19% amongst defence & security sector employees to a low of just 5% amongst those in social enterprises. Overall three key sectors, defence & security, advanced manufacturing and tourism, exhibit higher than average levels of skills gaps.

The overall position of the defence & security sector workforce is particularly confusing as it had no obvious level of hard-to-fill vacancies but an apparently high level of skills gaps suggesting no problem recruiting people but a high level of skills deficiency amongst the workforce.

Chart 2.9: % of employees with a skills gap by LEP key sector



Base: All employment

Source: National Employer Skills Survey 2009

Given the LEP's plans for economic growth are focused on the six key sectors, it would seem particularly important to understand the nature of skills deficiencies amongst the workforces of the six key sectors. Table 2.6 provides details of the top five skills deficiencies for each key sector.

Across all six key sectors job specific/technical and practical skills are either first or second most frequently identified as in need of improvement. In the tourism sector the other key skills requirements focus around soft skills such as team working and customer handling together with management skills.

Both the defence & security and food & drink production sectors identified weaknesses relating to administration, basic IT, team working and management skills as all in most need of up-rating.

In addition to job specific skills, the social enterprise sector were keen to highlight a need to improve oral and written communication skills along with team working and management competences.

Employers from the environmental technologies sector highlighted team working, problem solving, customer handling and basic IT skills in addition to job specific skills requirements.

Those firms engaged in the advanced manufacturing sector also highlighted, in addition to job specific skills, the need to improve team working, administration, customer handling and basic IT skills.

Across all six sectors there was a general agreement on the need to improve the skills of employees to work effectively together in teams. Management skills were also highlighted by four of the six key sectors as an area where competence needed to be improved.

Table 2.6: Skills that most need improving amongst existing employees by sector

	Tourism	Defence & Security	Food & Drink Production	Social Enterprise	Environmental Technology	Advanced Manufacturing
Job specific/technical and practical skills	1 st	2 nd	1 st	1 st	1 st	1 st
Problem solving	5 th				=4 th	
Literacy skills						
Team working	2 nd	5 th	3 rd	3 rd	2 nd	2 nd
Oral communication				2 nd		
Customer handling	3 rd				=4 th	4 th
Numeracy skills						
Written communication				5 th		
Management skills	4 th	4 th	=4 th	4 th		
Office admin skills		1 st	2 nd			3 rd
Professional IT skills						
Basic IT skills		3 rd	=4 th		3 rd	5 th
Foreign languages						

Source: National Employer Skills Survey 2009

The causes of skills gaps

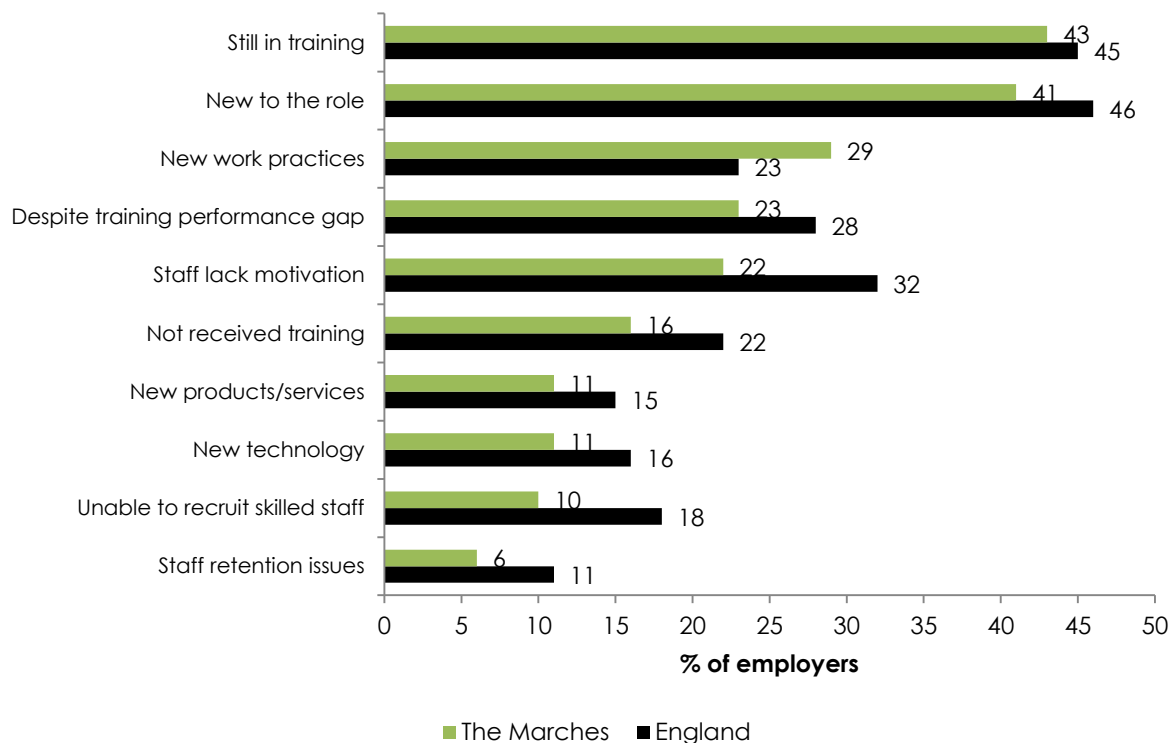
By better understanding the causes of skills gaps it may be possible to design solutions that will help reduce their prevalence and impact in the future. Chart 2.10 provides details of the causes of skills gaps amongst firms in The Marches and across England as a whole. As can be seen, the top two causes of skills gaps in both The Marches and England relate to staff being new in post and still undertaking training. These are, in some way, positive findings as they suggest that the lack of competence will be a short lived phenomenon which is already being addressed. Other important causes of skills gaps in The Marches area include the introduction of new working practices and the existence of continuing gaps in staff performance despite training having been provided.

This latter cause, which was cited by almost one-quarter of employers with skills gaps, suggests that some episodes of training are proving ineffective in improving the skills of recipients.

It is encouraging to note that significantly fewer employers with skills gaps in The Marches cited a lack of staff motivation and an inability to recruit skilled staff as causes of skills gaps than was found nationally. As found elsewhere, skills deficiencies in the external market appear to play a smaller role in the Marches than is the case nationally.

Approximately one-in-six employers in The Marches identified the fact that a lack of staff training provision was a major cause of skills gaps amongst employees. Finding ways to engage these employers in the provision of training may well help reduce the incidence of skills gaps in the future. As reported elsewhere in this report, it is typically small firms which are least likely to train and may well need the most persuasion that it would help reduce the problems associated with skills gaps in the future.

Chart 2.10: Causes of skills gaps



Base: All employers with skills gaps
Source: Employer Skills Survey 2011

Impact of skills gaps

It would appear that the presence of skills gaps is having a slightly lower impact on the performance of firms in The Marches overall than is the case across England generally. Table 2.7 shows that just 10% of employers in The Marches affected by skills gaps report they are having a major impact on performance as compared with 15% nationally. Almost half of all those affected with skills gaps in the local area report that they are not adversely affected by their presence.

By local authority Telford & Wrekin employers appear to be more concerned than those in either Herefordshire or Shropshire with large proportions citing a major and minor impact of skills gaps.

Table 2.7: Impact of skills gaps on business performance

	Herefordshire	Shropshire	Telford & Wrekin	The Marches	England
Major impact	5%	11%	14%	10%	15%
Minor impact	47%	37%	45%	42%	46%
No impact	48%	52%	42%	48%	39%

Base: All with skills gap

Source: Employer Skills Survey 2011

Amongst those firms where skills gaps are negatively affecting their performance the most common types of impact are: an increase in workload for other staff (72%); increased operating costs (49%); difficulty meeting quality standards (44%) and difficulty introducing new working practices (30%). It is clear that for these firms addressing the causes of skills gaps will have a significant impact on their competitive positions.

Skills utilisation

While traditionally much analysis has focused on the existence, density and causes of hard-to-fill vacancies in the external labour market and skills gaps amongst the current workforce, there is increasing recognition that the existence of over-skilling and under utilisation of skills should be important concerns to those concerned with creating a better functioning labour market.

As identified by amongst others the UK Commission on Employment and Skills, this type of skills mismatch can have a negative impact of job satisfaction, workforce motivation and, therefore, productivity and competitiveness.

Table 2.8 provides details on the number and density of skills underutilised across The Marches area and shows that, overall, approximately 35,000 employees hold

skills and qualifications higher than those required in their current role. This equates to 12.4% of the total workforce of the area and is somewhat lower than the rate found across England as a whole (16%). While from one perspective this suggests the LEP area is better utilising the skills available it could also be seen that there is less spare capacity for the area to tap into in the future without substantial further investment in skills.

Table 2.8: Volume and density of under-utilised staff

	Herefordshire	Shropshire	Telford & Wrekin	The Marches	England
Number of under-utilised staff	11,941	15,325	7,653	34,919	3.76m
Under-utilised staff as % of all employment	15.5%	12.3%	9.6%	12.4%	16%

Base: All employment

Source: Employer Skills Survey 2011

Table 2.8 also shows that the density of utilisation varies between local authority area with just 9.6% of employees in Telford & Wrekin holding higher skills and qualifications than those required as compared with 15.5% in Herefordshire. Presented another way the data in Table 2.8 suggests that around one-in-six people employed in Herefordshire have skills and qualifications that they are not currently able to deploy to the maximum benefit of themselves and the wider economy.

3. THE MARCHES' WORKFORCE

Key Points

- The Marches has a working age population of just under 400,000 people. This is equivalent to 61.8% of the total population, somewhat lower than the proportion in England (64.8%).
- Projections suggest that although the population is set to grow, most growth will occur amongst the over 60s.
- 72.7% of the working age population (280,800 people) are in work in The Marches and although the employment rate has been declining, the percentage in employment has remained above the national average.
- The workforce is made up of 53% men and 47% women and jobs are heavily differentiated by gender. Part time work is prevalent and the LEP has the second highest rate of part-time working amongst women in the country.
- 1 in 2 workers work in public administration, education and health or distribution. Manufacturing accounts for 1 in 7 jobs.
- The occupational structure of the workforce differs in some key respects from that of England in that The Marches has fewer 'higher skilled' occupations such as managers, professionals and technical staff and more skilled, semi-skilled and elementary workers than average.
- Reflecting this structure, the workforce is less well qualified than average with 49.1% having qualifications above Level 3 compared to 52.3% nationally. Crucially, the qualifications gap is widening with national growth in Level 4 qualifications outstripping local growth rates.
- 135,800 people of working age – more than 1 in 3 of the total - are qualified to below Level 2. 12% of 16 -19 year olds have no qualifications at all.
- Data shows that 30 out of every 1000 residents enrolled at university in 2008/09, a little below the average of 33 per 000. An estimated 47% of them return to The Marches for their first job on graduation.
- The Marches has a relatively high rate of self employment accounting for 11.4% of the working age population (44,000 people). However, the past 12 months has seen a sharp fall in male self employment.
- Migrant workers make a significant contribution to the workforce, with Herefordshire as the most popular destination. Numbers peaked in 2007 and have declined since then, but remain high at just under 4000 workers.
- In recent years, unemployment rates have risen to their highest for more than a decade and currently 12,117 people (3.1%) in The Marches are unemployed, a little below the national rate of 3.8%. Long term unemployment has been rising and 40% of the unemployed have been looking for work for more than 6 months. Most unemployed people are looking for sales/customer service jobs or elementary, unskilled occupations.
- On the wider measure of worklessness, 52,540 people of working age are claiming work-related benefits. Excluding those claiming Job Seekers Allowance, more than 1 in 2 of these claimants have been out of work for more than 5 years.

Introduction

The supply of labour is crucial to local economic competitiveness, and it is vital to understand the dynamics of labour supply and demand if business and economic competitiveness, as a whole, is to be understood. This chapter focuses on the supply of labour with a view to identifying how well the labour market meets the needs of local employers in The Marches.

Drawing on a wide range of sources this section covers:

- Demographic changes including past trends and future projections, as well as the impact of migration;
- The employment rate of different groups in the population;
- The skills of the workforce as measured by its qualification profile;
- Wage levels
- Entrepreneurship and business start ups
- Latest data on unemployment and the characteristics of the unemployed, including a particular focus on young people;
- Consideration of the wider pool of people who are claiming work related benefits but who are unable to work because of care responsibilities, ill health etc.

Population trends

Latest official figures show The Marches has an estimated population of **635,300** people. Over the past decade the population has grown steadily having increased by an estimated 24,400 people or 4.0% since 2000. This is a somewhat lower growth rate than in England where the population has increased by 6.1%. There has been considerable variation in growth across the local authorities of The Marches with growth being driven by Telford and Wrekin in the north (up 4.4%) followed by Shropshire (up 4.2%) contrasting with slower growth at around half the national average in Herefordshire (3.3%).

The working age population

The Marches' working age population, i.e. its potential workforce, is estimated at **392,900**. Since the year 2000, the working age population has increased by around 8,200 (up 2.1%); half the rate of the population as a whole and considerably below the national average growth rate of 7.6%. As a share of the overall population, therefore, the working age population of The Marches has **declined** and now accounts for 61.8% of the total compared with 64.8% in England. In essence, The Marches has a far **older population than average**, although there are marked intra-LEP differences with Telford and Wrekin's population being closer to the average:

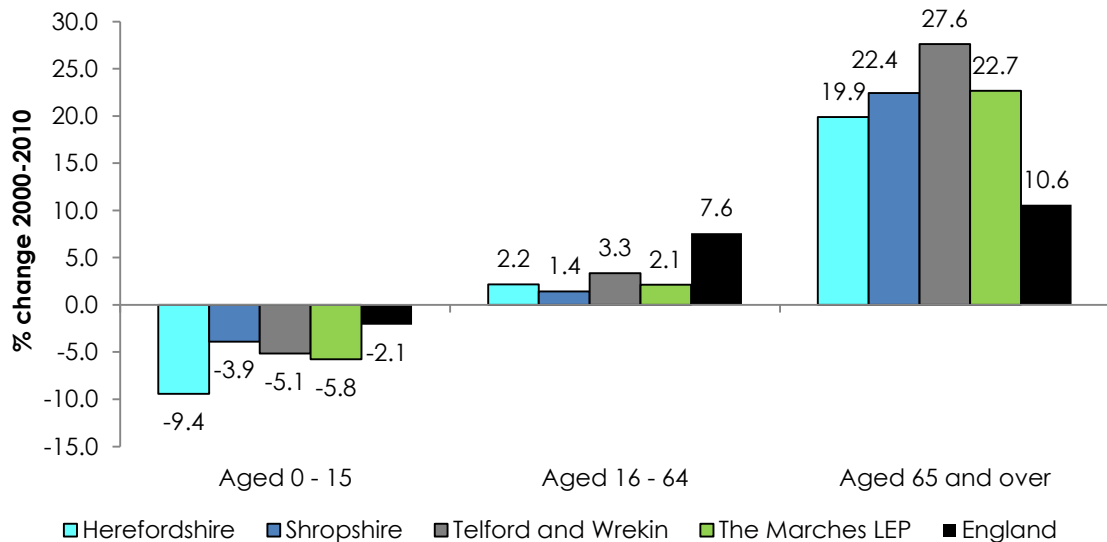
Table 3.1: Composition of the population by age (2010); percentages

	Aged 0 - 15	Aged 16 - 64	Aged 65 and over
Herefordshire	17.2	60.6	22.2
Shropshire	17.7	61.1	21.2
Telford and Wrekin	20.4	64.6	15.1
The Marches LEP	18.2	61.8	19.9
England	18.7	64.8	16.5

Source: ONS Mid-year Population Estimates 2010

The chart below shows how the population has changed in the past decade by age and geography:

Chart 3.1: Change in the population by broad age-band and geography, 2000-2010



Source: ONS Mid-year Population Estimates 2010

Key points to note are:

- All local authorities have seen a greater than average **decline in the proportion of young people** aged 0-15 coming through, suggesting that the population of The Marches will increasingly diverge from the national picture in the short term;
- Each of the local authorities has seen some growth in the working age population but at best, this growth has been around half the average rate of increase;

- The population of The Marches is **ageing** and the proportion of people over retirement age has increased at roughly twice the national rate.

Looking ahead: population growth

Population projections prepared by ONS indicate that the population will increase at a slightly faster rate in the decade to 2020, with growth of 6.7% or 43,000 people. As in the past decade, this growth will be a little below the rate of growth in England which is expected to be 8.4%. Unlike the pattern of the previous decade, however, Herefordshire is expected to see the strongest overall growth and Telford and Wrekin the least:

Table 3.2: Population projections by geography (000s) and percentage change 2010-2012

	Change 2010 - 2020 (000s)	%
Herefordshire	16	8.4
Shropshire	18	6.2
Telford and Wrekin	9	5.4
The Marches LEP	43	6.7

Source: ONS Sub-national population projections, published March 2012

More detailed analysis, however, shows that growth is largely being driven by the natural ageing of the population and the most significant feature of the data is the changing age structure of the population and the continuing projected decline in the proportion of the working age population. Thus, in contrast to overall population growth to 2020, the working age population is expected to marginally decline and is expected to fall to 59.2% of the total compared with 61.8% in 2010.

As can be seen, increased life expectancy and falling birth rates mean that:

- The largest numeric and percentage increases are expected to occur amongst the 70-79 year old cohort;
- Largest falls will be in those of prime working age between the ages of 40-49;
- In the next 10 years there will be a fall of 6,000 young people aged 10-19; a decrease of 7.9% although in the longer term recent increases in the birth rate will begin to filter through.

Table 3.3: Population projections by age group (000s) and percentage change in The Marches 2010-2012

Age group	2010 (000s)	2020 (000s)	Nos (000s)	%
0-9	70	76	6	9.2
10-19	81	74	-6	-7.9
20-29	67	70	4	5.9
30-39	70	76	7	9.4
40-49	98	78	-19	-19.9
50-59	86	101	14	16.3
60-69	84	87	3	3.3
70-79	54	76	22	41.3
80+	34	48	13	39.1
	642	686	44	6.8

Source: ONS Sub-national population projections, published March 2012

These projections demonstrate why the total population is expected to increase at a faster rate than the working age population – most growth is accounted for by the over 65s – thereby increasing the age dependency ratios. For the LEP this changing age structure has a number of important implications:

- The fall in young people over the next few years will affect those sectors such as hospitality and retail which rely on young recruits to meet their labour demand;
- The raising of the participation age which starts to come into effect in 2013 will further reduce the potential pool of young recruits as 17 and 18 year olds continue with their education;
- The fall in the numbers of 40-49 year olds, the phasing out of the Default Retirement Age and overall ageing of the population means that to an increasing extent, employers will have to meet their recruitment needs from older workers. Since older workers tend to be less well qualified than the younger population this may present an upskilling challenge around Levels 2 and 3.
- The ageing population will ensure continued growth of the Care sector, with implications for future skills needs.

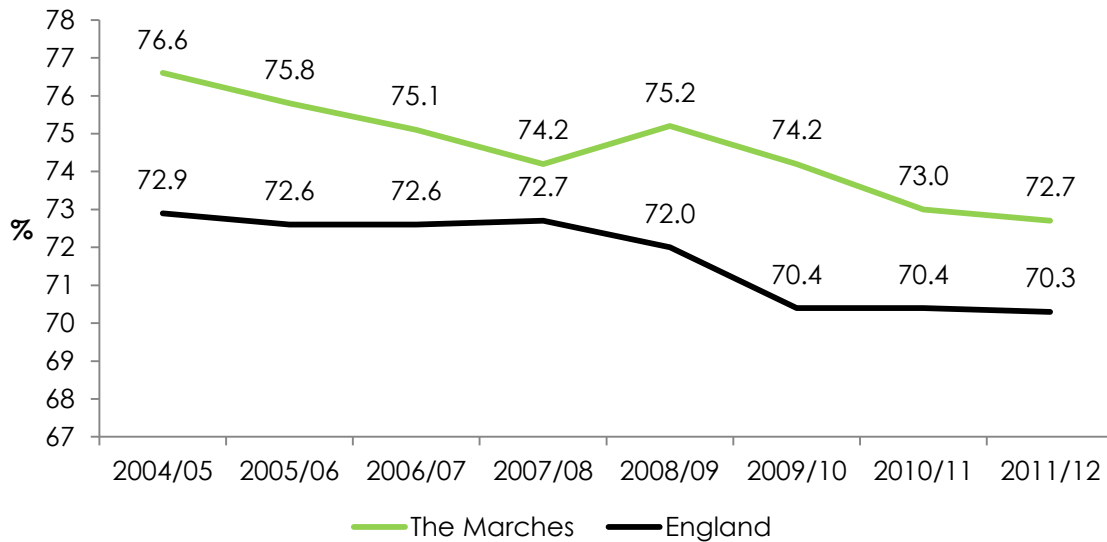
The Workforce

Currently, **280,800** people of working age are in work in The Marches, a relatively high employment rate of 72.7% (March 2012) compared with a national rate of 70.3%.

In common with the country as a whole, and reflecting the onset of recession in 2008, the employment rate of working age people in The Marches has fallen in

recent years from 75.2% in 2008/09 to 72.7% in 2011/12, resulting in 12,600 fewer people in work during that period. However, despite recent falls, the employment rate in The Marches has remained higher than the national rate each year:

Chart 3.2: Trends in the employment rate 2004/05 - 2011/12: The Marches and England compared



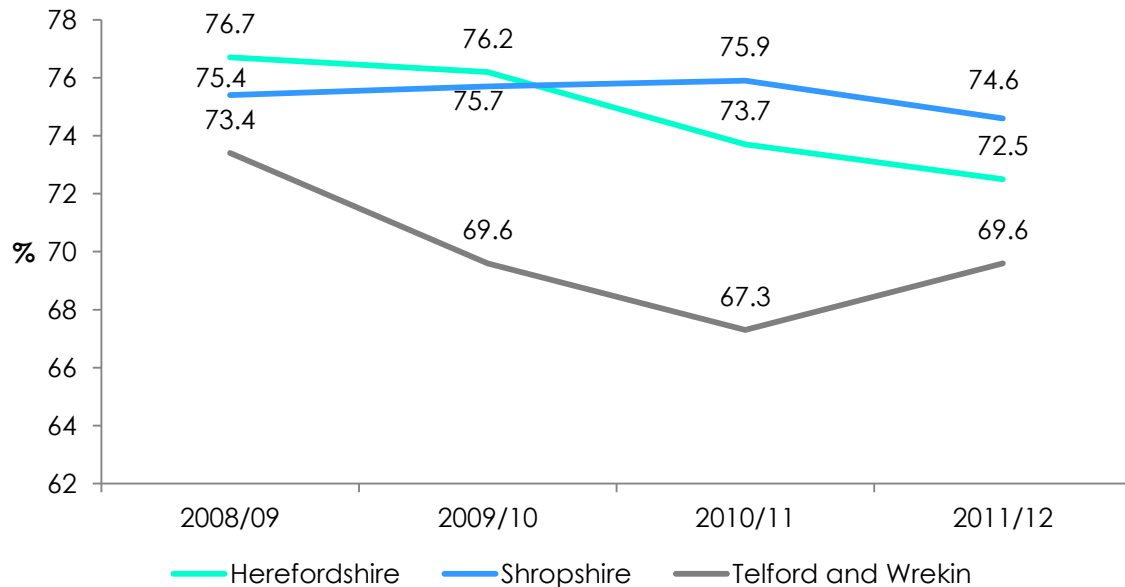
Source: ONS APS April 2004 – March 2012

This high employment rate is attributable to above average employment rates among both men and women.

As may be expected, the employment rate varies widely across the LEP area, thus:

- Shropshire's rate is well above the national average, whereas in Telford and Wrekin, the rate is well below average.
- Herefordshire has seen its employment rate fall significantly since 2008/09 with a fall of 4.2 percentage points compared with a lower fall in Telford and Wrekin (-3.8%) and a more muted decline in Shropshire of 0.8%.
- Whereas the Telford and Wrekin employment rate recovered relatively well in the last year, Shropshire has seen its first employment rate decline for some years:

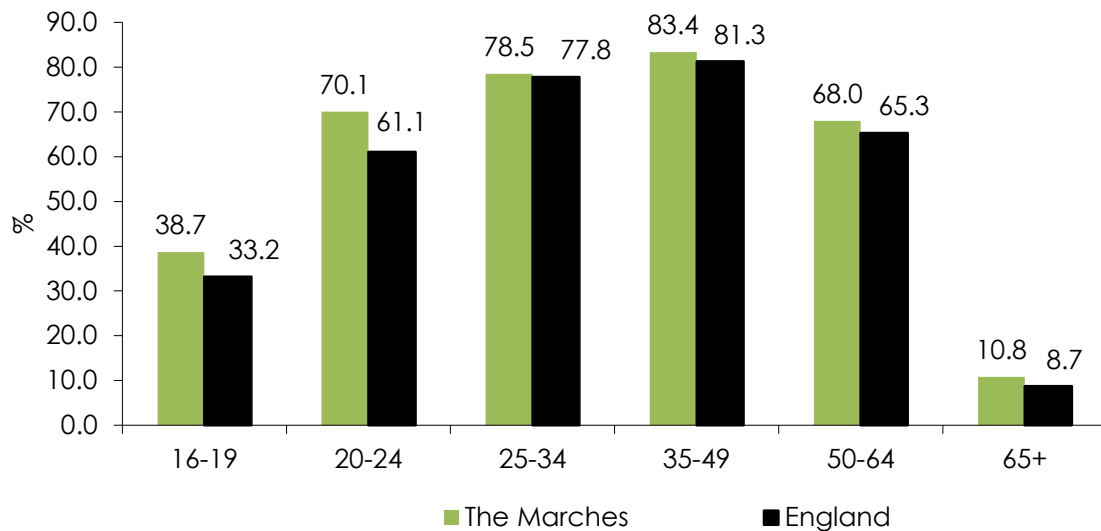
Chart 3.3: Employment rates by local authority; percentages



Source: ONS APS April 2008 – March 2012

Employment rates vary by age group in a similar fashion to the national pattern, rising with age up to 49 and declining thereafter. As can be seen, employment rates for each age band in The Marches exceed the national average. With the government raising expectations that as people live longer they should expect to work longer, a key focus for action will be the 50 to retirement age group. This age group has an employment rate 15% below that of the 35-49 year olds, largely as a result of early retirement. Far more people from this cohort will need to be encouraged to remain in employment as the Default Retirement Age is phased out.

Chart 3.4: Employment rates of the working age population; The Marches and England compared



Source: ONS APS March 2012

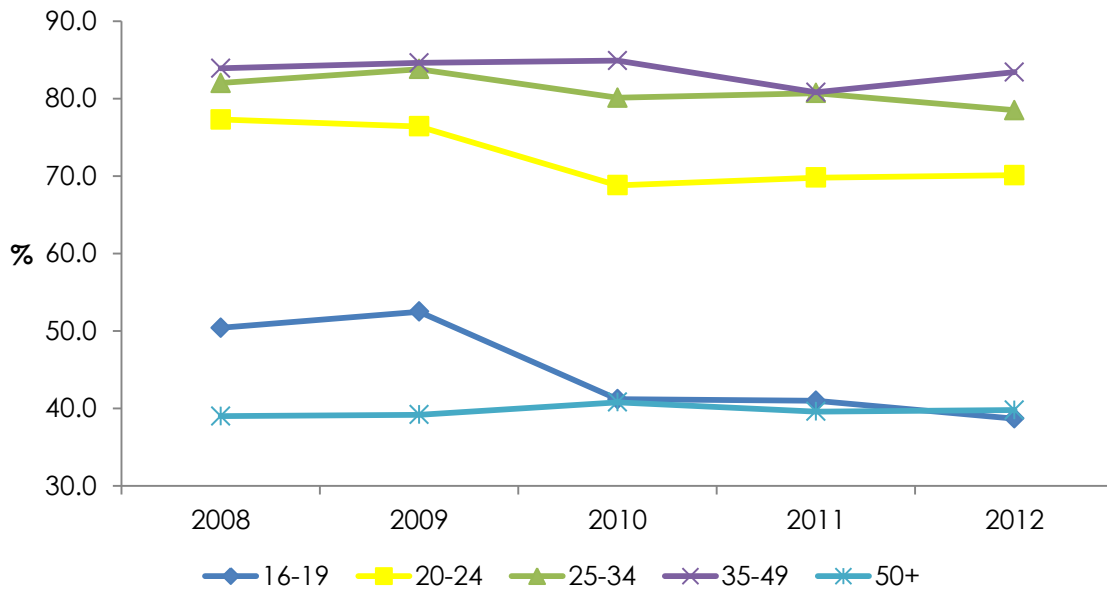
Table 3.4: Employment rates of the working age population; comparisons by age and geography

	Herefordshire	Shropshire	Telford and Wrekin	The Marches	England
16-19	35.0	45.1	29.3	38.7	33.2
20-24	74.6	74.7	57.6	70.1	61.1
25-34	83.5	77.2	76.0	78.5	77.8
35-49	83.9	85.3	79.7	83.4	81.3
50-64	66.1	70.1	66.5	68.0	65.3
65+	11.1	11.2	9.2	10.8	8.7

Source: ONS APS March 2012

Analysis of trend data illustrates the impact of recession on the workforce participation of different age groups with young people in particular showing sharp falls in their employment rates, contrasting with the rate for the over 50s which has remained relatively steady.

Chart 3.5: Trends in the employment rates by age in The Marches



Source: ONS APS April 2008 – March 2012

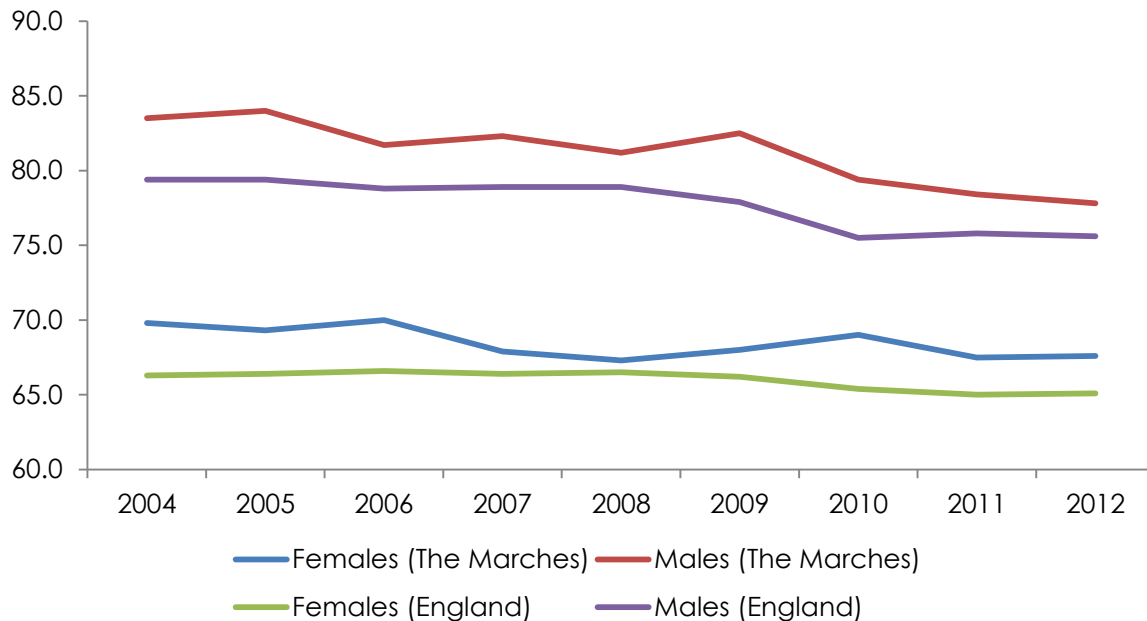
For the first time in 2012 there are fewer 16-19 year olds in work than any other age group. Of course, whilst this reflects difficult labour market conditions it may also reflect a longer term trend towards increased participation in full time learning.

Male/female employment

At present there are an estimated **149,800** working men (53%) and **131,000** working women (47%) in The Marches.

The impacts of job gains and losses in different industries have had very different impacts on the employment of men and women through time. Historically, female employment rates have been on an upward trend, reflecting the expansion of the service sector, an increase in flexible working and improved female educational attainment. However, since the mid 2000s this longer term trend has been interrupted and the female employment rate is now 2.4% below its 2006 peak. Similarly the male rate has been on a downward trend having fallen from a peak of 84% in 2009 to 77.8% currently, a fall of 6.2%. Whilst both male and female rates remain above the national average, the gap has narrowed over the longer term:

Chart 3.6: Trends in the employment rates of men and women: The Marches and England compared



Source: ONS APS April 2004 – March 2012

Full and part time employment

Part-time work is more common in the sub-region (29.0% of all jobs) than nationally (25.7%) and the flexibility offered by part-time work and its prevalence is likely to be a key factor in the relatively high employment rates of the LEP area. On the downside, it may also be a contributory factor in the sub-regions' productivity gap with other LEP areas, where The Marches is ranked 27th out of 39 LEPs.

Most part time jobs are taken by women and whereas 49% of women work part time in The Marches (the second highest proportion in the country) only 11.2% of men do so:

Table 3.5: Male and female/Full time and Part time employment rates by geography; numbers and percentages

	Herefordshire	Shropshire	Telford and Wrekin	The Marches	England
Full time	70.1	68.9	74.7	70.7	74.1
Part time	29.4	30.9	25.2	29.0	25.7

Source: ONS APS March 2012

	Numbers	%		Numbers	%
Males FT	132,400	88.4	Females FT	66,200	50.6
Males PT	17,000	11.4	Females PT	64,500	49.2
All males	149,880	100.0	All females	131,000	100.0

Source: ONS APS March 2012

Although part-time working has been on a long-term rising trend, the past 12 months have seen a sharp rise in part time working from 26.6% to 29.0%; an increase of 6,700 part time jobs in 12 months. In contrast, the numbers in full time employment have fallen by 7,300 over the same period. Comparison with other LEPs shows The Marches now has one of the top five highest rates of part time working in the country.

Recent research by the TUC² has shown that much of the increase in part time working is involuntary and that nationally 11% of people in work are under-employed, i.e they would like to work additional hours in their current job. This phenomenon particularly affects women (13% are underemployed compared with 10% for men). Local analysis on employers' under-use of skills (Table 2.8) appears to support this and the notable increase in part time working suggests that employers are responding to economic conditions by retaining staff but reducing their hours, which may well bring with it an under- use of skills.

Agency working

There is no local information to analyse the extent of agency working in The Marches but a report by the Recruitment and Employment Confederation published in 2008 showed that an estimated 16% of employers in the West Midlands region used recruitment agencies. The research found that:

- 43% of them used agencies because it was quicker than recruiting themselves compared with 33% in the UK;
- 3 out of 4 employers used it to cope with peaks in demand, giving them greater workplace flexibility.

On the downside, employers expressed concerns about the quality and unreliability of agency staff. Employers in the West Midlands expressed the

² TUC: Under-employment in crisis' Sept. 2012

lowest levels of satisfaction with their temporary staff of all regions outside London, with levels of dissatisfaction twice as high as in any other region.

Industrial structure of the workforce

Although The Marches is one of the country's major manufacturing economies, in terms of employment, **service sector** jobs predominate and 1 in 2 workers in are employed in just 2 sectors – Public administration, education and health and Distribution, hotels and restaurants. Manufacturing accounts for the third largest proportion of jobs (14%) – a relatively high proportion compared with the national average (10%). Although only accounting for 3% of employment the relative strength of The Marches agricultural base is also evident from the statistics:

Table 3.6: Structure of the workforce by sector; numbers and percentages

Marches 2012	Nos	% Marches	% England
Agriculture and fishing	8,700	3.1	0.9
Energy and water	4,500	1.6	1.7
Manufacturing	40,200	14.3	10.0
Construction	21,000	7.5	7.4
Distribution, hotels and restaurants	55,200	19.7	18.4
Transport and communications	18,400	6.6	9.0
Banking and finance	33,500	11.9	16.6
Public admin. education and health	82,800	29.5	30.0
Other services	15,400	5.5	5.5
Total	281,712	100.0	100.0

Source: ONS APS 2012

Long term trends show the very different fortunes of particular sectors with significant jobs losses in:

- Manufacturing – 14,000 job losses since 2004;
- Construction – 7,000 job losses since 2004; and
- Transport and communications – 2000 job losses.

Since 2004, growth has largely come from Banking and finance (+3,500 jobs) and Other services (+2,500 jobs). Over the same period there has also been some more modest growth in Energy and water.

In the more recent past (12 months), there has been an upturn in local Manufacturing and Distribution, hotels and catering which have accounted for almost 6,000 new jobs. The Energy and water sector has also grown very

strongly. However, growth has been counterbalanced by significant job losses in Construction and Transport and communications:

Table 3.7: Recent trends in employment by sector (2011- 2012); numbers and percentages

	2011	2012	Change	% change
Energy and water	3,200	4,500	1,300	40.6
Manufacturing	38,000	40,200	2,200	5.8
Construction	23,700	21,000	-2,700	-11.4
Distribution, hotels and restaurants	51,500	55,200	3,700	7.2
Transport and communications	20,700	18,400	-2,300	-11.1
Banking and finance	31,800	33,500	1,700	5.3
Public admin. education and health	83,000	82,800	-200	-0.2
Other services	15,400	15,400	0	0.0
Total	280,700	281,712	1,012	0.4

Source: ONS APS 2011/12

Note: Sample sizes for Agriculture considered to be unreliable and data therefore omitted

Occupational structure of the workforce

Within the workforce the most common jobs are professional occupations, skilled trade and elementary occupations. As can be seen, the workforce of The Marches differs from the national pattern in some key respects, reflecting the make up of its economy:

- The Marches has significantly fewer professional and associate professional jobs which between them account for 28% of all jobs compared with 34% of jobs in England.
- At the other end of the spectrum, it has a higher proportion of lower skilled jobs – process, plant and machine operatives and elementary staff which account for more than 1 in 5 local jobs.
- There are more skilled trades than average, reflecting its manufacturing strengths, but also more people employed in caring, leisure and other service occupations.

Table 3.8: Occupational structure of the workforce; numbers and percentages

Marches 2012	Nos	% Marches	% England
Managers and directors	29,200	9.9	10.3
Professionals	49,800	16.9	19.4
Assoc. prof and technical	33,600	11.4	14.1
Admin and secretarial	29,800	10.1	11.2
Skilled trades	37,500	12.7	10.6
Caring, leisure and other servs.	29,800	10.1	9.0
Sales and customer servs.	22,000	7.5	7.9
Process, plant and machine ops.	24,800	8.4	6.4
Elementary	36,900	12.5	10.8

Source: ONS APS 2012

Since 2004, only three occupational groups have seen jobs growth – professionals (up 5,700); associate professionals (+600) and caring, leisure and other services (+5,500). Most significant losses have been experienced by those in skilled trades; administration and process, plant and machinery operatives. Short term trends over the past year largely reflect longer term trends; the chief difference is that there has been a modest upturn in the numbers of process, plant and machinery operatives and in elementary occupations.

Table 3.9: Trends in the occupational structure of the workforce 2004 -12; numbers and percentages

	2004	2012	Net change
Managers and directors	30,900	29,200	-1,700
Professionals	44,100	49,800	5,700
Assoc. prof and technical	33,000	33,600	600
Admin and secretarial	36,300	29,800	-6,500
Skilled trades	45,200	37,500	-7,700
Caring, leisure and other servs.	24,300	29,800	5,500
Sales and customer servs.	22,700	22,000	-700
Process, plant and machine ops.	28,500	24,800	-3,700
Elementary	37,300	36,900	-400

Source: ONS APS 2004 - 2012

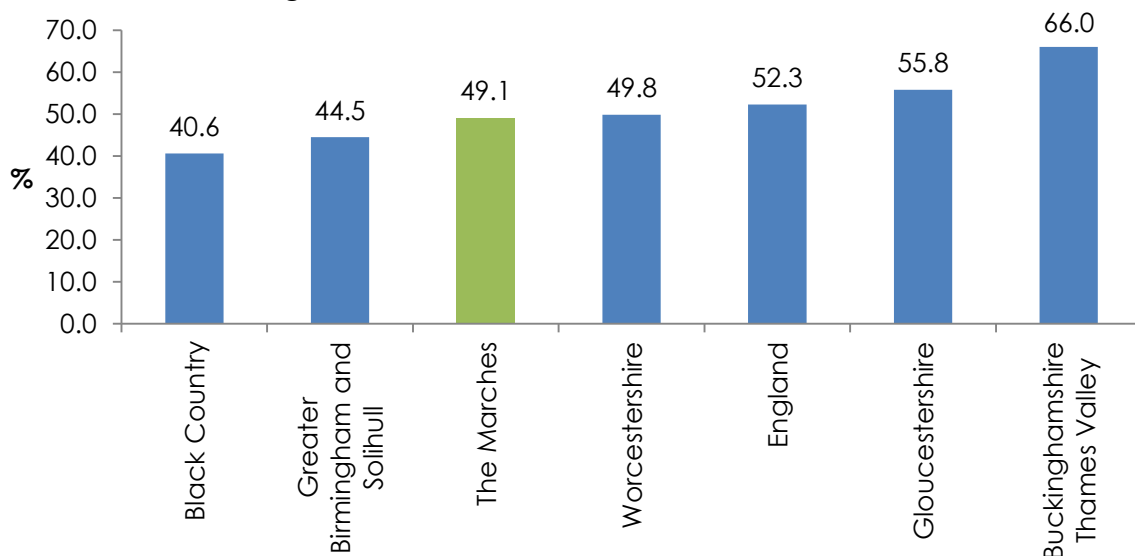
As might be expected there is a strongly gendered dimension to employment.

Men occupy almost 9 out of 10 jobs in Energy and Water and Construction and 7 out of 10 jobs in Manufacturing, whereas women account for 7 out of 10 jobs in Public administration, education and Health and more than half of all jobs in Distribution. By occupation, men account for the largest share of managerial and associate professional jobs (around 2 out of 3 in each case), as well as the vast majority of skilled trades and process, plant and machine operative employment (around four in five in each case). Women dominate in administrative/secretarial and personal service occupations (around four in five in each case). It is clear that segregation by occupation and gender remains, and occupations are even more strongly gendered at the finer the level of disaggregation. This will be an important consideration where occupations with high levels of gender segregation have significant existing and/or future skills shortages.

Workforce qualifications

Skills are one of the drivers of competitiveness and productivity and on this measure The Marches is not in a relatively strong position. Comparison with other LEPs shows it to be in the lower half of LEPs in terms of the proportion of the workforce with higher level qualifications. Latest data shows that 49.1% of its working age population is qualified to Level 3 and above. This is above some of the neighbouring LEPs of the Black Country and Greater Birmingham and Solihull, but a little below Worcestershire and well below Gloucestershire to the south and in sharp contrast to the highest performing LEP, Buckinghamshire Thames Valley. In order to reach the English average an additional **12,000 people** in The Marches would need to qualify to Level 3 and above:

Chart 3.7: Qualifications of the working age population; The Marches compared with other LEPs and England



Source: ONS APS Jan 2011 - Dec. 2011

Trends show that there has been some progress in narrowing the skills and qualifications gap in recent years, with a larger than average improvement in the proportion of the population attaining Level 3 qualifications – up 2.7% between 2009 and 2011 compared with a national rise of 0.9%. In the longer term it may be hoped that this will feed through to an increase in degree level study, but at present, whilst there has been a rise of 2.5% with Level 4 qualifications between 2009 and 2011 this has been outstripped by the English rise of 3.1%. In other words, **despite some local progress in upskilling, national rates of progress are faster.**

There are stark intra LEP differences in workforce qualifications by local authority, with Shropshire, in particular, having a relatively well qualified workforce compared to Telford and Wrekin. As can be seen, each of the local authorities has lower proportions of graduates than the national average and higher proportions of people qualified to below Level 2:

Table 3.10: Qualifications of the workforce by geography

2010	Herefordshire	Shropshire	Telford and Wrekin	The Marches	England
NVQ4+	27.5	29.0	24.0	27.2	31.1
NVQ3	14.9	14.0	15.2	14.6	15.8
Trade Apprenticeships	4.1	4.4	3.0	3.9	3.8
NVQ2	16.1	18.8	22.3	19.0	16.3
NVQ1	14.3	16.4	16.7	15.9	13.3
Other misc.	9.5	6.4	7.1	7.4	8.6
No qualifications	13.6	11.0	11.8	11.9	11.1

Source: ONS APS Jan 2011 - Dec. 2011

Note: The data above uses 2010 data rather than the latest figures as there appears to an anomaly with the Herefordshire data perhaps caused by sampling error with latest figures being well outside the usual pattern.

With **more than 1 in 3 of the workforce qualified to below Level 2**, approximately 135,000 people of working age in The Marches qualify for their entitlement to their first full Level 2 qualification:

Table 3.11: Qualifications of the workforce in The Marches; numbers

Highest qualification	Numbers	%
Level 4 +	104,900	27.2
Level 3	63,800	16.6
Level 2	81,000	21.0
Below Level 2	89,900	23.2
No qualifications	45,900	11.9
All below L2 including no qualifications	135,800	35.1
All	385,500	100.0

Source: ONS APS Jan 2011 - Dec. 2011

Analysis by gender shows that men are far less likely to be qualified to Level 4 than average (-5.7ppts) and well below the proportion of women qualified to Level 4 (26.5% vs 30.5%). Both men and women have above average proportions of people with no qualifications.

As may be expected, workforce qualifications vary widely by age and the peak age for high qualifications is among people aged 30-39, with lowest qualifications among the youngest and oldest sections of the workforce. Of concern is that 1 in 8 young people aged 16-19 have no qualifications at all. Whilst this is in line with the national picture it leaves school and college leavers ill-prepared to meet the rising skills and qualifications needs of employers. It also appears that locally, young people in their 20s fail to progress beyond Level 2 qualifications with relatively low percentages going on to gain higher qualifications. Indeed, the most striking difference from the national picture is in relation to graduates; locally, **half as many 20-24 year olds have degree level qualifications (NVQ4+) as nationally**. Similarly there is a large difference in the proportion of 25-29 year olds with degrees – 29.7% in The Marches compared with 40.8% in England. Data on higher education participation suggests that this is not down to lower participation among local people, but rather may reflect a lack of higher skilled employment opportunities.

Table 3.12: Qualifications in the workforce by age band; The Marches and England compared

The Marches						
	NVQ4+	NVQ3	Trade Apprenticeships	NVQ2	Below NVQ2	No quals
16-19	0	24.1	2.5	38.6	21.7	12.0
20-24	12.6	32.9	2.2	30.3	13.0	9.0
25-29	29.7	22.3	2.5	20.5	19.1	6.0
30-39	34.9	19.2	1.9	16.7	17.5	9.9
40-49	33.8	12.7	2.9	22.5	18.9	9.2
50-64	31.3	12.1	6.2	13.4	20.5	16.4
England						
16-19	1.5	24.4	0.8	39.9	21.3	12.0
20-24	25.1	29.5	1.9	19.4	17.2	6.9
25-29	40.8	17.0	1.8	15.5	18.3	6.6
30-39	44.4	14.6	1.9	14.3	17.9	6.8
40-49	35.2	13.9	3.6	16.7	22.1	8.5
50-64	30.1	11.9	6.3	13.2	21.6	16.9

Source: ONS APS Jan 2011 - Dec. 2011

Higher Education

Data on the level of participation in Higher Education shows that just under 19,000 students³ from The Marches enrolled at university in 2008/09. This is equivalent to 30 enrolments per thousand of the population; broadly in line with the UK figure of 33 enrolments per thousand. Breakdown by local authority area shows that participation is highest in Shropshire and lowest in Telford and Wrekin:

³ Full time equivalents

Table 3.13: Enrolments in Higher Education

	Nos of enrolments	Enrolments per 000 population
Herefordshire	5,315	33
Shropshire	9,219	32
Telford and Wrekin	4,430	27
The Marches	18,964	30
UK	2,027,083	33

Source: HESA

A greater proportion of young people aged 18-20 attend university from The Marches than from the UK as a whole (38% vs 34.8%) suggesting that lack of local university provision is not adversely affecting participation rates:

Table 3.14: Enrolments in Higher Education by age group; The Marches and UK compared

Age	Nos. in The Marches	% in The Marches	% in the UK
17 years and under	71	0.4	0.9
18-20 years	7213	38.0	34.8
21-24 years	3904	20.6	21.0
25-29 years	1587	8.4	11.2
30 years and over	6176	32.6	32.1
Age unknown	13	0.1	0.1
Total	18964	100.0	100.0

Source: HESA

Universities nearest to The Marches, along with the Open University are, nevertheless, the most popular destination for local students with just under 1 in 3 students attending the following institutions:

Table 3.15: Top 4 universities for residents from The Marches; Numbers and percentage of enrolments

University	Nos of enrolments	% of total
Open University	2150	11.3
Wolverhampton	1613	8.5
Staffordshire	1139	6.0
Worcester	1072	5.7

Source: HESA

Research has shown that graduates in the UK are highly mobile and that many local economies lose their new graduates to the major cities of the UK. HESA

undertakes a survey of graduate destinations on an annual basis which allows us to explore this phenomenon in The Marches. It shows that, in all, 47% of students from the LEP area return to work in The Marches on graduation; a figure greatly influenced by the high return rates of students from Telford and Wrekin:

Table 3.16: Location of jobs taken by graduates originally from The Marches

	Living in each local authority and returning to work in that authority	Living in each local authority and returning to work in The Marches
Herefordshire	304 (40%)	318 (42%)
Shropshire	463 (36%)	552 (43%)
Telford and Wrekin	261 (43%)	372 (61%)
The Marches		1242 (47%)

Source: HESA

Note: This is a sample survey and figures do not match enrolment data. The data relates to the first job after graduation

Other popular destinations are elsewhere in the West Midlands (7.5%); London (6.7%) and Worcestershire (3.6%). Analysis of other county areas shows that a 43% return rate seems about average.

In common with the national pattern, most graduates take up work with large employers with 250 or more employees (50% of graduate destinations among graduates originally from The Marches). In itself this will limit the number of opportunities within the local economy that graduates can apply for, since there are only 75 major employers in the LEP area, accounting for only 0.3% of all businesses. Not only does the economy have few major employers it also has a greater preponderance of small businesses with under 20 employees accounting for 95.6% of enterprises compared with 94.8% in the UK; it is these employers who are least likely to recruit graduates. This indicates that it is the structure of the local economy which limits the opportunities for graduates to return home to work, rather than a lack of supply of graduates from The Marches.

Wage rates and productivity

As might be expected from the lower than average qualification base, pay rates are below average. Thus, Table 3.17 provides details of the median average weekly gross pay for all employees within The Marches area and shows that in all three local authority areas wages are lower than the West Midlands regional average and significantly lower than the average across England as a whole. Across the three local areas The Marches median average gross pay is £355 which is 6% lower than the regional average and 14% lower than the rate found across England.

Table 3.17: Median weekly gross pay for all jobs

	Herefordshire	Shropshire	Telford & Wrekin	West Midlands	England
Median weekly pay (Gross) for all jobs	£336.10	£369.3	£359.6	£378.8	£410.50

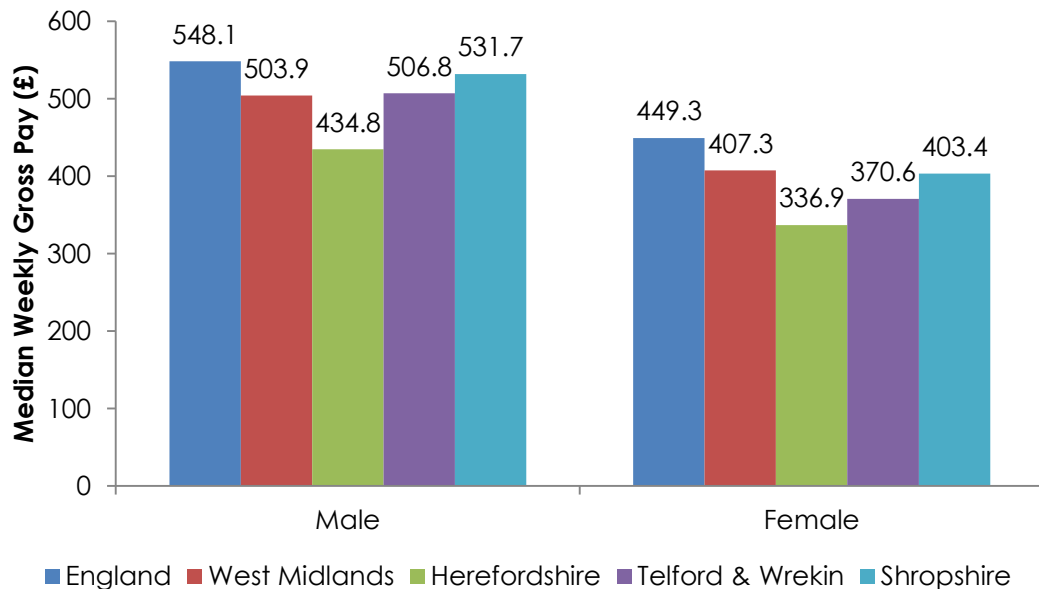
Source: Annual Survey of Hours and Earnings 2011, ONS

Chart 3.8 provides further details on rates of pay within The Marches area and shows the significant differences between the three local authorities. While men in all three areas earn less than the England average, those living in Telford & Wrekin and Shropshire actually earn more than the West Midlands regional average. Only in Herefordshire do men employed in full time employment earn substantially less than the regional and national averages.

A similar picture is true amongst women employed on a full time basis with women in Shropshire earning roughly in line with the regional average but still somewhat below the national average. Once again rates of pay in Herefordshire lag significantly behind those in the other two local areas.

Across The Marches area women appear to be doing worse locally than is found across England. Full time working women earn 75% of the median male wage in The Marches as compared with 82% of median male wages nationally. This is despite women tending to hold higher level qualifications than their male co-workers.

Chart 3.8: Median weekly gross pay for full time employment by gender



Source: Annual Survey of Hours and Earnings 2011, ONS

Overall the evidence reinforces the picture of The Marches as a low wage economy with wage rates below the national and regional averages. However, at a local authority level Shropshire, and to a lesser degree Telford & Wrekin, buck this trend with wages at around the regional average.

Economists generally regard wage levels as a good proxy for productivity within an area and the data on wage rates correlates well with the position of The Marches area in terms of overall economic productivity. As can be seen in Table 3.18, economic output, as measured by Gross Value Added per employee, has remained low for a substantial period of time. As shown in the table, The Marches was ranked 27th out of 39 LEP areas in terms of GVA per head in the most recent data. Neighbouring LEP areas were ranked: Greater Birmingham & Solihull 22nd; Stoke & Staffordshire 35th; and Worcestershire 30th.

Table 3.18: GVA per head in The Marches 1998-2009

Year	GVA per head	LEP ranking (out of 39)	England GVA per head
1998	£10,700	30	£12,700
2008	£16,300	27	£20,400
2009	£15,700	27	£20,700

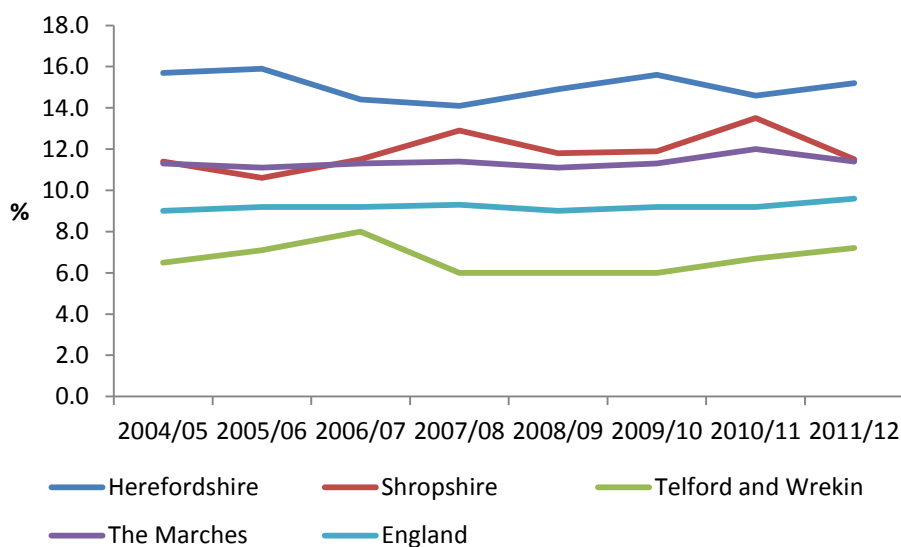
Source: Regional Gross Value Added, ONS

Entrepreneurship

Nationally, self employment trends have been on a long-term upward trend since the 1980s and currently, the government is encouraging self employment as a route out of unemployment with the introduction of the New Enterprise Allowance and Start up loans for unemployed people. In The Marches, self employment makes up 11.4% of the working age population in the area, equivalent to 44,000 people. Almost 7 out of 10 self employed people in the area are male (69%); in line with the national position.

Until last year, The Marches had the second highest rate of self employment of any LEP area with a rate well above the national average. The last 12 months, however, has seen a fall in the numbers self employed by 2,200 people contrary to wider national trends where numbers have risen. Even so, the self employment rate remains relatively high, and The Marches now has the sixth highest rate among LEPs nationally.

Chart 3.9: Trends in self employment in The Marches and England 2004/05 to 2011/12



Source: ONS APS March 2004 - April 2012

Note: There are error margins of +/- between 1.8% and 2.4% for the local authority rates

As the above chart shows, the high rate in The Marches is driven by the high rates of self employment in Herefordshire and Shropshire, and it is the decline in Shropshire over the past 12 months which has caused the dip in the overall rate.

More detailed analysis shows that:

- At 15.2%, the rate of self employment in Herefordshire is twice that of the rate in Telford and Wrekin, which itself is well below average;
- In the past 12 months, the number of self employed people in Telford and Wrekin has grown at a faster rate than the national average;
- Shropshire has suffered a marked reduction in self employment in the past year, although statistical error margins mean that the fall may not be as significant as shown:

Table 3.19: Trends in self employment in The Marches and England 2010/11 to 2011/12

Change 2010/11 to 2011/12	2010/11	2011/12	Self-emp rate 2011/12	Change	% change
Herefordshire	15,400	16,200	15.2	800	5.2
Shropshire	23,700	20,200	11.5	-3,500	-14.8
Telford and Wrekin	7,000	7,500	7.2	500	7.1
The Marches	46,200	44,000	11.4	-2,200	-4.8
England	3,092,500	3,232,700	9.6	140,200	4.5

Source: ONS APS March 2010 - April 2012

The decline in numbers appears to relate solely to male self employment:

Table 3.20: Trends in self employment in The Marches and England 2010/11 to 2011/12 by gender

	2010/11	2011/12	Change	% change The Marches	% change England
Males	33,300	30,500	-2,800	-8	4
Females	12,900	13,500	600	5	6

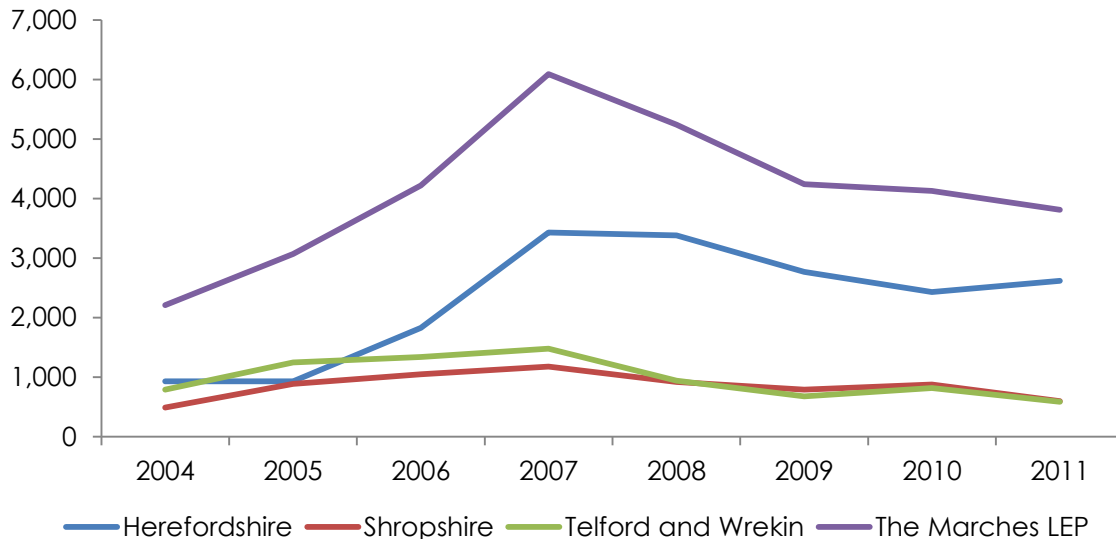
Source: ONS APS March 2010 - April 2012

Migrant workers

Economic migration has played an important role in the composition of the workforce particularly since the Accession 8 (A8) countries joined the EU in May 2004. Data on new National Insurance Number (NINo) registrations by non-UK nationals indicates that nearly 8,100 foreign national registered for a national insurance number in the region in 2007, almost double the number in 2004 (4,200). Within The Marches, Herefordshire is the most popular location for new migrants, accounting for 55% of all NINo registrations since 2004.

In common with wider national trends it appears that migration peaked in 2007 and has since been on a downward trend, although as can be seen, in the last 12 months there has been some renewed upturn in Herefordshire:

Chart 3.10: Trends in inward migration by geography; 2004-2011



Source: ONS DWP NINO data

In addition to economic migrants originating from within the European Union, The Marches has also witnessed a steady inward flow of skilled migrants from outside the EU. In total, 744 migrants from outside the EU have been granted Certificates of Sponsorship in the last 40 months by 115 companies operating within The Marches. This equates to an annual average of 223 migrants.

Non-EU migrants have been employed in a wide range of roles but the most popular were: musicians (149); care assistants (86); clergy (61); nurses (54); butchers/meat cutters (42) and doctors (41).

The Coalition government's stated aim of reducing net inward migration to less than 100,000 means that in the future only roles requiring the equivalent of a degree will be open to non-EU migrants. In The Marches this may well impact upon the ability of local firms to recruit into roles such as care assistants and butchers/meat cutters where migrants have traditionally played a part in the local workforce.

Unemployment

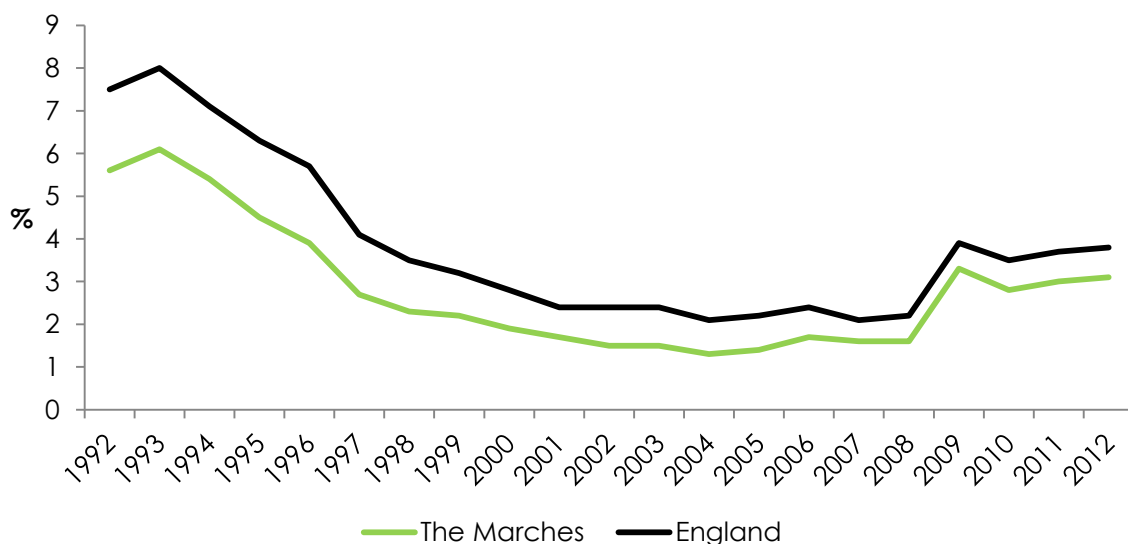
At its simplest, unemployment represents an over supply of particular skills at any one time (for example, skills which are out of date or which are insufficient in some way). It is dynamic in that it consists of a stock of people into and from which there are constant flows. The difference in on-flows and off-flows gives rise to changes in the unemployment total. Hence, a fall in unemployment may not be caused entirely by more people gaining jobs; it may be due partly to a

reduction in on-flows, in other words people *keeping* their jobs. In fact, a feature of the recession has been that employers have sought to retain staff by reducing hours and introducing other flexibilities rather than losing them altogether, so as to be in a stronger position to respond to growth in the future.

Since unemployment represents a failure of the labour market, it is important to understand the specific needs of this section of the workforce.

Trends in unemployment over the past 20 years show that following a lengthy period of falling unemployment from 1998, there was a sharp reversal of this pattern in 2008/09 when unemployment rose sharply following the financial crash. In The Marches this resulted in a doubling of the unemployment rate from a low of 1.6% in 2008 to 3.2% in July 2009, somewhat below the national rise to 3.9%, but a sharp rise nevertheless. The rate subsequently improved through to 2010 but has since risen again to stand at 3.1% in The Marches (12,117 people) compared with 3.8% in England:

Chart 3.11: Long term trends in the unemployment rate; The Marches and England compared

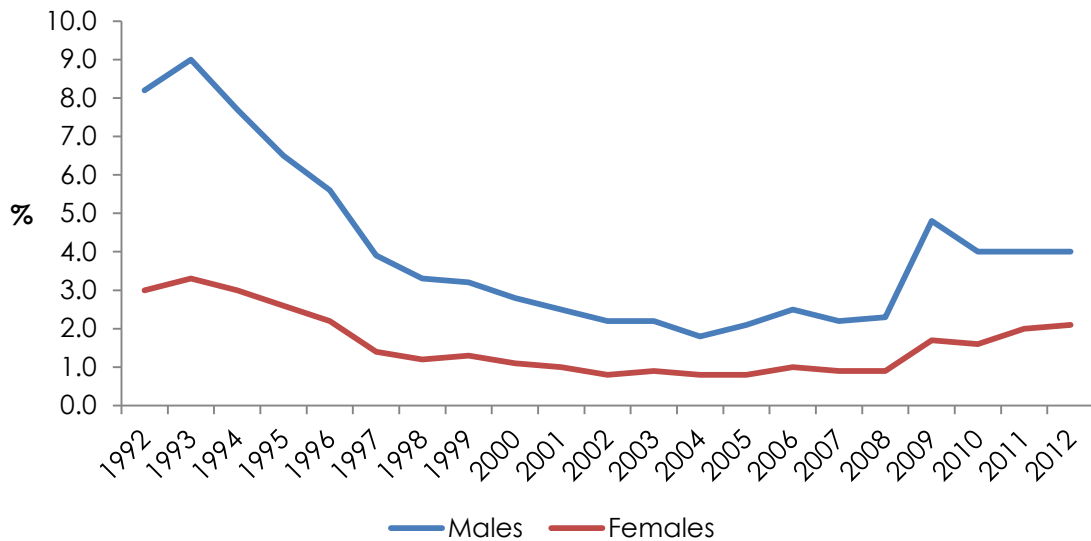


Source: ONS Claimant Count July 1992 - 2012

In common with the national pattern, men have been more adversely affected by unemployment, and although low in historic terms, unemployment rates for men from 2009 onwards have been at their highest for 16 years.

For women, the pattern has been a little different; with unemployment rising sharply in 2009, falling back in 2010, but rising again through 2011 and 2012, contrasting with a static picture for men. As noted earlier, women predominate in the public sector and it is likely that they have been disproportionately affected by on-going budgetary reductions:

Chart 3.12: Long term trends in the unemployment rate for men and women in The Marches

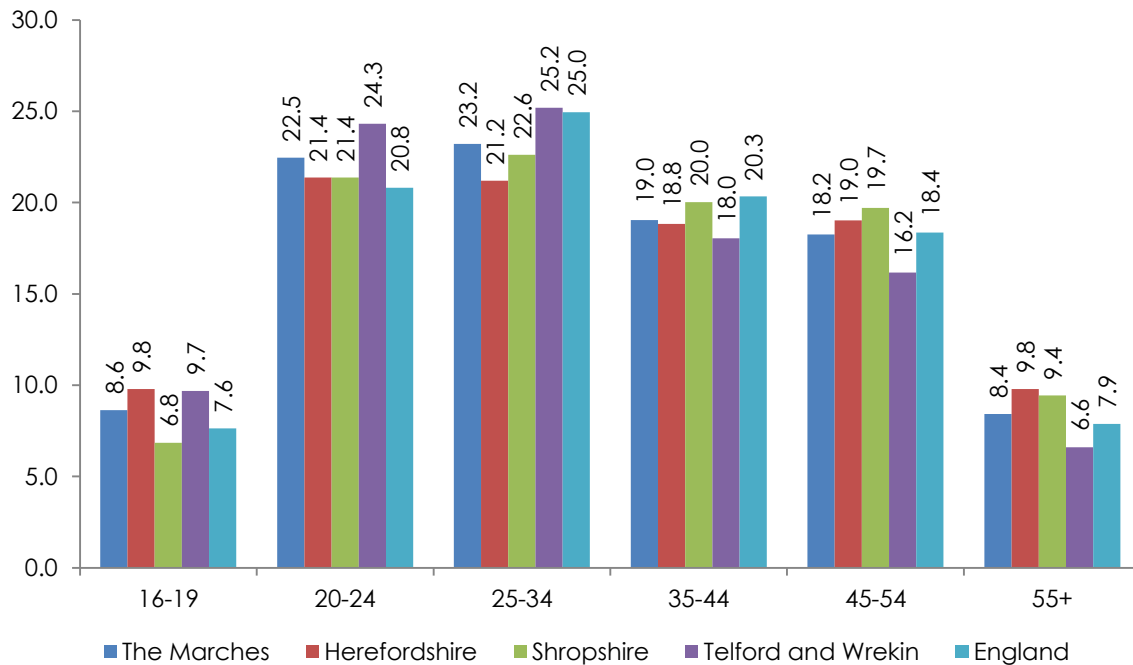


Source: ONS Claimant Count July 1992 - 2012

Currently 4.0% of men (7,917) are unemployed and 2.1% of women (4,200) in the LEP area.

Analysis by age shows that almost 1 in 3 unemployed people in The Marches are aged between 16-24, 2.7% higher than nationally; lower proportions are between the ages of 25-54 than in England and there is slightly higher unemployment among workers aged over 55:

Chart 3.13: The unemployment rate by age and local authority, The Marches and England



Source: ONS Claimant Count July 2012

Highest numbers of unemployed are to be found in the largest county, Shropshire, but the highest rate is in Telford and Wrekin:

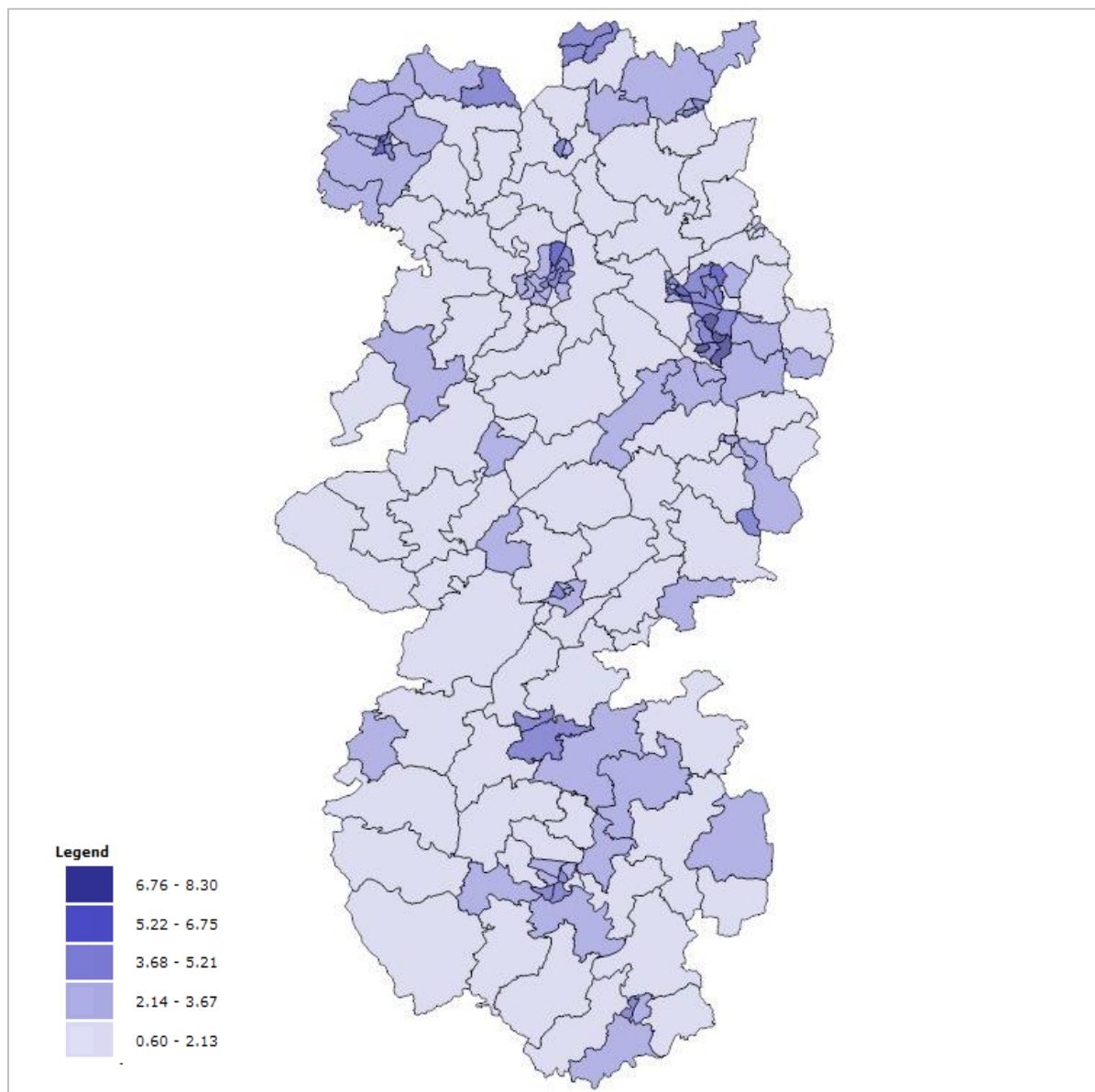
Table 3.21: The unemployment rate by local authority; numbers and percentages

	Herefordshire		Shropshire		Telford and Wrekin	
	Nos	Rate	Nos	Rate	Nos	Rate
2008	1,505	1.4	2,535	1.4	2,365	2.2
2009	3,007	2.7	4,997	2.8	4,831	4.6
2010	2,452	2.3	4,473	2.5	4,123	3.9
2011	2,663	2.5	4,766	2.7	4,432	4.2
2012	2,757	2.5	4,818	2.7	4,542	4.3
% of LEP total 2012	22.8		39.8		37.5	

Source: ONS Claimant Count July 2012

Closer analysis shows that unemployment is concentrated in several specific wards in the LEP area where unemployment is significantly higher than the average. All these wards are in either Telford and Wrekin or Shropshire:

Chart 3.14: The unemployment rate by Ward in The Marches



Source: ONS Claimant Count July 2012

Table 3.22: Highest and lowest unemployment rates by Ward in The Marches

Highest unemployment rates by ward				Lowest unemployment rates by ward			
CAS 2003 Ward	Local Authority	Nos.	Rate	CAS 2003 Ward	Local Authority	Nos.	Rate
Market Drayton East	Shropshire	86	5.0	Edgmond	Telford and Wrekin	13	0.6
Ludlow St Laurence's	Shropshire	58	5.0	Wistanstow with Hopesay	Shropshire	5	0.6
The Nedge	Telford and Wrekin	321	5.1	Donington and Albrighton North	Shropshire	25	0.7
Cambrian	Shropshire	66	5.2	Apedale	Shropshire	5	0.7
Arleston	Telford and Wrekin	113	5.3	Bircher	Herefordshire	12	0.8
Harlescott	Shropshire	163	5.5	Bitterley with Stoke St Milborough	Shropshire	7	0.8
Donnington	Telford and Wrekin	245	6.0	Chirbury	Shropshire	5	0.8
College	Telford and Wrekin	124	6.2	Backbury	Herefordshire	18	1.0
Castle	Shropshire	120	6.3	Baschurch	Shropshire	10	1.0
Haygate	Telford and Wrekin	124	6.4	Whixhall	Shropshire	9	1.0
Gatacre	Shropshire	123	6.5	Kinnerley	Shropshire	9	1.0
Brookside	Telford and Wrekin	331	7.5	Lawley	Shropshire	19	1.1
Cuckoo Oak	Telford and Wrekin	272	8.1	Bringsty	Herefordshire	22	1.2
Malinslee	Telford and Wrekin	308	8.2	Golden Valley South	Herefordshire	20	1.2
Woodside	Telford and Wrekin	337	8.3	Pembridge and Lyonshall with Titley	Herefordshire	21	1.2

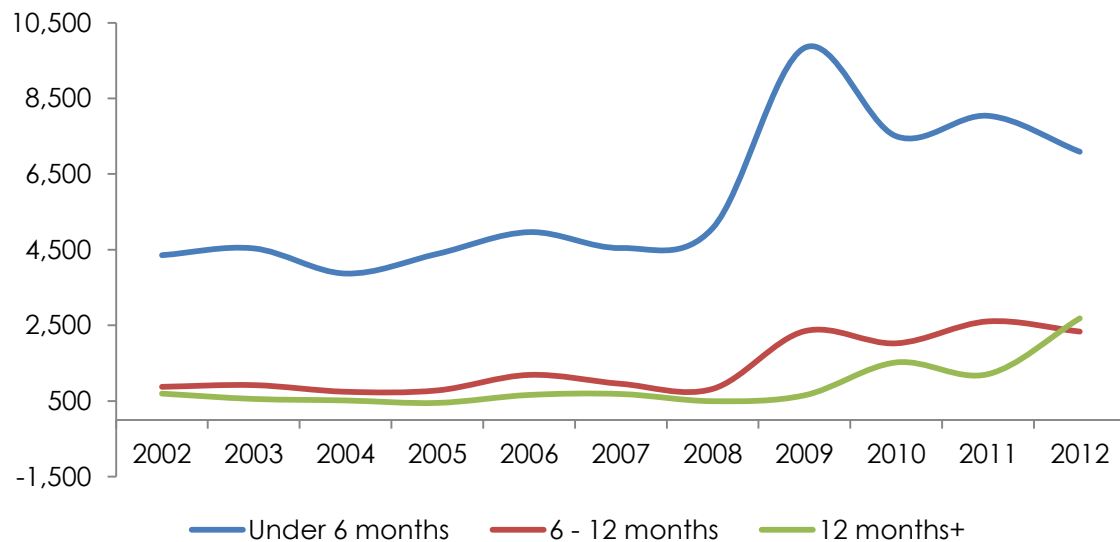
Source: ONS Claimant Count July 2012

Unemployment by duration

Among the registered unemployed, the effect of the recession has been a steep rise in the numbers taking more than 6 months or 12 months to find work. In July 2008, 7.8% of claimants had been looking for work for more than 6 months and a further 12.8% had been seeking work for more than 12 months. By July 2012, 4 in 10 of the unemployed had been looking for work for more than 6 months and for

the first time in a decade the proportion out of work for 12 months or more (22.2%) exceeds those who have been looking for 6-12 months (19.3%):

Chart 3.15: Trends in the duration of unemployment in The Marches



Source: ONS Claimant Count (July of each year)

Table 3.23: The duration of unemployment in The Marches by local authority

2012 (numbers)	Herefordshire	Shropshire	Telford and Wrekin	The Marches
Under 6 months	1,650	2,790	2,650	7,090
6 - 12 months	550	950	840	2,335
12 months+	560	1,060	1,070	2,685
	2,755	4,815	4,540	12,110
(%)				
Under 6 months	59.9	57.9	58.4	58.5
6 - 12 months	20.0	19.7	18.5	19.3
12 months+	20.3	22.0	23.6	22.2
	100.0	100.0	100.0	100.0

Source: ONS Claimant Count (July of each year)

As can be seen from the above data, there is some variation in the picture by local authority, with Telford and Wrekin having the greatest levels of long term unemployment (over 12 months).

Comparison of data over the last year shows the extent to which long term unemployment is becoming entrenched with the numbers who have been seeking work for over 12 months having more than doubled in all areas but Shropshire:

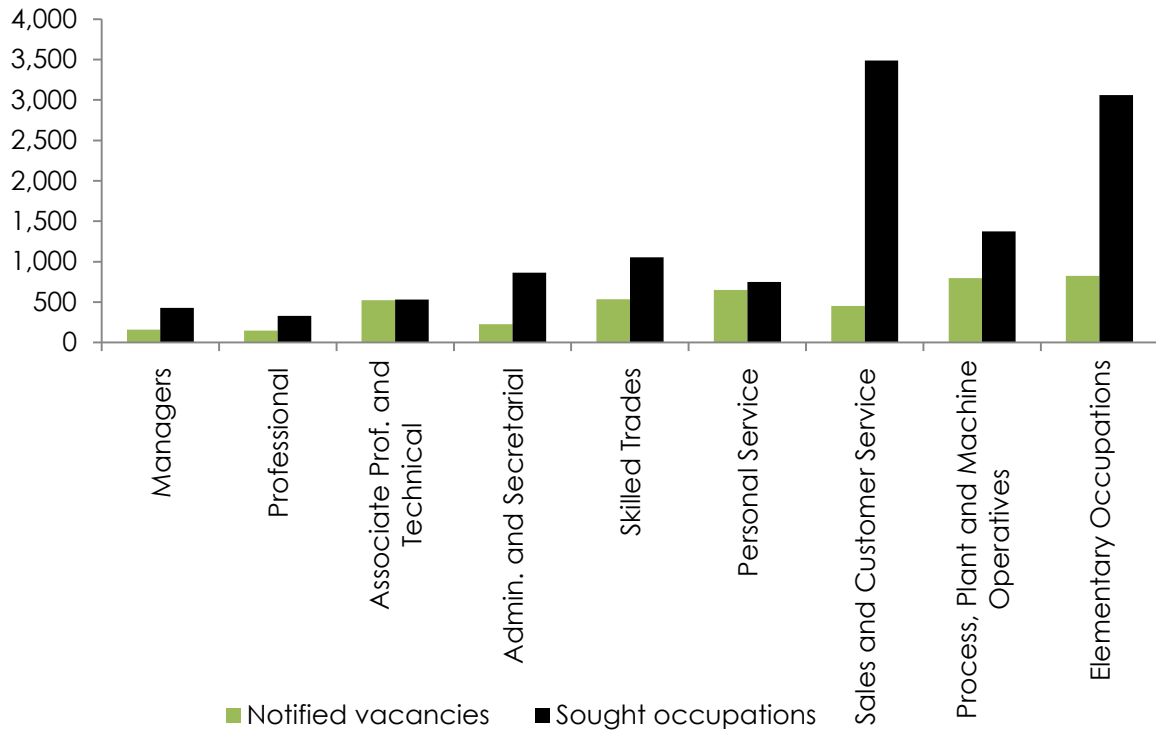
Table 3.24: Recent trends in the duration of unemployment in The Marches, 2011 - 2012

Change 2011 -12 (nos.)	Herefordshire	Shropshire	Telford and Wrekin	The Marches	England
Under 6 months	-790	-1,365	-1,395	-950	-398,720
6 - 12 months	-25	-80	-160	-270	-3,345
12 months+	340	450	695	1475	161,610
Change 2011-12 (%)					
Under 6 months	-32.4	-32.9	-34.5	-11.8	-37.1
6 - 12 months	-4.3	-7.8	-16.0	-10.4	-1.3
12 months+	154.5	73.8	185.3	121.9	89.2

Source: ONS Claimant Count (July of each year)

A comparison of notified vacancies with the occupations sought by JSA claimants further illustrates the gap between the skills the unemployed possess - and hence the jobs they look for - and those available. It shows that most of those claiming JSA are looking for Sales and Customer Service jobs (3,490 claimants chasing 454 vacancies) and Elementary, unskilled occupations (3060 claimants looking for Elementary jobs are chasing 825 notified vacancies). These numbers clearly illustrate the **mismatch** between the skills which people out of work possess and the skills which employers are seeking:

Chart 3.16: Comparison of occupations sought by job seekers in The Marches and notified vacancies by occupation



Source: ONS Claimant Count data and notified vacancies (July 2012)

Worklessness

While the claimant count measures those who are claiming Jobseekers Allowance, it is important not to overlook those who wish to work, but who are claiming other 'out of work' benefits as well. The challenge for the government and its partners is to work with this larger group who are considerably more distant from the labour market.

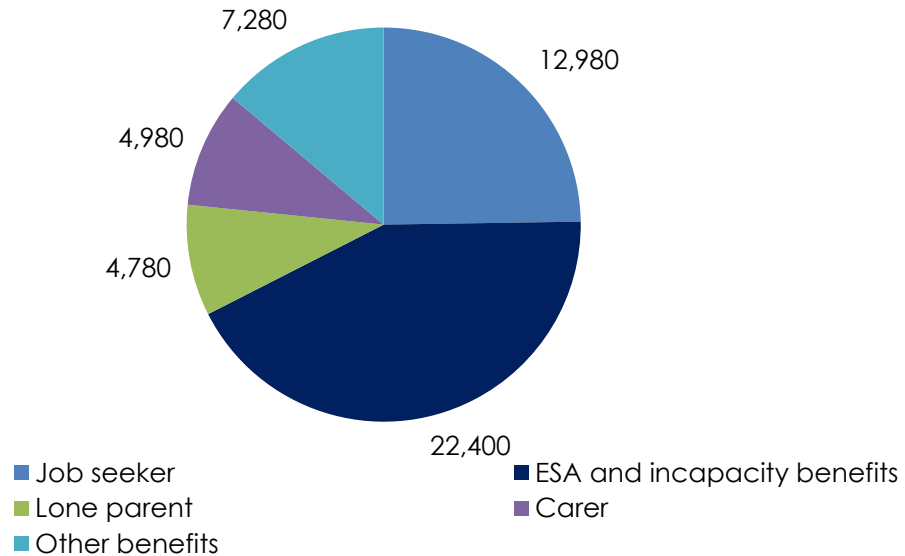
These 'out of work benefits' include people who are claiming the following working age benefits:

- Jobseeker's Allowance
- Employment Support Allowance & Incapacity
- Benefit/Severe Disablement Allowance
- Income Support
- Pension Credit

The Worklessness Rate is the percentage of the working age population who are workless (i.e. claiming one of the above benefits). In total there are **52,540** people on work-related benefits in The Marches, equivalent to more than 1 in 8 (13.3%) of the working age population; a slightly smaller proportion than

nationally (14.6%). The majority of people in this group are on Employment Support Allowance and Incapacity Benefit:

Chart 3.17: Distribution of those on work-related benefits in The Marches



Source: ONS WACG Feb 2012

Over the past decade, the number of benefit claimants has risen by 7,880, with the sharpest rises occurring between 2008 and 2009, driven of course, by a steep rise in those claiming Jobseekers Allowance with the onset of recession.

Whilst the proportion of people claiming work-related benefits in The Marches has remained below the national average, it is clear that the gap between the two has narrowed over the past decade:

Table 3.25: Trends in numbers on work-related benefits in The Marches and England 2002 -2012

	The Marches (Nos.)	The Marches (%)	England (%)
2002	44,540	11.4	13.4
2003	47,490	12.2	14.0
2004	46,950	12.0	13.7
2005	45,850	11.7	13.4
2006	47,000	11.9	13.5
2007	46,610	11.8	13.3
2008	45,770	11.6	12.8
2009	52,640	13.4	14.4
2010	52,740	13.4	14.6
2011	51,150	13.0	14.2
2012	52,420	13.3	14.6

Source: ONS WACG Feb 2012

More detailed figures for the last year show that:

- The number of JSA claimants has more than doubled since 2008, and increased at a faster rate than the national average;
- The number of lone parents has fallen than at a slower rate than nationally;
- The number of carers claiming benefits has increased fast, but at a lower rate than average;
- Those claiming other income related benefits has risen faster than average:

Table 3.26: Changes in the numbers on work-related benefits in The Marches 2008-2012

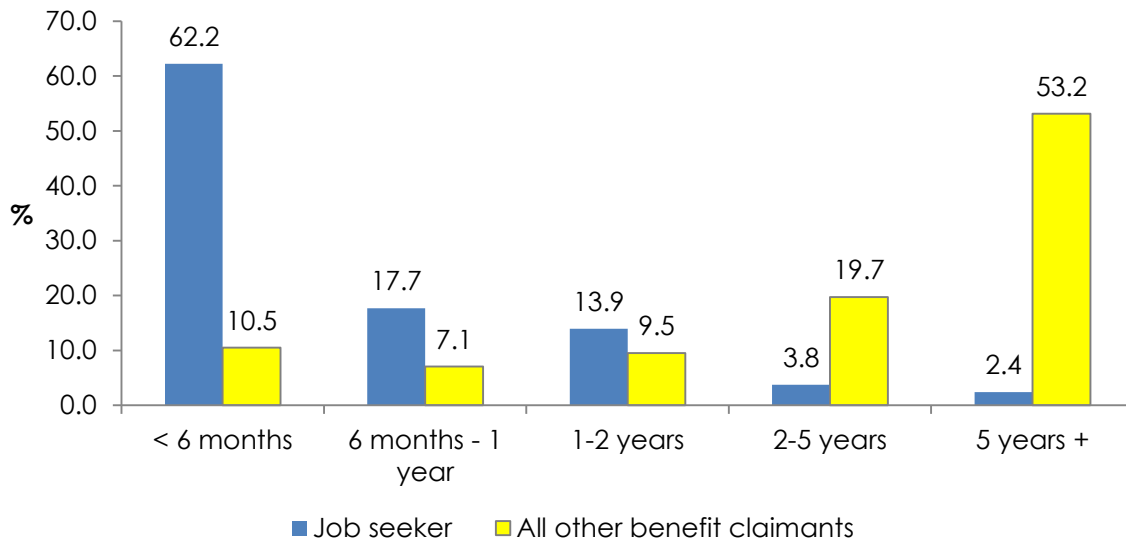
	2008	2012	Change since 2008 recession	% change in The Marches	% change in England
Job seeker	6,100	12,980	6,880	113	97
ESA and incapacity benefits	23,170	22,400	-770	-3	-1
Lone parent	5,780	4,780	-1,000	-17	-21
Carer	4,110	4,980	870	21	25
Others on income related benefit	1,460	1,640	180	12	0
Disabled	3,980	4,760	780	20	21
Bereaved	1,190	880	-310	-26	-20
Total	45,770	52,420	6,650	14	15

Source: ONS WACG Feb 2008/2012

Within the LEP area, the highest rates of claimants of each benefit are to be found in Telford and Wrekin.

One of the critical differences between people on Job-Seekers Allowance compared with those claiming other work-related benefits is the distance the two groups are from the labour market. More than half of benefit claimants (other than those claiming JSA) have been out of the labour market for **more than five years**. This suggests that many of these individuals will be poorly equipped for work and are likely to lack the up-to-date skills employers need. As the economy has slowed down and the labour market tightened, these people will find it even more difficult to find work.

Chart 3.18: Duration of those on work-related benefits in The Marches – JSA and other work-related benefit claimants compared



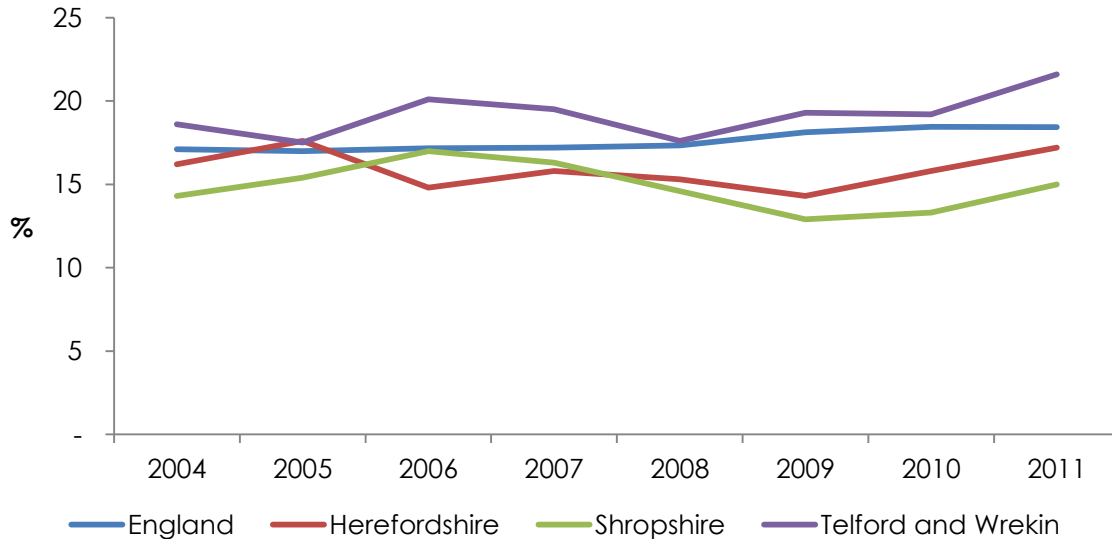
Source: ONS WACG Feb 2012

Even though people claiming Job Seekers Allowance tend to be on benefits for the short term, research has shown that 40% of people leaving JSA make a new claim within six months and without re-skilling they remain vulnerable to moving in and out of work - the 'low pay no pay cycle'. Increasing skills therefore both increases the probability of getting work, and also allows people to stay in work and progress into better jobs. Skills improvement is therefore central to the challenge of working with this wider workless group.

Workless households

Worklessness can have particularly strong impacts on poverty and deprivation when no-one of working age in a household is in work, i.e. workless households. In The Marches, there are an estimated 35,000 workless households (17.5%) a slightly lower proportion than nationally (18.4%). There are considerable differences between local authorities and since 2009 there have been sharper rises in numbers locally than has been evident in England.

Chart 3.19: Trends in the workless household rate by local authority



Source: ONS Working and workless households 2012; Statistical bulletin

4. YOUNG PEOPLE'S PARTICIPATION AND TRANSITION TO THE LABOUR MARKET

Key Points

- 90% of 16-17 year olds participate in some form of learning. Students are more than twice as likely to attend Sixth Form College as average.
- 1460 young people aged 16-18 are classed as NEET (6.8%) compared with 8.1% nationally. Although the figure for The Marches is below average, figures for Telford and Wrekin and Herefordshire are the highest in the West Midlands region.
- 3750 people aged 18-24 are unemployed, and at 7.6%, the youth unemployment rate is above the England rate of 7.3%. Currently the number of young people who have been looking for work for more than 6 months is the highest for a decade and figures have risen sharply in the past 12 months.
- Until last year, attainment in The Marches in terms of the percentage of pupils gaining 5 GCSEs A*-C (including English and Maths) was generally high, but a sharp rise in the pass rate in England between 2010 and 2011 means that for the first time, The Marches has a lower than average proportion achieving this benchmark.
- At Level 3, attainment remains just above the national average.
- 30.8% of students taking A levels have enrolled for STEM subjects, a figure which is in line with the proportion in England.
- 9% of employers in The Marches recruited 16 year old school leavers in the recent past, slightly more than the 7% of employers in England. Conversely, local employers are less likely to take on graduates (7% vs 10%).
- Most employers are satisfied with the skills of their young recruits, although a significant minority consider them poorly prepared for the demands of the workplace. Skills identified as missing are a lack of experience and poor attitude/motivation. More than 1 in 10 employers highlighted weaknesses in literacy and numeracy.
- Numbers of Apprenticeship starts have been rising through time, driven by increasing numbers of Apprenticeships for the over 25s. In contrast, there are fewer 16-18 year olds apprentices now than there were in 2007/08.
- Most Apprenticeships are at Level 2 (58%), however, the proportion of Advanced Apprenticeships has been on a rising trend and they now account for 41% of the total, up from 21% in 2005/06. Demand for Apprenticeships considerably outstrips supply among 16-18 year olds.

Introduction

Recent years have seen significant political changes to the policy environment surrounding young people's education and transition to the labour market. The Education & Skills Act (2008) marked a significant change to young people's learning and the raising of the participation age will require all young people to continue in some form of learning or training until their 19th birthday. The Act

forms part of the Government's wider strategy to improve the knowledge and skills of young people as they move into adult life; raise national competitiveness and meet the skills needs of UK businesses. The reforms also aim to close the achievement gap, recognising that outcomes for some groups of young people remain poor compared to their peers. In the subsequent publication of the White Paper, "The Importance of Teaching, 2010", the Government made clear its continued commitment to raising the participation age, whilst emphasising the need to secure reductions in provision costs per learner.

Other key changes being introduced are greater institutional freedom, more choices and greater complexity, including:

- Conversions of schools to Academy status
- The development of University Technical Colleges
- The push towards Science, Technology, Engineering and Maths (STEM) qualifications and the introduction of the Ebacc
- Changes to fees for university and withdrawal of the Education Maintenance Allowance
- Changes to 'A' levels to make them 'more intellectually stretching' and moves away from modular qualifications
- Implementation of the Wolf Review recommendations
- Changes to the way in which Higher Education is organised and funded

All these changes will impact on the availability of young people in the labour market, their patterns of participation and the skills and qualifications they can offer local employers. In this chapter we set out latest available data on the numbers of young people classed as NEET; youth unemployment data; attainment statistics and employer demand for young recruits. Trends in apprenticeship figures are explored, highlighting the slow growth in the uptake of 16-18 year olds apprenticeships.

Young people not in education, employment or training (NEETs)

Young people who are no longer in learning, work or training are classified as NEET, and nationally, NEET rates have been amongst the highest for a decade. In The Marches, an estimated **1,460** young people aged between 16 and 18 are classed as NEET, equivalent to 6.8% of the cohort, compared with 8.1% nationally. Many more young people have unknown destinations so it is likely that the ultimate figure may well be higher.

Table 4.1: Numbers of NEETs aged 16-18 in Local Authorities in The Marches

	Nos. of 16-18 year olds known to the local authority	16-18 year olds NEET (nos)	% of NEETs	Nos of 'destination not known'	% of 'destination not known'
Herefordshire	5,852	450	7.7%	415	7.1%
Shropshire	9,274	480	5.2%	677	7.3%
Telford & Wrekin	6,223	530	8.5%	1,512	24.3%
The Marches	21,349	1,460	6.8%	2,605	12.2%

Source: DfE NEET statistics Ave for Nov. 2011-Jan 2012

Currently, Telford and Wrekin and Herefordshire have the first and second highest proportions of NEETs in the West Midlands with Telford and Wrekin's figure placing it among the top 20 in country.

There is significant variation by age with NEET rates highest among 18 year olds, who account for 47% of the total in The Marches. In each local authority the proportion of 16 year olds who are NEET is above the national average and this also holds true for 17 year olds in Herefordshire and Telford and Wrekin:

Table 4.2: Numbers of NEETs by age in Local Authorities in The Marches

	Age 16			Age 17			Age 18		
	Estimated number NEET	% NEET	% not known	Estimated number NEET	% NEET	% not known	Estimated number NEET	% NEET	% not known
Herefordshire	90	4.6%	1.4%	140	7.3%	4.8%	220	11.5%	15.3%
Shropshire	110	3.6%	1.6%	160	5.1%	8.0%	210	7.1%	12.3%
Telford & Wrekin	110	5.7%	3.6%	170	8.2%	18.5%	260	12.0%	49.3%
England		2.8%			6.7%			14.5%	

Source: DfE NEET statistics Ave for Nov. 2011-Jan 2012

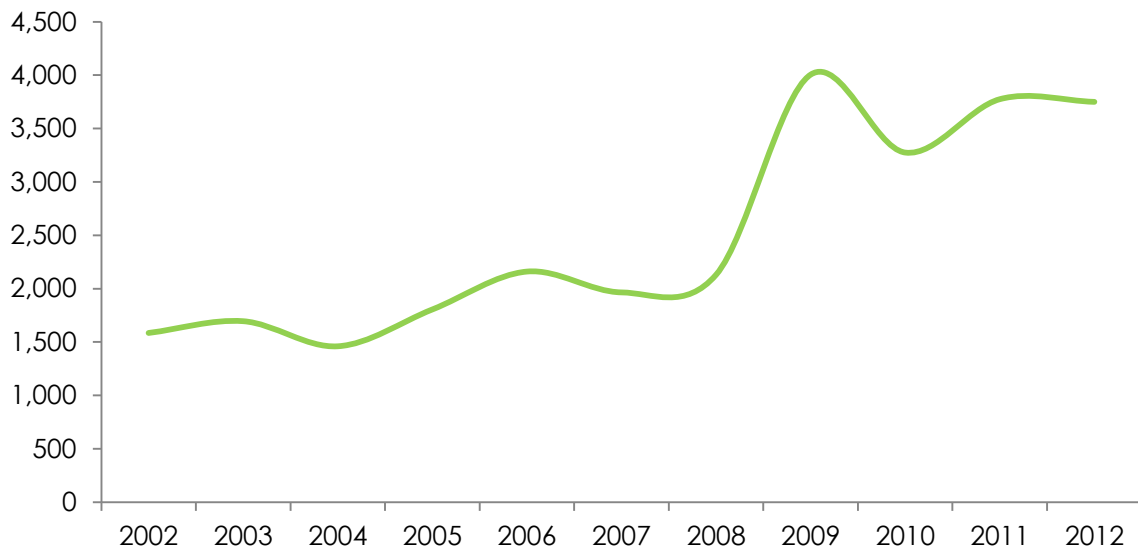
Youth unemployment

Other statistics which demonstrate the numbers of young people who are out of work are Claimant Count statistics. These have the advantage of being up to date but young people are generally not eligible for Job Seekers Allowance and

therefore the data is partial. With that caveat, data shows that currently, **3,750** young people aged 18-24 are unemployed in The Marches; of these, 1045 people are aged under 19 (28%) with the remainder (2705) aged 20-24 years old.

Long term trends show that unemployment among young people peaked in 2009, then fell back in 2010, since when it has risen again and remained high through 2011 to 2012. Currently, at 7.6% the youth unemployment rate is **above** the England rate of 7.3%. Anecdotal evidence from Shropshire suggests that on average, there are 80 young people applying for every available job.

Chart 4.1: Trends in unemployment among 18-24 year olds in The Marches, 2002-2012



Source: ONS Claimant Count (seasonally adjusted) July 2002 – July 2012

Closer analysis of recent trends for 18-24 year olds shows that youth unemployment has grown much faster in The Marches in the past decade (up by 137%) than in England over the same period (an 87% increase). It should be noted, however, that in part, these percentage increases appear large because of the very low base from which they start.

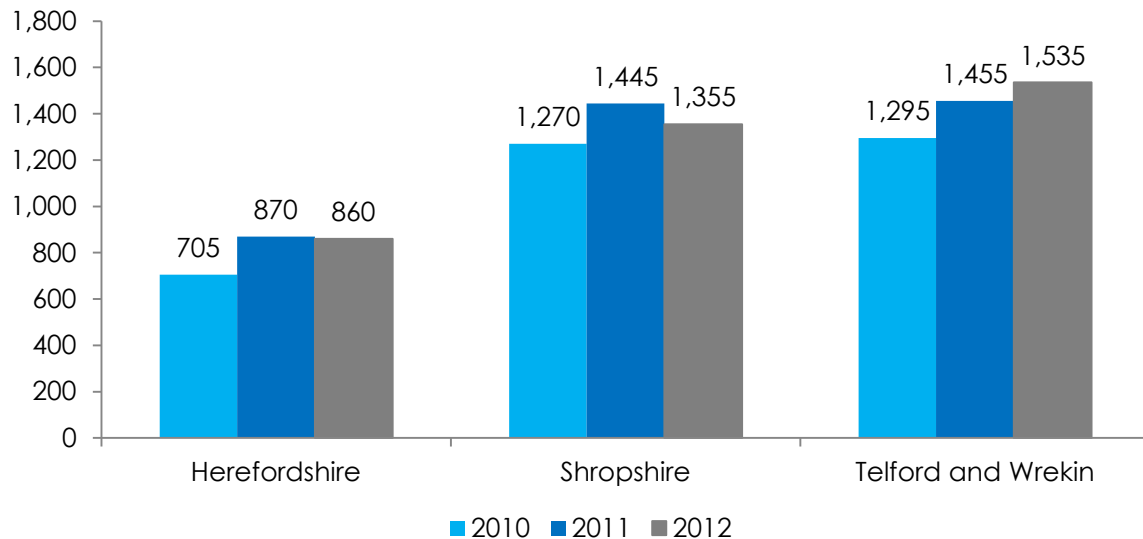
Table 4.3: Change in unemployment among 18-24 year olds in The Marches, 2002-2012

	The Marches	Herefordshire	Shropshire	Telford & Wrekin	England
2002	1,585	365	580	640	193,350
2011	3,775	870	1,445	1,455	363,285
2012	3,750	860	1,355	1,535	362,475
Change 2002-2012	2,190	505	865	815	169,935
% increase 2002-2012	137	136	134	140	87
Change in past year	-25	-10	-90	80	-810
% change 2011-12	-0.7	-1.1	-6.2	5.5	-0.2

Source: ONS Claimant Count (seasonally adjusted) July 2002 – July 2012

As can be seen, the increase in unemployment in the past decade has been fairly even throughout the LEP area. The main difference beginning to emerge is that in the past 12 months there have been modest falls in youth unemployment in Herefordshire and Shropshire contrasting with a 5.5% rise in Telford and Wrekin, contrary to national trends.

Chart 4.2: Recent changes in unemployment among 18-24 year olds by Unitary Authority/County, 2010-2012



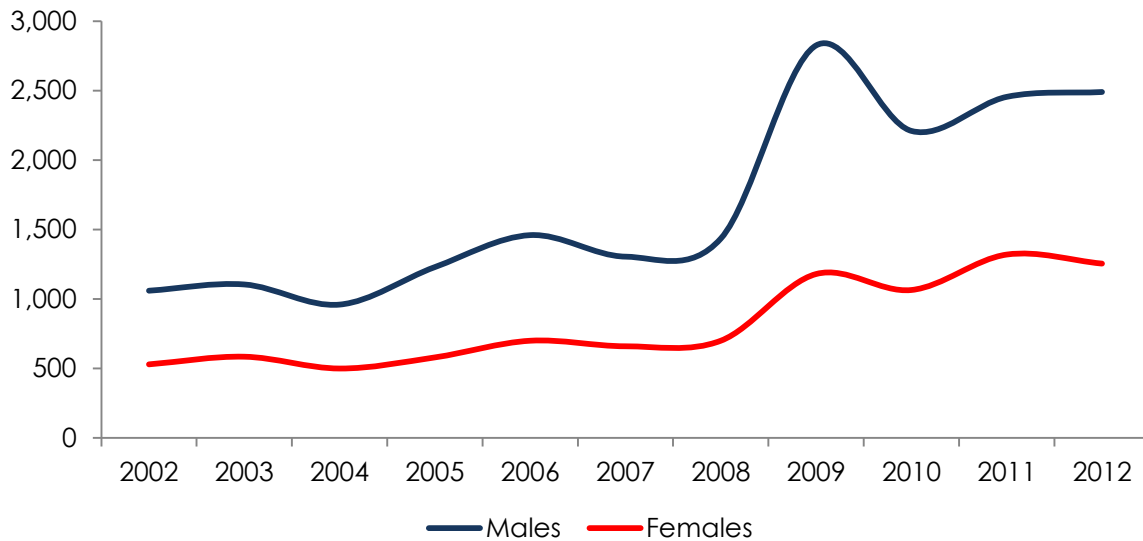
Source: ONS Claimant Count (seasonally adjusted) July 2010 – July 2012

Gender

Latest Claimant Count data for 18-24 year olds shows that in July 2012:

- 1,255 women (34% of the total) and 2,490 men aged 18–24 (66%) were registered as unemployed. These proportions are in line with the national position.
- Young men are consistently more likely to be unemployed than young women.
- The recession has had far less impact on young female unemployment than unemployment among young men (aged 18-24):

Chart 4.3: Unemployment trends among 18-24 year olds in The Marches 2002 - 2012 by gender



Source: ONS Claimant Count July 2002 – July 2012

The ratio of male and female youth unemployment is broadly constant within the different local authorities which make up the LEP sub-region.

Duration

As has been evident from overall unemployment trends, there has been an increase in the time it takes young people out of work to find employment. Trend analysis over the past decade shows that through to 2008 long term youth unemployment rates in England and The Marches closely mirrored each other, but from July 2008, the numbers who are long term unemployed in the LEP area have risen far more steeply than nationally (data indexed to January 2002 for comparative purposes), and reduced by lower amounts during 2010/11. 2012 has seen the numbers of young people who have been looking for work for more than 6 months rise to its highest level in a decade. Currently 1290 people aged 18-24, have been looking for work for more than 6 months, a rise of 530 people in one year:

Chart 4.4: Long term unemployment trends (6 months +) among 18-24 year olds in The Marches and England compared (data indexed to July 02)



Source: ONS Claimant Count July 2002 – July 2012

Table 4.4: Numbers of young people (18-24 year olds) who have been unemployed for more than six months in The Marches; 2002 - 2012

	Numbers seeking work for more than 6 months
July 2002	170
July 2003	175
July 2004	125
July 2005	175
July 2006	345
July 2007	255
July 2008	200
July 2009	610
July 2010	695
July 2011	760
July 2012	1,290

Source: ONS Claimant Count July 2002 – July 2012

Despite this sharp rise, it is only in Telford and Wrekin that the share of long term unemployment among young people exceeds the national share:

Table 4.5: Length of youth unemployment by duration and geography

Numbers	Aged 18-24, claiming for over 6 months	Aged 18-24, claiming for under 6 months	Aged 18-24
Herefordshire	285	575	860
Shropshire	460	895	1,355
Telford and Wrekin	545	990	1,535
The Marches	1,290 (2.6%)	2,460 (5.0%)	3,750 (7.6%)
England	139,310 (2.8%)	223,165 (4.5%)	362,475 (7.3%)
% share			
Herefordshire	33.1	66.9	100.0
Shropshire	33.9	66.1	100.0
Telford and Wrekin	35.5	64.5	100.0
The Marches	34.4	65.6	100.0
England	38.4	61.6	100.0

Source: ONS Claimant Count July 2012

It is clear from recent trends in NEETs and unemployment that the youth labour market is changing and having an adverse impact on young people's access to employment. Although some of this is down to the recession which has had a disproportionate effect on young people, youth unemployment began rising as long ago as 2005 and NEET figures have remained stubbornly high through periods of growth as well as economic downturn. This suggests that there are structural causes to youth unemployment and research by UKCES (The Youth Employment Challenge, 2012) shows that young people are particularly disadvantaged by:

- **Recruitment methods** - with employers favouring informal methods. Young people tend to lack the necessary connections to access opportunities.
- **An emphasis on experience** – recruiters place significant emphasis on experience when recruiting, but young people are increasingly less experienced. Compared with 15 years ago the proportion of young people who combine learning and work has declined significantly.
- **Labour market trends** – young people tend to be employed in two occupations – retail and elementary – both of which are in decline and have been hard hit by recession.
- **A rise in small businesses** – there has been a rise in small businesses which are more likely to recruit informally and expect prior experience.

The impact on young people can be significant and research with college principals in Telford showed that there is a sense of 'depression' and 'disengagement' among school leavers who are concerned about 'the lack of job prospects and the high cost of continuing education'.

Given the raising of the participation age to 18 there is an urgent need to ensure that the education and training young people receive maximises their prospects, otherwise there is a risk of an even greater problem of unemployment post-18.

Attainment

By the age of 19, between 62% and 66% of young people in each of the local authority areas in The Marches attained a Level 2 qualification including English and Maths; above the national average of 60%:

Table 4.6: Percent of young people attaining Level 2 qualifications by the age of 19; trend data 2005-2011

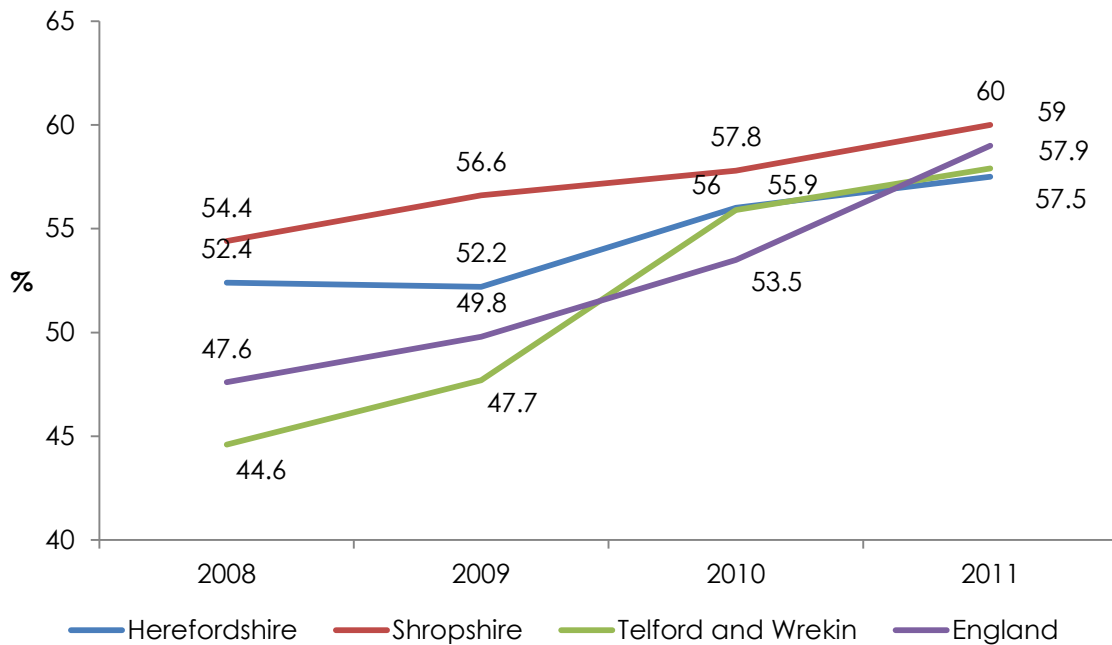
L2 including English and Maths	19 in 05	19 in 06	19 in 07	19 in 08	19 in 09	19 in 10	19 in 11
Herefordshire	55	58	57	57	62	65	64
Shropshire	55	58	58	59	61	65	66
Telford and Wrekin	47	49	51	52	56	58	62
England	45	46	48	50	53	57	60

Source: SFR 05/2012

Although this is positive, Level 2 with English and Maths is now widely regarded as the benchmark for employment and from which to progress in learning, and the corollary of the data is that around 4 out of 10 young people in The Marches (as nationally) do not reach that standard by the age of 19.

Analysis of GCSE trends at 16 which are the main component of the above data, show that significant gains have been made through time, particularly in Telford and Wrekin. However, between 2010 and 2011, the rate of increase in England was particularly strong which means that for the first time in recent history local results (apart from in Shropshire) fell below the national average:

Chart 4.5: Trends in the proportions obtaining 5 GCSEs including English and Maths at Grades A* - C



Source: SFR 05/2012

At Level 3, (2 or more A levels) attainment has risen in each of the local authorities as well as at a national level. Whilst performance in Herefordshire and Shropshire has been consistently above the national average, Telford and Wrekin has made considerable progress in closing the gap and performance is now just below the English figure:

Table 4.7: Percent of young people attaining Level 3 qualifications by the age of 19; trend data 2005-2011

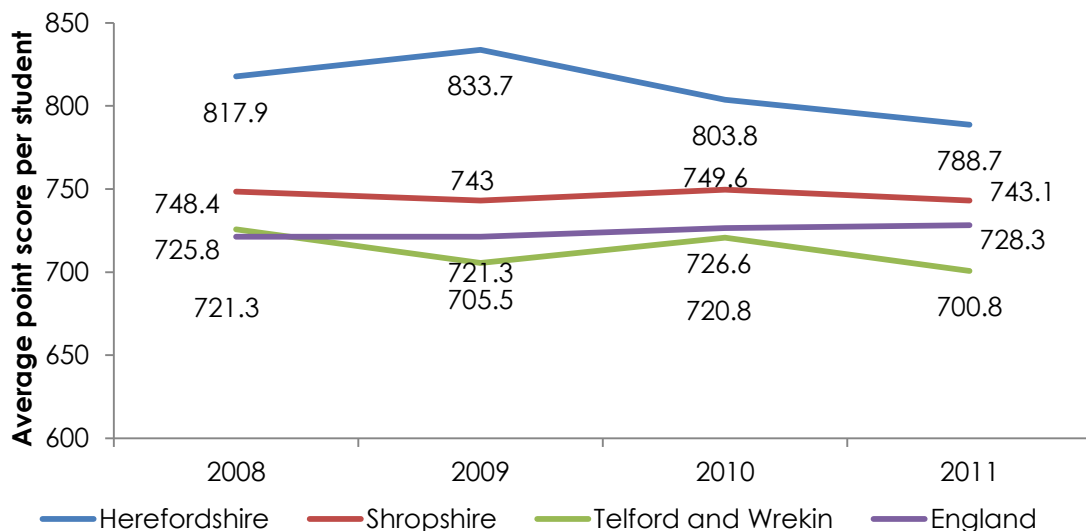
Level 3	19 in 05	19 in 06	19 in 07	19 in 08	19 in 09	19 in 10	19 in 11
Herefordshire	45	48	48	48	52	53	54
Shropshire	45	47	47	48	50	54	54
Telford and Wrekin	38	43	42	43	47	48	52
England	42	44	45	46	48	51	53

Source: SFR 05/2012

Another perspective on attainment is given through analysis of A level results (whereas the above table includes all Level 3 qualifications including for instance, BTEC and HND results). A level results are presented in terms of a points score per exam entry and also as points score per student. These measures take account of the fact that some students may sit three or more GCE A Levels, whilst others may sit only two, i.e. this would produce an unfair student-to-student comparison, hence the availability of a points score per entry for those instances.

It shows that in comparison with England, which has seen a steady rise in average point score per student since 2008, each of the local authorities in The Marches have seen a decline in performance between 2010 and 2011. Otherwise, as with GCSE attainment, Herefordshire and Shropshire are above the national average and Telford and Wrekin below it (although figures per entry show much less difference):

Chart 4.6: Average A level point score per student by local authority; trend data 2005-2011



Source: SFR01/2012

STEM qualifications

In recent years public policy debate around skills has focused to an increasing extent on the demand side, exploring on how best to match the demand for economically useful skills with the supply of people who have those skills. With regard to advanced manufacturing and engineering – i.e. the sorts of sectors that the Herefordshire Enterprise Zone is seeking to attract, there is, for example, a “strong preference” from business for graduates from science, technology, engineering and mathematics (STEM) subjects. Ensuring that employers have the right skills is therefore a major concern for the EZ as well as The Marches and the UK as a whole.

The supply of graduate engineers is influenced by a range of factors but is ultimately dependent on the supply of young people who perform well in the required A level (or equivalent) subjects. In turn this depends on the choices made and performance at GCSE (or equivalent). In The Marches, 30.8% of students have opted for STEM subjects, a little above the national average of 30.0%. Locally, interest is much higher in ‘Other Science’ than average and slightly below average in Maths and Further Maths, but the pattern is broadly similar.

Table 4.8: STEM A level entries, The Marches and England 2009/10 – 2011/12

STEM subject	2010/11 (Nos.) The Marches	% of all A Level entries - The Marches	% of all A Level entries - England	% change in entries from 2009/10 The Marches	% change in entries from 2009/10 England
Biological Sciences	652	7.1	6.8	4.2	4.5
Chemistry	464	5.0	5.2	7.4	7.8
Physics	330	3.6	3.5	1.5	7.4
Other Science	211	2.3	0.6	12.2	0.1
Mathematics	765	8.3	9.1	8.8	9.4
Further Mathematics	83	0.9	1.2	-10.8	6.4
Design and Technology	153	1.7	1.9	5.5	-1.6
Computer Studies	61	0.7	0.5	29.8	-4.2
ICT	114	1.2	1.2	-35.2	-4.8
STEM Total	2,833	30.8	30.0	3.6	5.8
ALL A Levels	9,202	100.0	100	-1.8	0.3

Source: SFR 27/2011

This is an encouraging finding suggesting that local students are gaining the scientific and engineering qualifications needed for progression to high level STEM qualifications.

Recruitment of, and satisfaction with, those leaving education

Data from the Employer Skills Survey 2011 provides insight into both the incidence of recruitment of young people by local businesses and how well prepared employers believe young people to be in relation to the demands of the workplace.

Overall, one-in-four employers in The Marches reported having recruited someone directly from education over the proceeding 2-3 years. This was just 1% higher than the figure found across England as a whole.

Table 4.9 provides details of the percentage of firms that report recruiting different types of education leaver over the previous 2-3 years by different spatial dimensions. Both Shropshire and Telford & Wrekin had a slightly higher level of recruitment than the national average whereas Herefordshire was 2% below the average.

The data also suggests that more local employers recruited school leavers aged 16 than the national average but that fewer employers recruited those leaving university and other HE institutions.

Table 4.9: Incidence of recruitment from education in last 2-3 years

	Herefordshire	Shropshire	Telford & Wrekin	The Marches	England
Any education leaver	22%	26%	26%	25%	24%
16 year olds recruited to first job	7%	9%	9%	9%	7%
17-18 year old school leavers	9%	9%	9%	9%	9%
17-18 year old college leavers	6%	10%	8%	8%	8%
University and HE leavers	8%	6%	8%	7%	10%

Base: All establishments

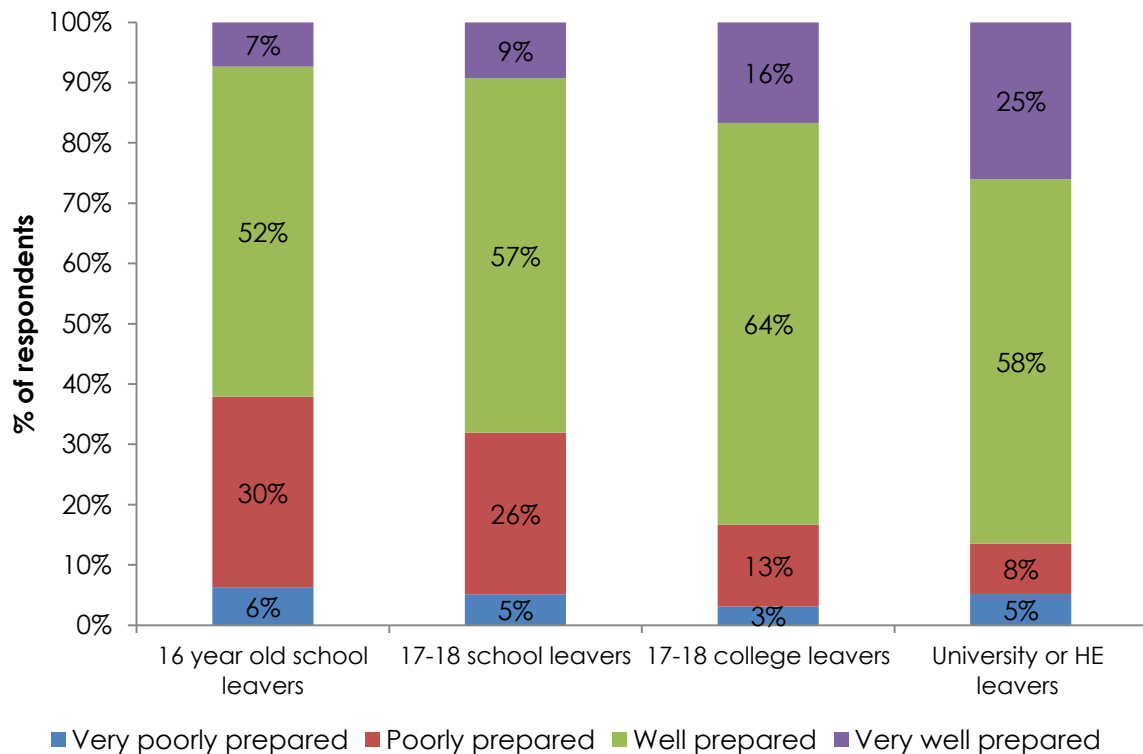
Source: Employer Skills Survey 2011

Chart 4.7 presents information on how well prepared local employers believe different types of education leaver to be. Across all four groups more employers believe education leavers to be “well prepared” or “very well prepared” than those which feel them to be “poorly prepared” or “very poorly prepared”. The perceived level of work-readiness does, however, increase with the amount of time spent in education. For example, only 59% of employers which had employed a 16 year old school leaver believed them to be “well prepared” or “very well prepared”. This compares to 80% of employers of college leavers and 83% of university and HE leavers.

The data for The Marches area shown in Chart 4.7 matched closely that found for England as a whole, which also shows that the perceived level of work-readiness increases with duration in education. The one significant difference between the data for The Marches and England was in relation to 17/18 FE leavers where only 16% of employers from the local area rated young people as “poorly” or “very poorly prepared” as compared with 24% nationally, suggesting local colleges may be doing a better job of preparing young people.

It is, however, somewhat concerning that approximately one-third of all employers of school leavers (at age 16 and 17/18) believe young people to be either “poorly prepared” or “very poorly prepared” for the demands of the workplace.

Chart 4.7: Perceived work-readiness of education leavers in the last 2-3 years



Base: All establishments which have recruited education leavers of each type in last 2-3 years
Source: Employer Skills Survey 2011

As highlighted in Table 4.10, employers identify broadly the same skills as missing amongst all three groups of education leavers, with a lack of work/life experience being either first or second highest. Problems to do with poor attitude/personality and motivation are also highlighted as key deficiencies with all groups. Perhaps, encouragingly, relatively few employers identified a general poor education as a key skills gap, although problems related to literacy and numeracy deficiencies were identified by more than one-in-ten employers.

Table 4.10: Skills lacked by education leavers (% of employers)

	16 year old school leavers	17-18 year old school leavers	17-18 year old FE college leavers	University & HE leavers
Lack of work/life experience	54	49	60	*
Poor attitude/personality/motivation	34	54	42	*
Lack of skills or competences	23	13	43	*
Lack of common sense	14	17	29	*
Literacy/numeracy skills	14	22	10	*
Poor education	7	6	3	*

* = Too small sample size

Base: Establishments which have recruited education leavers of each type in last 2-3 years and which had rated preparedness as very poor or poor

Source: Employer Skills Survey 2011

Apprenticeships

Apprenticeships are at the heart of the government's drive to equip people of all ages with the skills employers need to compete effectively in a global market. Despite cuts to the budget of the Skills Funding Agency of 4% in 2011/12, the total national budget for apprenticeships has risen by 88% and the government expects to invest £1.5bn in apprenticeships in the coming financial year.

Recently, a number of measures have been introduced to ensure that apprenticeships remain a high quality option. To this end, in April 2012 it was announced that:

- All apprenticeships will be a minimum length of 12 months as from August 2012 (with some exceptions for the over 19s if they can demonstrate prior attainment of qualifications);
- 30% of the guided learning hours have to be delivered 'off the job';

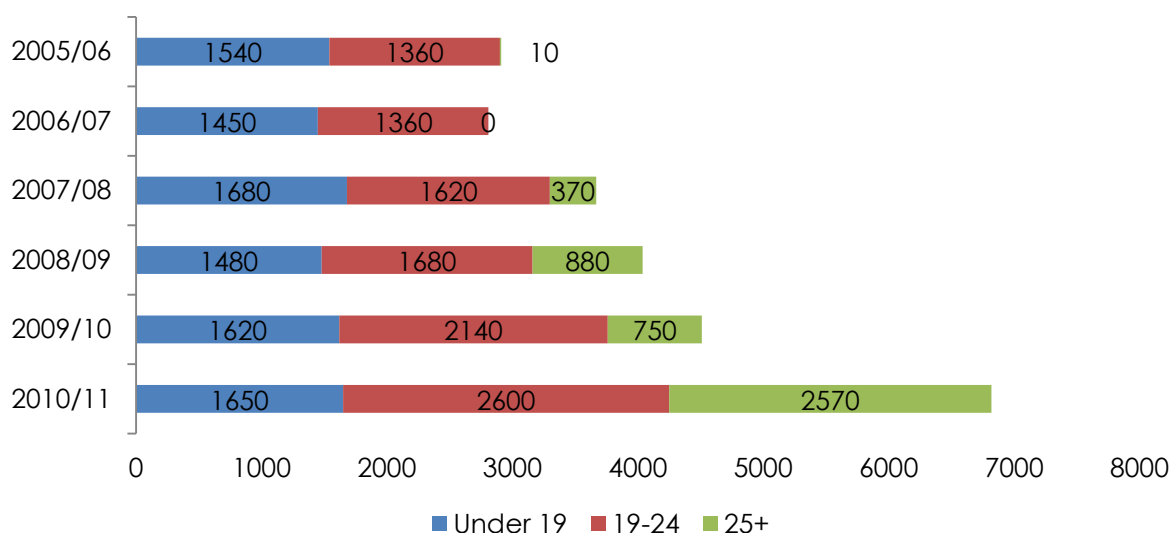
- All apprenticeships must offer Functional Skills or English and Maths to Level 2 for those trainees who do not possess them.

The government has also committed to improving standards by:

- reshaping apprenticeships so that technician-level – Level 3 – becomes the level to which learners and employers aspire;
- broadening the range of apprenticeship Frameworks that are available, enabling people to use apprenticeships to access and progress in a wider range of occupations;
- developing apprenticeships as a foundation for higher-level learning, including foundation degrees and other forms of HE;
- Promoting apprenticeship uptake among smaller firms and in sectors where take-up has historically been low.

Locally, statistics from the National Apprenticeship Service show that the numbers starting apprenticeships have been rising swiftly since 2005/06. This increase has largely been driven by *adult* apprenticeships which have increased dramatically, whereas apprenticeships among 16-18 year olds in The Marches have increased slowly, at an average rate of 22 young people per year. As a consequence, the proportion of apprenticeships accounted for by the under 19s has reduced through time and has fallen from 37% three years ago to 24% in 2010/11:

Chart 4.8: The number of apprenticeship starts in The Marches, 2005/06 to 2010/11



Source: NAS: Apprenticeships Programme Starts January 2012

Currently, most of the apprenticeships starts (58%) in The Marches are at Level 2 with just over 4 out of 10 accounted for by Advanced apprenticeships (Level 3). Nevertheless, numbers of Advanced apprenticeships have been rising fast and have risen as a proportion of the total from 21% in 2005/06 to 41% in the past year:

Table 4.11: The number of apprenticeship starts in The Marches by level, 2005/06 to 2010/11

	Intermediate	Advanced	All
2005/06	1990	910	2900
2006/07	1770	1040	2810
2007/08	2230	1420	3660
2008/09	2130	1900	4030
2009/10	2470	2040	4530
2010/11	3980	2810	6820

Source: NAS: Apprenticeships Programme Starts January 2012

Latest figures for the first three quarters of 2011/12 are encouraging, in that compared with the equivalent period for 2010/2011 starts have risen faster in The Marches (up by 23.2%) than in England (up 17.3%), with particularly strong growth among 19-24 year olds. As can be seen, growth in apprenticeships for the under 19s remains low:

Table 4.11: Percentage change in the number of apprenticeship starts in The Marches and England (first three quarters of 2011/12 compared with equivalent period one year earlier)

	The Marches	England
Under 19s	1.3	1.6
19-24s	24.8	15.8
25+	39.3	31.9
All	23.2	17.3

Source: NAS: Apprenticeships Programme Starts January 2012

It was noted earlier, that apprenticeships are a minority destination for 16-18 year olds accounting for 5.5% of post 16 destinations in The Marches. Analysis further shows that there are significant differences in the most popular frameworks for under 19 starts across the LEP area, but it is not clear whether this reflects supply or demand.

Top three choices, showing number of under 19 starts in brackets:

Herefordshire: Health and Social Care (89); Business Administration (69) and Children's Care (30) and Hairdressing (30) were joint third.

Shropshire: Engineering (96); Business Administration (70) and Hairdressing (62).

Telford and Wrekin: IT and Telecoms (81); Business Administration (78) and Engineering (37).

Of course, figures for The Marches have to be treated with some caution in that the RAF is a major provider of apprenticeships for recruits based at RAF Cosford which skews the data for Shropshire and hence The Marches LEP. It is likely that the significant number of Engineering starts in Shropshire are accounted for largely by the RAF, which would mean that service sector apprenticeships predominate.

During 2010/11 the most commonly advertised apprenticeship vacancies posted on the National Apprenticeship Service Online Vacancy Service were in Business Administration, Retail and Engineering.

An indication that it is the **supply** of apprenticeships which limits this route as a post 16 destination is available from Herefordshire Connexions which reported that earlier this year 1,780 young people were actively looking for apprenticeships, but only 28 vacancies were being advertised. Further weight is given to this analysis by examining the number of applications for apprenticeship vacancies posted on the National Apprenticeship Service Online Vacancy Service. This shows that:

- In Telford and Wrekin 29 young people were chasing 1 apprenticeship opportunity in the Leisure, Travel and Tourism sector;
- Despite the relatively high number of apprenticeships advertised in the Engineering and Manufacturing sectors in Telford and Wrekin, 11 applicants are chasing each opportunity;
- There is least competition for vacancies in Herefordshire.

Table 4.12: Average under 19s applications for apprenticeships per vacancy

Full year 2010/11	Number of Apprenticeship vacancies (for all ages)				Average no. of applicants aged under 19 for each vacancy		
	Heref.	Shrops.	Telford and Wrekin	The Marches	Heref.	Shrops.	Telford and Wrekin
Agriculture, Horticulture and Animal Care	5	13	1	19	1.6	3.9	5
Arts, Media and Publishing	0	1	1	2	0	5	8
Business, Administration and Law	51	176	121	348	3.9	7.3	8.8
Construction, Planning and the Built Environment	1	28	8	37	12	3.4	5.6
Education and Training	0	4	0	4	0	7	0
Engineering and Manufacturing Technologies	11	55	107	173	4.1	7.6	11.1
Health, Public Services and Care	29	50	11	90	1.4	8.2	8.2
Information and Communication Technology	3	21	20	44	8.7	10.6	7.1
Leisure, Travel and Tourism	1	40	1	42	0	0.9	29
Retail and Commercial Enterprise	32	97	45	174	1.9	6.8	9.9
Science and Maths	0	0	0	0	0	0	0
Unknown	0	0	0	0	0	0	0

Source: NAS Quarterly MI reports July 2012

In the words of the Wolf Review: “Put briefly, there are too few apprenticeships and enormous excess demand for places, especially on Advanced (Level 3) Apprenticeships”. It continues: “Our current system is ineffective in providing enough apprenticeships for 16-18 year olds. In 2009 only 6% of employers recruited any 16 year olds (including apprentices) and only 11% recruited any 17 or 18 year olds. By contrast, a quarter of young people born in 1958 acquired a traditional apprenticeship, typically at age 15 – considerably more in the case of males. Today, 16 and 17 year olds are faced with enormous excess demand for

high-quality apprenticeships and employers who... prefer to recruit from older age-groups." Review of Vocational Learning – The Wolf Report March 2011

Research by Shropshire County⁴ suggests that a lack of awareness of apprenticeships affects levels of demand. Almost half of employers (44%) interviewed had no understanding of the cost of an apprenticeship and whilst an estimated 10% of employers in Shropshire offer apprenticeships (of all ages), 17% would be prepared to consider it. This suggests that there is considerable latent demand and scope for improved marketing of the programme across the LEP area.

⁴ Shropshire Employer Survey 2012, preliminary results

5. TRAINING AND WORKFORCE DEVELOPMENT

Key Points

- In the past 12 months 58% of employers in The Marches have trained their staff.
- The propensity to train rises with firm size, thus while 55% of small firms with under 5 employees provide training this rises to 97% of firms with more than 100 employees.
- Employers in identified priority sectors have a greater likelihood of training.
- The main type of training supplied is job-specific (81%), with Health and Safety training as the next most commonplace form of training.
- Local employers are considerably less likely to provide management training (25% compared with 34% nationally) and supervisory training (26% compared with 32% nationally) than average.
- An estimated 11% of all employees have received training that will lead to a qualification, mostly at Level 2.
- Caring, leisure and other services staff are most likely to receive training and managers and machine operatives the least.
- Only 38% of managers in The Marches have received training compared with 45% across the UK.
- Local employers are a little more likely than average to consider that their staff do not need training and that training is not a priority.
- Following on from this, employers in The Marches are less likely to have a training plan, business plan or training budget.

Introduction

Since an estimated 80% of the workforce of 2020 is already in employment, upskilling of the workforce will be a key route to raising skill levels to meet employers' future needs. Of particular interest to skills supply, therefore, is the volume of training undertaken by employers. The statistics in this chapter are drawn from the major UK wide, Employers' Skills Survey 2011 and include analysis of:

- The extent of training in The Marches;
- Types of training;
- The occupational distribution of skills development; and
- The extent to which local employers have formal procedures for planning training.

Patterns of training

In the last 12 months **58%** of establishments in The Marches had provided training for one or more of their employees, an identical proportion to the national figure. On average, employers have delivered training to 146,664 employees in The Marches, equivalent to around 5.5 people per employer.

Within the LEP area, there are some differences in training supply with fewest employers in Herefordshire offering training (54%) contrasting with relatively high levels of training in Shropshire (60%) and Telford and Wrekin (61%).

Although we do not have past data to assess recent trends locally, at a national level, training volumes have been broadly stable.

Asked what types of training they delivered, employers in The Marches were somewhat less likely to deliver a mixture of both on the job and off the job training (25%) than nationally (28%). However, employers are a little more likely to provide off the job training than nationally (15% of employers compared with 13% in the UK). The key difference between on and off the job training is that off-the-job training tends to be a more formal or structured approach to training and therefore more likely to lead to qualifications. In turn, off the job training is more likely to improve workforce qualifications at intermediate levels.

Table 5.1: Types of training offered in past 12 months: The Marches and UK compared

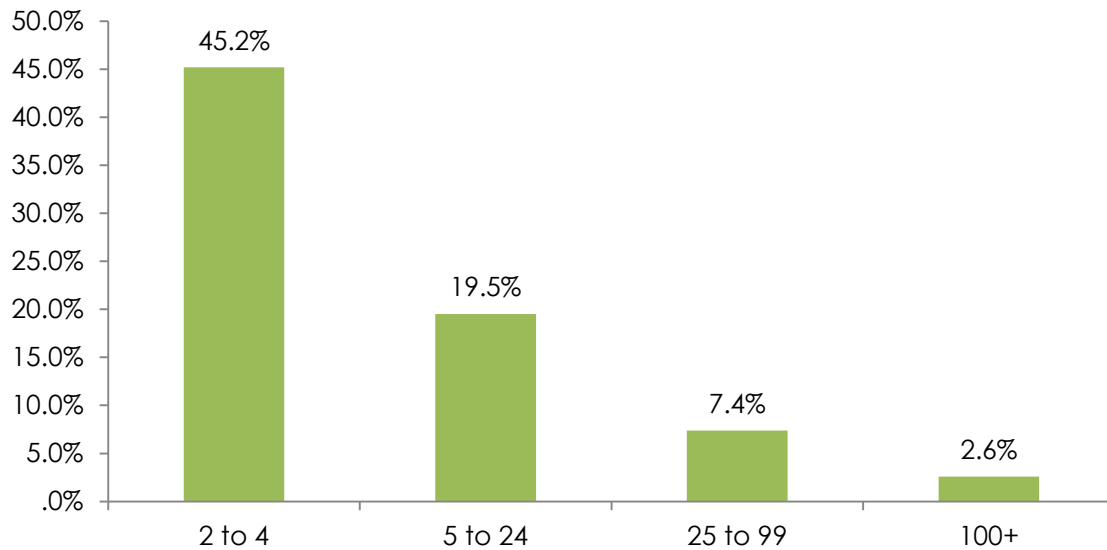
	The Marches	UK
Provide both off-the-job and on-the-job training	25	29
Provide off-the-job training only	15	13
Provide on-the-job training only	18	17
Provide neither off-the-job nor on-the-job training	42	41
	100	100

Base: All employers

Source: Employers Skills Survey 2011

Some of the differences in types and volumes of training may be explained by the size of businesses in the economy; small businesses are least likely to train and of those that do train, that training is more likely to be informal, on-the-job training. As the chart below shows, almost all major employers train but almost half of micro businesses do not provide staff training:

Chart 5.1: Propensity to train in past 12 months by firm size: proportions providing no training



Base: All employers

Source: Employers Skills Survey 2009

It is encouraging to note that all the industries identified as priority sectors are more likely to train than average. In particular, amongst Advanced manufacturing and Defence and security industries there is a strong emphasis on off-the-job training and the LEP will wish to ensure that these key employers can access appropriate training locally:

Table 5.2: Types of training offered in past 12 months by priority sectors

	Env. technologies	Advanced Manf	Tourism	Defence and security	Food and drink	Social Enterprises
Provide both off-the-job and on-the-job training	39.7	36.7	41.1	35.3	40.0	60.1
Provide off-the-job training only	14.3	23.7	4.9	32.7	14.3	13.8
Provide on-the-job training only	11.2	11.7	14.6	4.5	29.0	11.2
Provide neither off-the-job nor on-the-job training	34.8	27.9	39.5	27.5	16.8	14.9

Base: All employers

Source: Employers Skills Survey 2009: Note data for sectoral analysis not available from 2011 data

Analysis of the types of training provided by employers shows that the main training supplied is job-specific (81%), with Health and Safety training the next most commonplace form of training. Otherwise, the main forms of training focus on training in new technology (41%), Management training (25%) and Supervisory training (26%) – all of which are provided at lower levels than

nationally, especially in the case of management training. Overall, 29% of those who provide training in The Marches focus largely on induction or health and safety training, a proportion similar to national findings:

Table 5.3: Types of training provided in the past 12 months

	Herefordshire	Shropshire	Telford and Wrekin	The Marches	UK
Job specific training	86%	76%	87%	81%	84%
Health and safety/first aid training	66%	69%	76%	69%	71%
Induction training	42%	42%	54%	44%	52%
Training in new technology	38%	43%	42%	41%	47%
Management training	26%	23%	32%	25%	34%
Supervisory training	26%	23%	36%	26%	32%

Base: All employers who provide training
Source: Employers Skills Survey 2011

By geography, key differences are:

- High levels of Health and Safety and induction training in Telford and Wrekin;
- Below average levels of training in new technology across all local authorities, but especially in Herefordshire;
- Particularly low levels of management and supervisory training in Shropshire.

A minority of employers (41% locally compared with 43% in the UK) who provided training to their staff had trained them to a recognised qualification, (equivalent to 24% of all employers). This training involved approximately 11% of staff or 32,000 people.

Of those who train to a qualification, more employers train their staff to Level 3 qualifications than any other levels. Survey results suggest that in the 12 months preceding the fieldwork, 17% of those who provided training had trained staff to Level 3 qualifications. Slightly fewer establishments had trained staff to Level 2 qualifications (13 per cent of employers who trained). 9% of all employers had trained to Level 4 or higher qualifications in the last 12 months and 8% to Level 1 qualifications. More local analysis shows some differences by geography with

employers in Shropshire and Telford and Wrekin equally likely to train staff to Levels 2 and 3.

Although slightly more employers had trained staff to Level 3 than Level 2 qualifications in the last 12 months, more staff had been trained to Level 2 than to any other level. Results suggest that 8,771 employees had received training intended to lead towards a Level 2 qualification in the last 12 months, equivalent to 3.1 per cent of all employees. Just under 6,500 had received training intended to lead towards Level 3 qualifications, 3,995 staff had received training intended to lead towards Level 4 or higher qualifications and 3,700 to Level 1 qualifications.

Comparison with the UK shows that the proportion of staff trained to each level is **below** the national average:

Table 5.4: Numbers and proportion of staff trained to each level; The Marches and UK compared

	Nos (The Marches)	% of all workforce trained (The Marches)	% of staff trained in the UK
Level 1	3727	1.3	1.4
Level 2	8771	3.1	3.7
Level 3	6444	2.3	2.7
Level 4 and above	3995	1.4	2.0

Base: All employers who provide training
Source: Employers Skills Survey 2011

Within The Marches, employers in Herefordshire train far higher proportions of staff to Level 3 than employers in Telford and Wrekin, where the main focus of attention is Level 2:

Table 5.5: Percent of staff trained to each level by local authority

	% of all workforce Herefordshire	% of all workforce Shropshire	% of all workforce Telford and Wrekin
Level 1	1.5	1.4	1.1
Level 2	3.2	2.4	4.1
Level 3	3.5	2.0	1.7
Level 4 and above	2.2	1.3	0.9

Base: All employers who provide training
Source: Employers Skills Survey 2011

Training volumes

On average, trainees had received 7.7 days training in the previous 12 months compared with 7.8 in the UK. More in depth analysis shows that this below average figure is driven by Herefordshire. Not only are Herefordshire employers less likely to train their staff in the first place (54% re 58% in England), those that do train are also more likely to deliver the lower volumes of training:

Table 5.6: Average number of days training per annum provided by employers in The Marches

Local Authority	Average number of days training per trainee
Herefordshire	6.6
Shropshire	8.1
Telford and Wrekin	8.6
The Marches	7.7
UK	7.8

Note: The term trainee is used to refer to anyone who has received training.

Base: All employers who provide training

Source: Employers Skills Survey 2011

Training by occupation

In common with well-established patterns, the training provided to staff varies by occupation. In The Marches, those most likely to have received training are Elementary staff – 1 in 6 of all trainees is in this occupational category – far more than nationally. Knowledge of the local economy suggests that it is likely that this training revolves around induction and health and safety training for short term workers; training which will do little in the long term to drive up the skills and qualification base of the workforce.

Table 5.7: Distribution of trainees by occupation; percentages in each occupation receiving training

Profile of training by occupation	Herefordshire	Shropshire	Telford and Wrekin	The Marches	UK
Managers	16.7	18.3	15.7	17.1	16.9
Professionals	7.0	12.8	9.4	10.1	13.3
Associate professionals	2.2	4.0	1.9	2.9	7.0
Administrative/clerical staff	11.9	11.4	9.9	11.2	11.3
Skilled trades occupations	6.3	9.6	19.4	10.9	7.0
Caring, leisure and other services staff	16.5	14.9	7.5	13.6	11.3
Sales and customer services staff	9.3	9.1	12.3	9.9	17.0
Machine operatives	8.9	3.6	9.5	6.8	6.3
Elementary staff	21.1	16.3	14.4	17.5	13.3
Total	100.0	100.0	100.0	100.0	100.0

Base: All employers who provide training

Source: Employers Skills Survey 2011

Key points to note are:

- In Herefordshire more than 1 in 5 trainees are Elementary staff, almost twice the national average.
- Reflecting the very different nature of the local economies, in contrast, the emphasis of training in Telford and Wrekin is on Skilled trades (19.4% of all training).
- Only in Shropshire does training involve higher proportions of Managers than average:

However, the distribution of training as shown in the above table is also likely to reflect the make up of the workforce and more Elementary staff may receive training simply because they account for a greater proportion of staff than nationally. A more appropriate basis for comparison, therefore, is to analyse the percentage of staff in each occupation who receive training. This provides a different perspective which shows that in The Marches, caring, leisure and other services staff most likely to receive training and managers and machine operatives the least. This broad pattern differs somewhat from the average in that:

- Generally, employers in the LEP area train **lower** proportions of their staff in most occupations with the exception of associate professionals and elementary staff.
- Employers in the Marches are far less likely than average to train their professional staff (48% re 61% in UK).

- It was noted earlier that employers in The Marches were less likely to provide management and supervisory training than average and this is supported by the well below average proportion of managers receiving training (38% re 45 % in the UK):

Table 5.8: Proportion of workers trained in each occupation; The Marches and UK compared

Number trained as % of current employment base	The Marches	UK	Difference (ppts)
Managers	38	45	-7
Professionals	48	61	-13
Associate professionals	58	56	+2
Administrative/clerical staff	44	45	-1
Skilled trades occupations	47	55	-8
Caring, leisure and other services staff	61	70	-9
Sales and customer services staff	45	55	-10
Machine operatives	37	47	-10
Elementary staff	49	48	+1

Base: All employers who provide training
Source: Employers Skills Survey 2011

Only 58% of employers who provide training formally assess the impact of that training compared with 65% in the UK, suggesting that local employers are less likely to be able to gauge value for money from their training than average.

Reasons for not providing training

Most employers who did not provide training in the last year did not do so because they considered their staff to be fully proficient. This reason has remained fairly constant through time and is unlikely to have changed much locally in recent years.

Supply side reasons for not providing training were not significant (e.g. no available training in subject (4%), courses too expensive (1%), start dates inconvenient (1%) providers unsatisfactory (1%)). As can be seen, responses closely match the national picture although local employers are a little more likely than average (11% vs 9%) to consider that training is 'not a priority'.

Table 5.9: Reasons employers give for not providing training (multi response)

Reason for not training	The Marches	UK
All our staff are fully proficient / no need for training	67%	64%
Training is not considered to be a priority for the establishment	11%	9%
No money available for training	8%	10%
No training available in relevant subject area	4%	6%
Managers have lacked the time to organise training	4%	3%
Learn by experience/Learn as you go	3%	2%
External courses are too expensive	1%	2%
Employees are too busy to undertake training and development	2%	2%
Small firm/training not needed due to size of establishment	1%	2%
Employees are too busy to give training	1%	1%
Business not operating long enough/New business (inc. takeover transition)	1%	1%
Trained staff will be poached by other employers	1%	1%
I don't know what provision is available locally	*%	1%
The courses interested in are not available locally	1%	*
The start dates or times of the courses are inconvenient	1%	1%
No new staff (only train new staff)	*%	*
The quality of the courses or providers locally is not satisfactory	1%	*
Difficult to get information about the courses available locally	1%	*
Other	4%	*
No particular reason	5%	5%

Base: All employers who provide training

Source: Employers Skills Survey 2011

Training infrastructure

Not only does the level of commitment to training vary from employer to employer, but so does their overall approach. Training can be viewed on a spectrum from ad hoc responses to day to day issues at one end, to the

development and delivery of workforce training as part of an integrated strategy at the other.

An indication of the positions employers take is offered by the extent to which firms take on training infrastructure, for example, a business plan, a training plan, and a training budget. In the same vein, employers were also asked what proportions of their staff had formal job descriptions and annual performance reviews. In these respects, employers in The Marches are broadly in line with the national pattern.

However, within these overall figures there are marked intra LEP differences with employers in Telford and Wrekin – no doubt reflecting their larger size- being far more likely than average to have adopted formal measures such as training budgets and the like, with Herefordshire employers least likely to have adopted such measures:

Table 5.10: Formalisation of training by employers; percentages with different plans/ budgets

	Herefordshire	Shropshire	Telford and Wrekin	The Marches	UK
Business plan specifying objectives for the coming year	51	56	63	56%	n/a
A training plan	30	30	41	32%	38%
Budget for training expenditure	21	24	32	24%	29%
Any of the above	60	64	73	64%	45%
All of the above	12	16	21	16%	n/a
None of the above	40	36	27	36%	36%
All staff have a formal job description	46	61	60	56%	n/a
Establishments where staff do not have an annual performance review	60	46	37	49%	n/a

Base: All employers

Source: Employers Skills Survey 2011

Analysis by priority sectors shows a far greater degree of 'formalisation' of training than average, with 1 in 3 Defence and security and Advanced manufacturers having a business plan, training plan and budget:

Table 5.11: Formalisation of training by employers by sector; percentages

	Env. technologi es	Advance d Manf	Touris m	Defenc e and security	Food and drink	Social Enterprise s
Have business plan, training plan and budget	24.4	34.5	25.2	33.8	15.5	48.0

Source: National Employers Skills Survey 2009

6. FUTURE EMPLOYMENT, SKILLS AND QUALIFICATIONS

Key Points

- Total employment fell by 2.7% between 2005 and 2010 and is not expected to begin to recover until after 2015, which is later than in England generally.
- Between 2015 and 2020 employment is predicted to increase by approximately 4% with the proportion accounted for by part-time and self employment rising faster than full-time employment.
- Women are forecast to take-up 11,000 of the 12,000 additional jobs generated between 2015 -2020 which is a greater share than that witnessed nationally. As a result of the increase in female employment the workforce will be almost perfectly gender balanced by 2020.
- The employment forecasts of individual sectors of the economy are forecast to vary significantly over the next ten years with business support services, construction and professional services all likely to witness the strongest growth.
- The employment prospects of the six key sectors identified by the LEP also vary significantly with forecast growth amongst the food & drink, tourism and security industries but contraction in advanced manufacturing.
- The occupational profile of the area's workforce is also set to continue to evolve with more managers, professionals, associate professionals and caring, leisure and other services. Total employment volumes amongst many lower order occupations, such as elementary roles, will continue to decline.
- Overall The Marches labour market will need to recruit approximately 132,000 new recruits over the period 2010-2020. Most of this will be to fill vacancies left by people leaving the workforce or moving out of the area.
- When the impact of replacement demand is factored in all occupations will need to recruit new employees over the next decade but demand will be particularly high amongst professionals.
- In order to meet the needs of an economy using more managers, professionals and associate professionals the qualifications profile of the workforce will have to change. Overall there is a need for 9% more of the workforce to hold degree level qualifications by 2020 than was the case in 2010. There will be a significantly lower demand for people with low or no qualifications in the future.
- Only one-quarter of jobs will be open to people with qualifications below level 2 in the future. Given that roughly one-third hold low or no qualifications today this would suggest a significant proportion of the workforce would be permanently unemployed even in a much more buoyant labour market.
- The occupational profile of demand varies significantly between the key sectors identified by the LEP. Food & drink requires new recruits in a wide variety of occupations whereas the tourism sectors needs particular concentrations of managers and elementary occupations in order to meet its demands.

Introduction

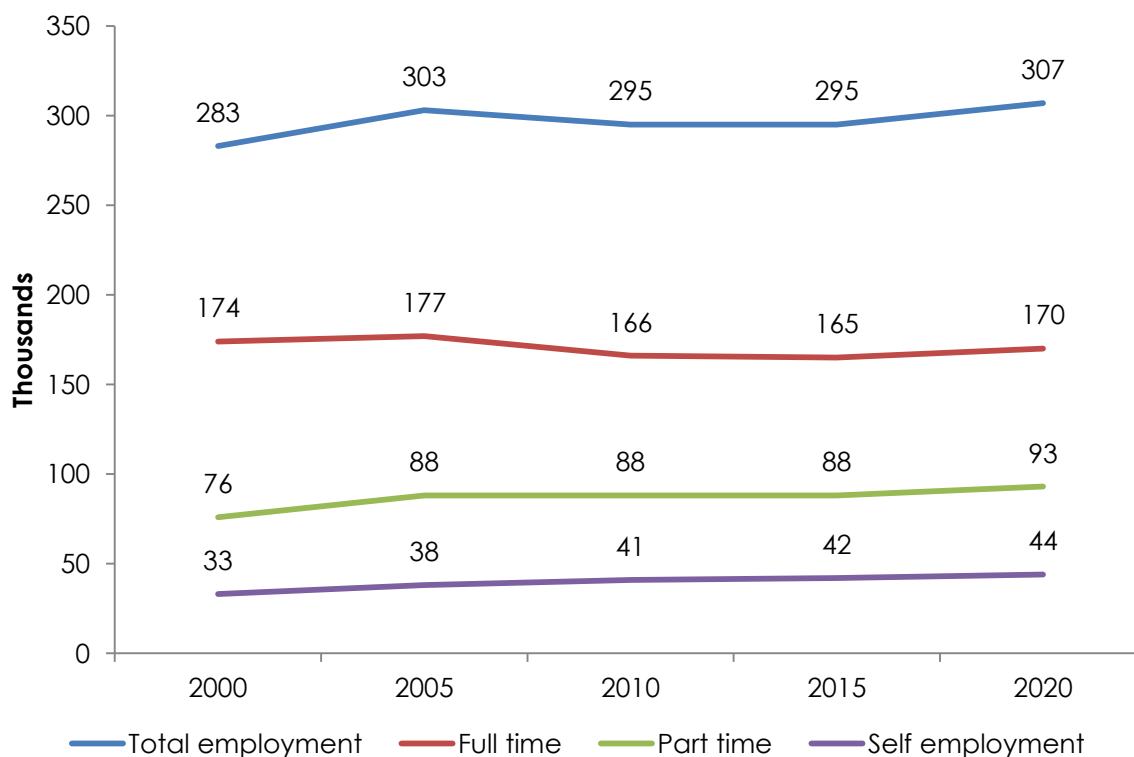
This report seeks to not only examine past trends in the labour market but to offer insight into the likely direction of travel moving forward. The Working Futures set of employment and skills projections produced by the UK Commission for Employment & Skills provide perhaps the most detailed and authoritative set of labour market forecasts in the UK and they are used extensively in this section.

Employment projections

Chart 6.1 presents data from the Working Futures projections for The Marches area and provides clear evidence of the difficult macroeconomic environment that has faced the area over recent years. Total employment in The Marches fell by an estimated 2.7% between 2005 and 2010 and is not forecast to begin to recover until after 2015.

One of the most interesting findings presented in Chart 6.1 is the continuing fall in the volume and percentage of jobs accounted for by those working full time. Over the 20 year period full time employment is projected to fall from almost 62% in 2000 to 55% by 2020. Both part-time working and self-employment are predicted to rise in importance over the same period and are forecast to account for 30% and 14% respectively by 2020.

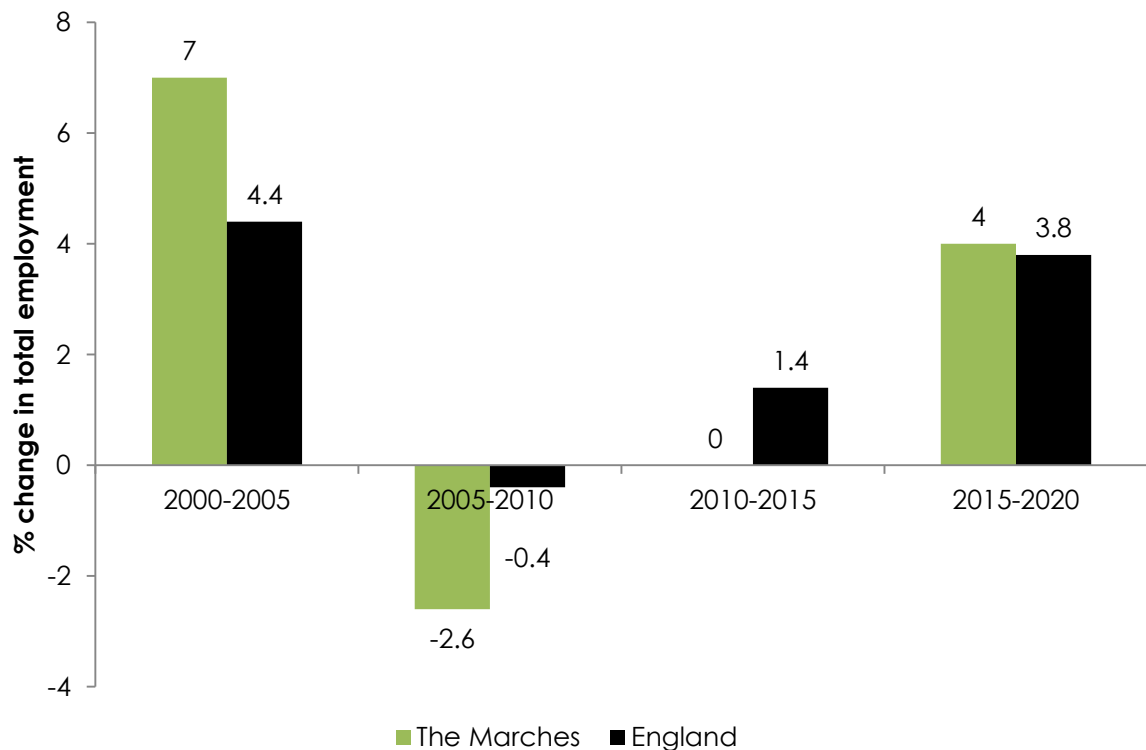
Chart 6.1: Employment in The Marches 2000 - 2020



Source: Working Futures, UKCES

While the basic trends affecting The Marches area have also been witnessed across the country there are a number of important differences. As shown in Chart 6.2, total employment grew more strongly between 2000-2005 in The Marches than in England as a whole but has since fallen more dramatically, and whilst overall employment in England is predicted to begin to recover between 2010 and 2015 no growth in employment is predicted during the same time period in The Marches. This would suggest a very difficult period for those still looking for work in the coming few years.

Chart 6.2: % employment change 2000- 2020



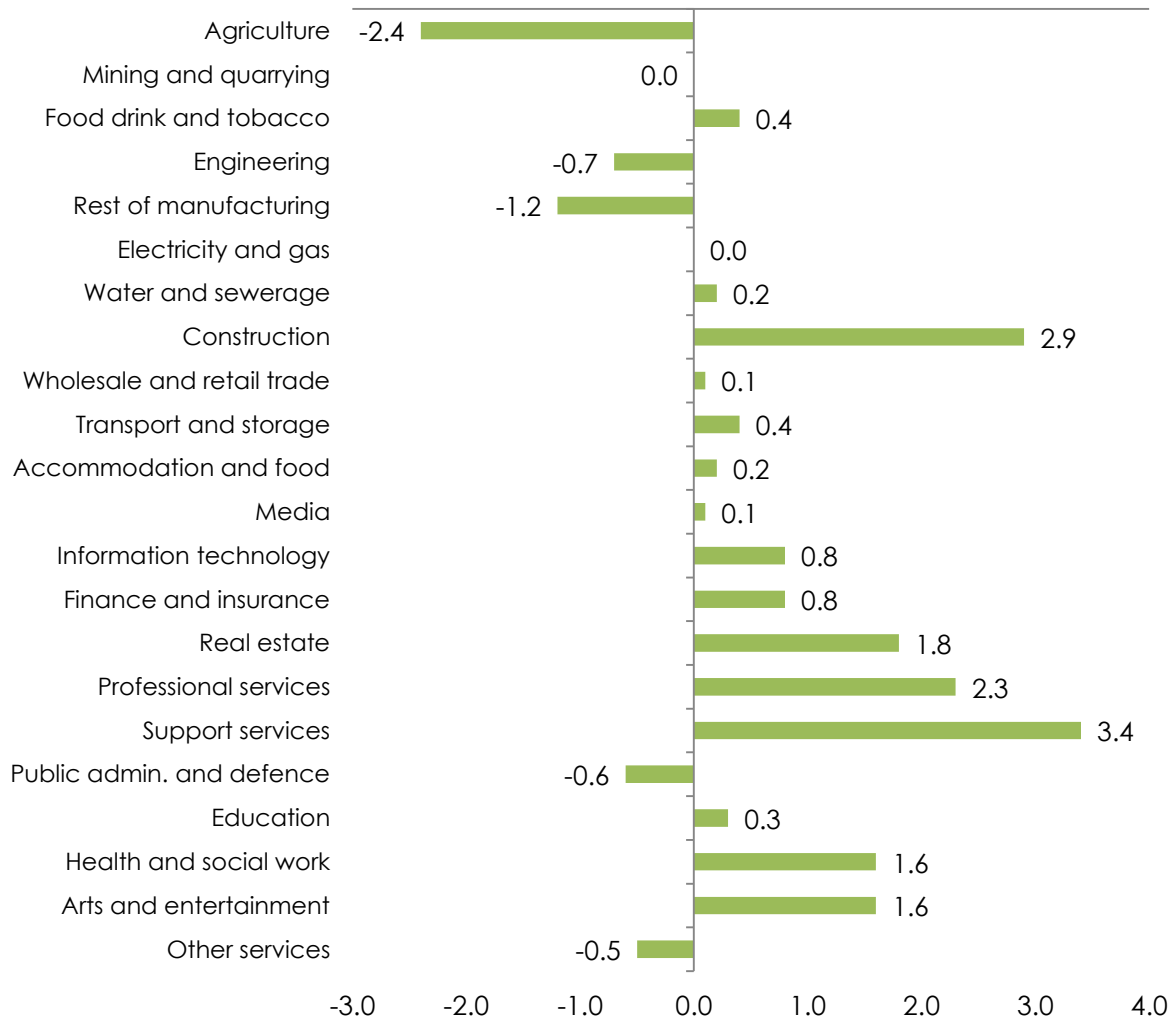
Source: Working Futures, UKCES

In addition to the continuing trend around the growth in part-time and self employment, there are other important changes predicted in the composition of the workforce in the future. The volume and proportion of women in work in The Marches is predicted to continue to grow over the next decade, with 11,000 of the 12,000 additional jobs created between 2010 -2020 going to women. This equates to 91% of all new jobs, and is substantially more than the 60% of new jobs which are predicted to be filled by women across England as a whole. By 2020, the workforce of The Marches will be almost equally gender balanced with 49.3% of jobs held by women and 50.7% held by men.

The Working Futures projections also forecast very different prospects for individual sectors as can be seen in Chart 6.3. Sectors forecast to witness the greatest growth include: construction; support services (including property rental

and security); professional services (such as accountancy and solicitors); real estate; arts & entertainment and health & social work. Sectors seen as most likely to contract include: agriculture; engineering; rest of manufacturing; and public admin & defence.

Chart 6.3: Change in total employment by sector 2010 – 2020 (Thousands)



Source: Working Futures, UKCES

Because of differences in the way in which sectors have been constructed in the forecasts to the definitions of key sectors identified elsewhere in this report, it is difficult to provide detailed estimates for them. What is clear, is that some key sectors in The Marches, such as advanced engineering and defence, look likely to face strong headwinds in the coming years nationally and if they are to buck this trend locally they are going to have to find competitive strategies that allow them to out-perform their national competitors.

The food & drink sector is forecast to see a modest increase in workforce size over the next decade, reversing a trend of declining employment witnessed over the previous 20 years.

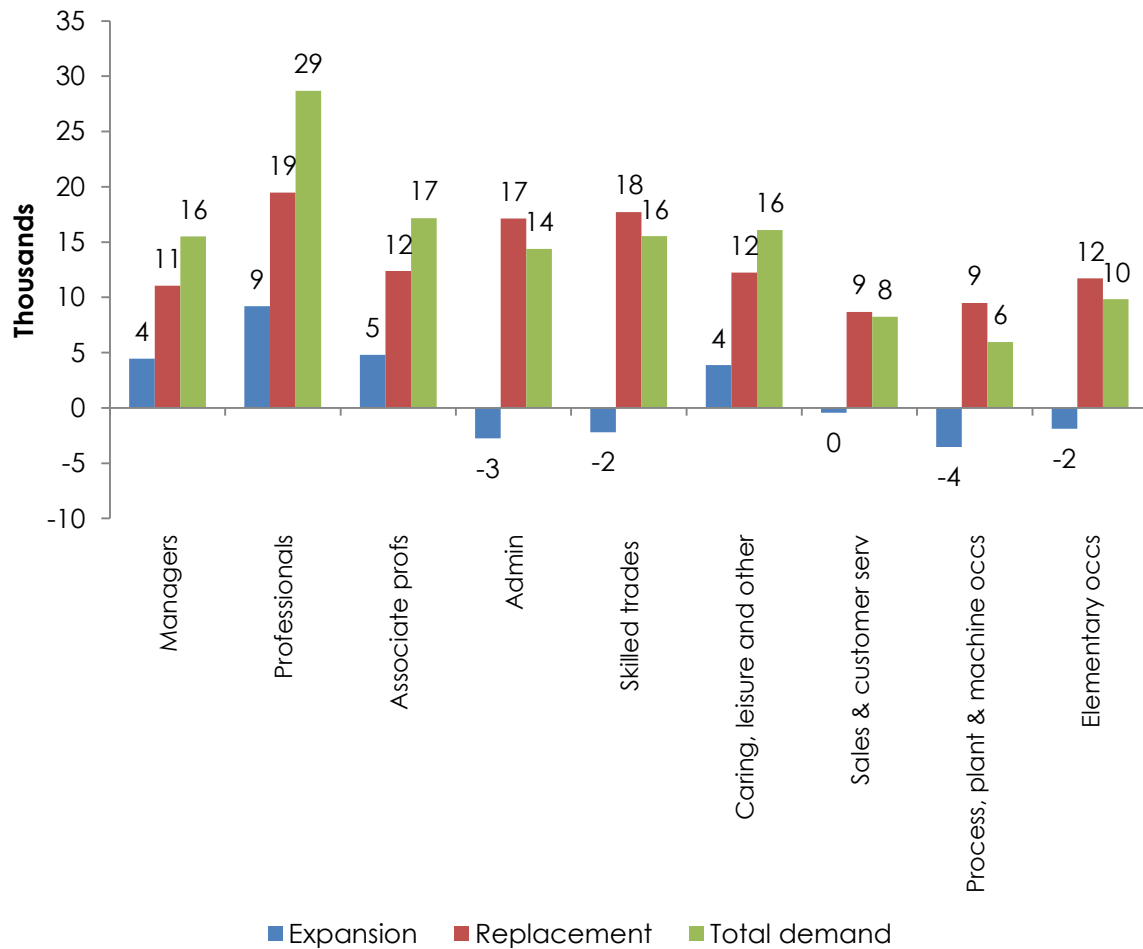
Forecast occupational change

In addition to changes in the sectoral make-up of The Marches workforce, there is also forecast to be a continuing shift in the occupational composition with fewer people employed in: plant, process & machine operative roles; administration roles; elementary roles and, even, skilled trades. Chart 6.4 shows that collectively total employment in these occupations will contract by approximately 11,000 over the period 2010 - 2020.

These reductions will, however, be more than offset by expansion in the number of people employed in: professional; associate professional; managerial and caring, leisure and other service occupations which collectively are forecast to generate 22,000 new jobs.

Chart 6.4 also demonstrates that even where the total number of jobs in an individual occupation is forecast to decline there will be a demand for new recruits in order to replace those who leave the occupation. Total demand in the chart shows the cumulative impact of the expansion (or contraction) in demand for an occupation together with the replacement demand, and shows that total demand is forecast to be highest amongst professionals, where 29,000 new recruits will be needed, and lowest amongst process, plant and machine operatives. Overall, the forecasts show a continuing trend of employment moving up the occupational hierarchy with more higher grade staff required over the medium to long-run.

Chart 6.4: Expansion, replacement and total demand by occupation 2010-2020



Source: Working Futures, UKCES

Forecast change to qualifications required

The skills impact of the changing pattern of employment in The Marches is demonstrated in Table 6.1 which shows that between 2010 – 2020 the local economy will require 9% more workers qualified to degree level in order to successfully meet the demands of the economy. At the other end of the spectrum, the volume of jobs where workers do not need any qualifications is forecast to fall from 11% to just 7% by 2020. This would suggest that, unless action is taken to reduce the current volume of workers with no qualifications, around 4% of the entire LEP workforce would be unable to gain employment even if the economy recovers and jobs become bountiful.

Table: 6.1: Composition of the workforce by qualification level

	Marches Composition 2010 (% total workforce)	Marches Composition 2020 (% total workforce)	Percentage point change 2010 - 2020	England Composition 2020 (% total workforce)
Higher degree (QCF 7-8)	6	10	4	15
Degree level (QCF 4-6)	22	27	5	27
A level (QCF 3)	19	18	-1	16
5 GCSEs (QCF 2)	23	22	-1	19
Level 1 (QCF 1)	19	16	-3	17
No Qual	11	7	-4	6
Total	100	100		100

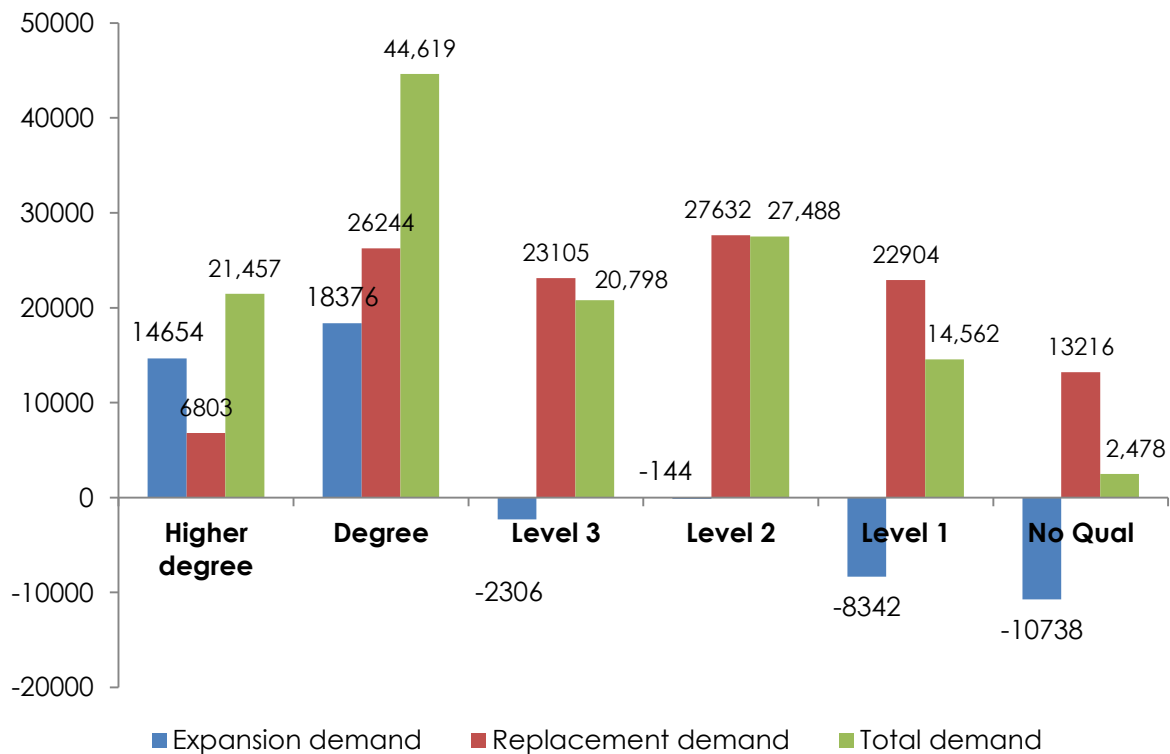
Source: Working Futures, UKCES

Chart 6.5 shows the volume of newly qualified individuals required between 2010-2020 in order to meet the forecast needs of The Marches economy. As can be seen, there is a need for additional employees at all levels of education but that by far the largest demand is for people with degree level qualifications and higher. Overall, just over half of all demand will be for individuals holding at least a first degree, with 16% required to hold a masters degree or PhD.

There will also be a continuing strong demand for people with intermediate level qualifications (level 2 and 3), with approximately 37% of new employees required to hold qualifications at this level.

Only one-quarter of jobs will be available in the future for those holding qualifications below level 2. Unfortunately, over one-third of the workforce in The Marches hold these low qualifications at the present time, and therefore without further up-skilling they may well find it extremely difficult to find and maintain sustainable employment.

Chart 6.5: Expansion, replacement and total demand by qualification level



Source: Working Futures, UKCES

Table 6.2 provides details for four of the six key sectors on the total demand for employment by occupation over the period 2010-2020. In the food & drink sector there is likely to be a fairly significant demand across all occupations, but with particularly high needs in elementary, process, plant and machine roles and associate professional occupations.

For the Advanced Manufacturing sector the bulk of the demand will be for managers, professionals, associate professionals and skilled trade occupations.

The tourism sector shows the clearest pattern of demand, with significant numbers of new recruits needed at either end of the spectrum, with an estimated 2,000 managerial job opportunities and a similar number of elementary roles.

The public administration & defence sector (which contains a wider footprint than that focused on by The Marches LEP) is forecasting particularly high demand for admin & clerical, associate professionals and professionals.

Table 6.2: Total demand (expansion + replacement) for key sectors 2010-2020

	Food & Drink	Adv Manufacturing	Tourism	Public Admin & defence
Managers	400	300	2,000	400
Professionals	400	300	300	1,100
Associate professionals	500	300	400	1,100
Admin & clerical	300	200	400	1,800
Skilled trades	300	300	200	
Caring, leisure			300	500
Sales & customer services	100	100	400	200
Process, plant & machine	700	100	200	100
Elementary occs	900	100	2,300	100
Total	3,600	1,600	6,500	5,400

Source: Working Futures, UKCES

While Table 6.2 provides details of the demand by occupation within the four key sectors, Chart 6.6 provides an overview of the composition of that demand by qualification level.

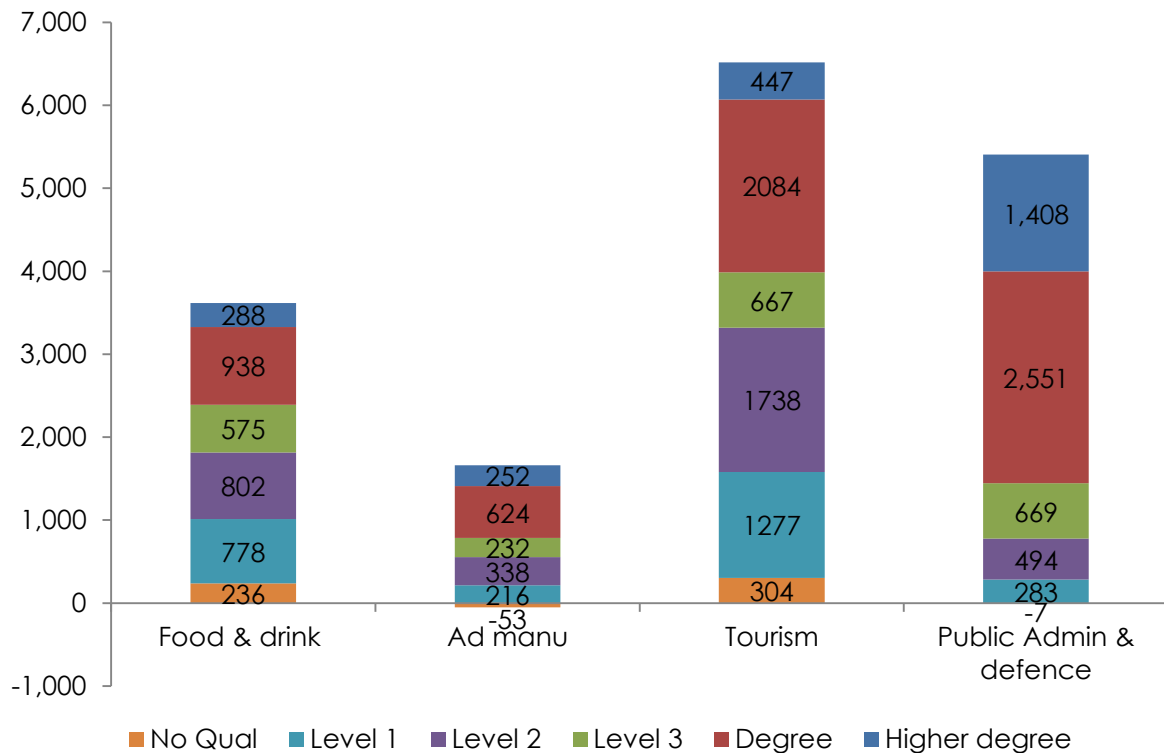
Within the food & drink sector demand is split fairly evenly between low, medium and high level qualification requirements. Around one-quarter (22%) of new recruits will only need Level 1 qualifications, 38% will require intermediate level qualifications and 33% will require at least degree level skills/qualifications.

The advanced manufacturing sector's skills needs are almost entirely at intermediate and higher levels, with 55% of all new recruits over the next decade needing to hold at least a first degree in order to meet the skills needs of the sector. The number of people in the sector with no qualifications will actually decline during this period.

While the tourism sector has needs for new recruits with qualifications ranging from no formal qualifications to post graduate level, the vast majority will be at intermediate and higher level. The sector will, however, also require over 1,200 new recruits with Level 1 skills/qualifications.

The public administration & defence sector has the largest demand for high-level qualifications, with almost three-quarters of all new recruits needing to hold a degree-level qualification. The sector will, however, also require a modest proportion (21%) with intermediate level qualifications.

Chart 6.3: Total demand (replacement + expansion demand) for key sectors 2010- 2020



Source: Working Futures, UKCES

7. KEY ISSUES & CHALLENGES

The need to up-skill remains clear and pressing

The employment projections contained in this report highlight the need to continue, and indeed quicken, the pace of up-skilling amongst the indigenous workforce of The Marches in order to meet the future needs of the economy. The projections clearly show a continuing growth in the number of managerial, professional and associate professional roles which will require substantially higher numbers of intermediate and higher level qualifications/skills.

Conversely, the volume of job opportunities available for those with skills and qualifications below level 2 are forecast to continue to shrink and there is a real possibility that, unless the workforce profile shifts to meet the demands for higher skills, there will be a significant cohort of the workforce who will be structurally unemployed and unable to gain work even in a buoyant labour market.

The scale of the shift in the occupational profile forecast over the next few years means that there will be a need to up-skill existing members of the workforce rather than just rely on higher skilled new entrants to the labour market replacing less skilled workers moving into retirement.

Youth unemployment and disengagement are growing problems

Young people appear to be bearing the brunt of the recession with unemployment amongst those aged 18-24 currently standing at 7.6% in The Marches. This is above the national average and more than twice the rate seen across the population as a whole. Long-term unemployment amongst young people has almost doubled in the last two years, with approximately 1,300 young people now having been unemployed for more than six months.

The level of disengagement from education and work amongst 16-18 year olds has also risen significantly over recent times, with both Herefordshire and Telford & Wrekin now having the highest rates for 16-18 year olds not in education, employment or training (NEET) in the West Midlands.

Sustained periods of unemployment amongst young people is highly undesirable and has been shown by several longitudinal studies to have long-term negative impacts on the life outcomes of those affected.

Better “soft skills” remain a key demand of employers

This report has once again highlighted the importance to employers of the so-called “soft skills” of team working, communication, problem solving and customer handling. Employers consistently highlight the importance of these skills

when recruiting as well as amongst their existing workforces. In several areas of soft skills employers in The Marches report higher levels of dissatisfaction than is evident nationally. Soft skills also feature heavily amongst the skills priorities of the six key sectors, with all six sectors identifying the need to improve team working as amongst their top five priorities.

While many learning providers would argue that the development of soft skills is already embedded within their existing provision, this research would indicate that more needs to be done to ensure that the development of soft skills gets adequate focus during education and learning activity.

The lower level of management skills development is a concern

The skills and competence of managers has been identified by many national reports into skills issues as one of the key determinants of future productivity and growth. It is, therefore, worrying that a substantially lower proportion of managers and supervisors appear to be being trained in The Marches area than is the case nationally. This report has shown that seven percent fewer managers and 13% fewer supervisors are receiving training than the average across the UK.

Concerns about the adequacy of the current supply of management skills also appear to be a particular issue for at least four of the six key sectors identified by The Marches LEP as key to its economic future. The Tourism, Defence & Security, Food & Drink and Social Enterprise sectors all identified management skills as one of their top five priorities for improvement.

The precise nature of the management skills required is unclear, and this report would clearly point to the need for further work with employers and other stakeholders to identify the level and type of management skills in demand.

Skills problems are particularly acute in certain key occupations

Whilst the overall levels of recruitment difficulties and skills shortage vacancies in The Marches are lower than those seen nationally, there are at least two occupational areas where problems are acute. Both Skilled Trades and Caring, Leisure & Other Service occupations exhibit high levels of skills deficiencies, with approximately one-in-five vacancies difficult to recruit into because of skills problems in the external labour market.

Both of these occupational groups draw heavily on intermediate level skills at levels 2 and 3, and in the case of Caring, Leisure & Other Service occupations also exhibit an above average level of existing employees who are regarded as not being fully proficient in their roles.

Given that the Care Sector is already a large employer locally, and that the above average age population of the area is likely to add to the level of demand, any deficiencies amongst Caring, Leisure & Other Service occupations may seriously impair the ability of that sector to meet future needs.

The importance of addressing non-skills barriers needs to be recognised

Problems related to a lack of available skills in the external labour market, as well as deficiencies amongst the skills of existing staff, do clearly exist within The Marches area and are negatively impacting upon the performance and productivity of local firms. The scale of these problems is though generally lower than the average seen across England. This report has, however, shown that a range of issues other than skills, such as the remote location of workplaces and poor transport infrastructure, are significantly affecting the operation of the local labour market. Gaining a better understanding of these non-skills barriers, together with identifying appropriate strategies to counter them, would clearly appear to be an important action for those charged with improving the general economic health of The Marches area.

Young apprentice volumes remain low

While overall the volume of apprentices has more than doubled in The Marches since 2005/06, this has largely been achieved through a growth in the volume of adult apprentices. The number of 16-18 year old apprentices has remained almost static since 2007/08, with an average increase of around 20 per year. Given the growth in NEETs amongst this age group it is unclear whether the full potential of apprenticeships to engage and support this age group into employment is being realised.

It has not been possible in this research to precisely determine the causes for the lack of growth in apprentices amongst this age group, although there a number of differing theories advanced. Some evidence suggests it may reflect a weakness on the demand side from employers during the recession, but this fails to answer why it has been possible to grow apprenticeship volumes amongst other age groups during the same economic conditions. National and local research shows that many employers remain unaware of the opportunities for apprentices aged 16-18, and that as a result there may well be significant latent potential to increase the up-take.

Further work with employers, schools, training providers and others to understand and address the barriers to apprenticeships for this age group would seem a clear priority.

The feminisation of the workforce looks set to continue

One of the most interesting findings of the employment forecasts is that an estimated 90% of the 12,000 additional jobs generated in The Marches in the period up to 2020 are likely to go to women. This is largely a result of the forecast occupational and sectoral shifts over the period, in which occupations and sectors traditionally employing high numbers of men will decline whilst those traditionally employing women look set to rise.

The challenge for those creating a better functioning labour market is how best to support both genders through this period of change. For women this may mean how to assist those who have been economically inactive back into work with the skills and competences required to take up the new opportunities, whilst for men support may be required to help them re-skill from occupations and industries in decline into those where new opportunities look likely to be created.

Basic skills deficiencies persist

Employers report continuing concerns with the basic literacy and numeracy skills of both their existing staff and, particularly, job applicants. Over two-fifths of employers with recruitment difficulties report that literacy skills are commonly lacking amongst would-be recruits, whilst around one third report a lack of applicants with the required numeracy skills. In both areas substantially more employers in The Marches report concerns about the basic skills of job applicants than is evident across England as a whole.

Despite the growth in the numbers of education leavers with qualifications in The Marches employers also report continuing concerns about the basic literacy and numeracy of school and college leavers. Almost a quarter of employers report that those entering work after school aged 18 lack the necessary literacy and numeracy skills to do their job. Satisfaction is, however, higher amongst college leavers where only one-in-ten employers identify a deficiency.

Times look set to remain tough for jobs, unless new economic potential is realised

According to the base economic forecasts total employment in The Marches is not predicted to begin to grow again for at least three more years, even if the UK as a whole starts to slowly recover from the recession during that time. Added to this, some important sectors for the local economy, such as agriculture, manufacturing and public administration & defence, are forecast to see a decline in total employment during the period up until 2020.

If The Marches is to prove the forecasts wrong and start to see a recovery in terms of total employment before 2015, action needs to be taken to realise greater economic productivity and potential. One such source of this added

potential could be through the release of some of the under-utilised skills that exist in local firms. In total, an estimated 35,000 people in The Marches are in jobs for which they are both over-skilled and over-qualified. Finding ways in which this latent capacity could be better utilised should clearly be a priority for local policy makers.

Workforce development remains limited and unevenly distributed

Less than three-fifths (58%) of local firms provide any annual training to their employees, and amongst micro businesses the rate is even lower. The level of training does, however, also vary by geography with fewer firms in Herefordshire training than is the case in either Shropshire or Telford & Wrekin.

The level of training provided also varies significantly between different occupational groups, with Caring, Leisure and Other Service Occupations receiving the highest amount of training and Process, Plant and Machine Operatives the least. In seven of the nine broad occupational areas fewer employees in The Marches receive training than is found nationally. There is also evidence of a less formalised approach to training amongst local firms with fewer companies having training plans or dedicated training budgets that is the case nationally.