

East Midlands Skills Priorities Statement

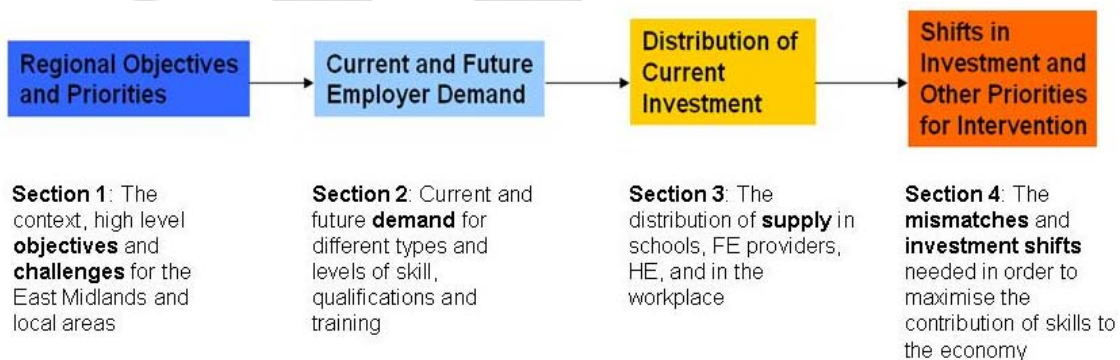
Introduction

The East Midlands Skills Priorities Statement (EMSPS) sets out the skills required to support economic recovery and growth in the region. It has been produced to support the Government's ambition to increase choice and flexibility for providers and learners. It will be used:

- By the **Department for Business, Innovation and Skills** to inform the National Skills Investment Strategy.
- By **training and skills providers** to inform their curriculum planning by having access to high quality Labour Market Intelligence (LMI).
- By **advisors**, to support **individuals and employers** in making informed decisions on skills and training options.

This statement presents priorities for the academic year 2011/12 for skills at all levels from 16 onwards. It is based on the latest Labour Market Intelligence and information on provision and also includes long-term prospects to 2017. The latest available data is used throughout this document. However, statistics can have a substantial time-lag, so recent developments are discussed more qualitatively. This analysis is presented in detail in Annex 3.

The EMSPS follows a logic model set out in four sections as follows:



Section 1: Regional Objectives and Priorities

1.1 The 'Low Pay, Low Skill Equilibrium'

The key challenge for the region is to move away from the 'the low pay, low skill equilibrium'. The region has a comparatively high proportion of businesses operating in sectors which have a low skills requirement. This results in a low

regional aggregate demand for skills, even though there are many businesses that require high skills and are encountering recruitment difficulties. However, the result of this aggregate balance is a limited incentive for many workers to improve their skills. It also results in the loss of highly skilled workers to neighbouring regions. Key indicators are:

- Higher than average rates of employment, despite the recession, coupled with lower than average pay.
- Lower proportions of employment in highly skilled occupations and lower proportions of the workforce with higher level qualifications, especially compared to high performing regions such as the South East and East of England.
- Low workforce skills and businesses engaged in low value activities concentrated in areas such as coastal Lincolnshire, North Nottinghamshire and North Derbyshire.¹

The outcomes of this for the East Midlands' economy are:

- Lower than average productivity of firms and organisations.
- Lower than average earnings across the region and a reliance on casual labour and significant incidences of in-work poverty in some sectors and local areas.²
- Poor retention of graduates and skilled people and high-levels of out-commuting.
- Vulnerability to international competition.

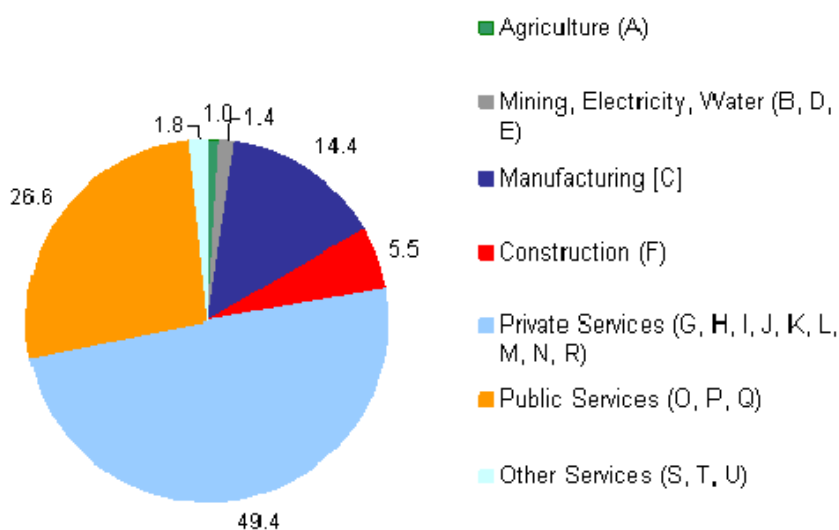
Addressing the low pay, low skill equilibrium is necessary to improve business productivity, competitiveness and resilience of local communities through improved development and skills utilisation of the current and future workforce.

Figure 1 shows that the East Midlands has a large proportion of employment in Manufacturing, the largest of any English region and also has high employment in Construction. Although Private Sector Services provide the largest share of employment in the region, almost 50%, this is a significantly lower share than the national average. The share of employment in Public Services is largely in line with the national average.

¹ *emda*, 'The East Midlands in 2010', June 2010.

² More detail on these issues can be found: Warwick Institute for Employment Research (IER), on behalf of *emda*, [migrant labour and in-work poverty research – forthcoming, 2010](#).

Figure 1: Structure of Employment in the East Midlands (%), 2008



Source: ONS Crown Copyright Reserved [from Nomis on 8 July 2010], 'Annual Business Inquiry', 2008 employee analysis (SIC 2007).

1.2 Local Profiles

Skills priorities will differ across local areas depending on their business and employment structure. The following table summarises profiles of the East Midlands' nine County and Unitary Local Authorities, which are based on information from emerging Local Economic Assessments³ along with consultation responses, including responses from local Employment & Skills Boards. These are set out in more detail in Annex 3.

Local Authority	Profile and Key Sectors
Derby City	Skilled employment in the Manufacturing of Transport Equipment (Rolls Royce, Bombardier) contributes to the highest workplace-based pay in the region. A relatively strong Banking, Finance and Insurance sector employs 19% of the workforce (including the Egg headquarters). Public Administration, Education and Health is also significant (29% of employment). This could, therefore, be vulnerable to cuts in public spending.
Derbyshire	A largely rural county with a lower skill profile than Derby City and concentrations of deprivation resulting from the decline of traditional manufacturing. Agriculture and Distribution, Hotels and Restaurants (associated with tourism due to the Peak District National Park) employ relatively high proportions of the workforce. There is also a relatively large proportion of employment in Manufacturing (20% of employment), which includes Transport Equipment with Toyota at Burnaston.
Leicester City	The proportion of residents with no qualifications is double the national average and unemployment is relatively high. Leicester has the highest proportion in the school age group in the region. Public Administration, Education and Health accounts for 34% of employment compared to 27% regionally. The city has concentrations of employment in Clothing and Footwear and Food and Drink manufacturing sectors, with large employers such as Walkers Crisps.
Leicestershire	The labour market is closely linked to Leicester City. Residents have significantly higher qualification levels and higher earnings, suggesting many commute to high skilled employment in Leicester, Nottingham and elsewhere.

³ See the Chapter 9: Sub-Regional Profiles in: *emda, 'The East Midlands in 2010'*, June 2010.

	<p>Wholesale and Retail account for large proportions of businesses and employment, with out-of-town retail around Leicester.</p> <p>Banking, Finance and Insurance also account for a significant proportion of employment, with an Alliance and Leicester/Santander centre in Narborough. Employment in this sector has been affected by a number of recent closures.</p>
Lincolnshire	<p>Lincolnshire has a low aggregate demand for skills and a relative reliance on casual, seasonal employment, often met by international migrants. School attainment is high, but outward migration of young people means that the workforce qualification profile is low.</p> <p>Agriculture, Food and Drink manufacturing and tourism related industries (Distribution, Hotels and Restaurants) account for higher than average proportions of employment.</p> <p>Residential care is also important, driven by an ageing population. The wider Public Administration, Education and Health sector accounts for 28% of employment, suggesting vulnerability to cuts in public spending.</p>
Northamptonshire	<p>Northamptonshire has a lower proportion of employment in manufacturing than elsewhere in the region and has strong commuting links with London and the South East. Employment rates and qualification levels are relatively high.</p> <p>Banking, Finance and Insurance and Distribution, Hotels and Restaurants account for higher proportions of employment, whilst Construction, which has accounted for significant output and employment, has been heavily affected by the recession.</p>
Nottingham City	<p>The city has a higher proportion of employment in the services than the East Midlands average, but has significant pockets of deprivation.</p> <p>Banking, Finance and Insurance and Public Administration, Education and Health together account for the majority (60%) of employment. Impacts of expected public sector cuts may weaken the demand for skilled labour over the next few years.</p> <p>Health also includes a growing number of private sector bioscience and healthcare companies, some of which are located at specialist premises (e.g. BioCity and Nottingham Science Park).</p>
Nottinghamshire	<p>Persistent deprivation, worklessness and poor health reflect the lasting impacts of industrial restructuring in the north of the county. The south of the county is more affluent, with outward commuting to fill skilled jobs in Nottingham and Leicester Cities.</p> <p>Construction employs a higher than average proportion of the workforce whilst Public Administration, Education and Health and Energy and Water Supply are also important sectors. The county is a major energy exporter, with future growth opportunities in carbon reduction and renewable energy technologies.</p>
Rutland	<p>Rutland is one of the smallest Local Authorities in England but has experienced significant population growth and an increasing proportion of older residents.</p> <p>Public Administration, Education and Health accounts for the largest proportion of employment, which includes a large prison and military base.</p> <p>Distribution, Hotels and Restaurants is also important, related to the leisure facilities and nature reserve at Rutland Water.</p>

Source: ONS Crown Copyright Reserved [from Nomis on 8 July 2010], 'Annual Business Inquiry', 2008 employee analysis (SIC 2007).

1.3 UKCES Skills Audit Challenges for the Region

The UK Commission for Employment and Skills (UKCES) published their first Strategic Skills Audit in March 2010 to provide a steer on national skills needs. There are four key challenges relevant to the East Midlands and its local areas:

- **Regulation, environmental considerations and technological change**, which will increasingly drive skills demand, affecting processes, products and quality standards across sectors. These will particularly affect sectors important to the East Midlands, such as Construction.
- An increasing state pension age and longer life expectancies will mean that **older workers** will become more important to the future labour

market. The East Midlands has experienced one of the fastest increases in the pensionable age population of all English regions.⁴ This presents challenges in meeting replacement demand and up-skilling the current workforce to keep pace with technological development. The UKCES recommends scrutiny on the extent to which the delivery of learning, as well as the type of learning, meets the needs of older workers.⁵

- **Meeting a continued demand for low skilled jobs**, due to replacement demand. Low-skilled individuals will need up-skilling to improve product and service quality and also to progress and sustain employment. In uncertain economic times, low skilled jobs are often the most easily cut or replaced.
- **The under-deployment of skilled staff**. Across the UK, the supply of skilled workers has grown faster than the demand for skilled jobs. This is particularly the case in the East Midlands because of the low pay, low skill equilibrium. **Management and leadership skills are therefore necessary to improve the utilisation of the existing skills of the workforce**. Better management skills won't just improve the productivity of the managers themselves, but they will contribute to better deployment and organisation of staff at all skill levels.⁶

1.4 Current East Midlands Skills Priorities

The current Regional Economic Strategy (RES), '*A Flourishing Region*', sets out a number of policy priorities which combine supply-side actions with business support and regeneration interventions that can stimulate demand. Responses to the recent consultation on skills priorities in the East Midlands (Annex 2) endorsed the continued relevance of the skills priorities set out in the RES.

RES policy aims to stimulate demand through:

- Encouraging an enterprise culture and a dynamic SME base.
- Building on regional strengths through a strong modern manufacturing base.
- Supporting greater innovation, building on the skills and employment opportunities of a resource efficient, low carbon future.

The RES also sets priorities for developing the skill levels of the current and future workforce and improving the responsiveness of supply in both further and higher education. These priorities have a strong emphasis on 'economically valuable skills' and the need to support sustainable employment. These include both job specific and technical skills and generic skills that can be applied throughout the labour market (such as team working or communication skills).

⁴ emda, '*The East Midlands in 2010*', June 2010.

⁵ UK Commission for Employment and Skills (UKCES), '*Skills for Jobs: Today and Tomorrow*' - The National Strategic Skills Audit for England 2010.

⁶ Ibid.

1.5 Regional Priority Sectors

The East Midlands has also identified a number of sectors which evidence competitive advantage and growth opportunities. These sectors together account for 21% of the region's GVA, and are as follows:

- **Transport Equipment:** aerospace, automotive, defence, marine and rail manufacturing sectors which are of particular importance in Derby, Derbyshire and Northamptonshire.
- **Healthcare and Bioscience:** covering both manufacturing (medical equipment and pharmaceuticals) and healthcare services, significant to Nottinghamshire, Leicestershire and Lincolnshire
- **Sustainable Construction:** important to the economy across the region (particularly Nottinghamshire, Derbyshire, Leicestershire and Lincolnshire) and to the development of Low Carbon technologies. High population growth could provide significant job opportunities in the construction sector.
- **Food and Drink:** food production, preparation and packaging, especially in Lincolnshire, and innovative food production sciences around Leicester.

Section 1 Key Points

- The key challenge for the region is to move away from the 'the low pay, low skill equilibrium'. This aggregate balance results in a limited incentive for many workers to improve their skills.
- Meeting a continued demand for low skilled jobs, due to replacement demand (although the majority of new jobs will be highly skilled).
- Regulation, environmental considerations, and technological change will increasingly drive skills demand, especially for technician-level skills in priority sectors.
- The ageing workforce is a particular challenge for the East Midlands.
- Management and leadership skills are necessary to improve deployment of the current workforce and improve skills utilisation.

Section 2: Current and Future Employer Demand

This section provides a snapshot of the factors that influence the market for skills in the East Midlands. This needs to reflect the choices made by individual learners, the needs of employers and the skills required by the wider economy.

2.1 Current demand for labour and skills

Due to the recession, the rate of employment decline in Manufacturing and Construction sectors has increased and overall unemployment has risen, providing an increasing pool of potential labour. Employers have suggested that:

- It has become easier to recruit people in the **Skilled Trades** and in **lower skilled occupations**.

- Recruitment difficulties have increased in **Managerial** and **high skills occupations**.⁷
- Overall '**skills shortage vacancies**' are lower in the East Midlands (13.1% of all vacancies, 8th out of the nine regions) than in England (16.4%). However, in more buoyant local labour markets, in particular **Rutland** (26.2%) and **Leicestershire** (24.1%), skills shortage vacancies remain higher than average.⁸
- Compared to 2007, skills shortage vacancies in 2009 decreased significantly, due to a fall in recruitment activity as a consequence of the recession. Recruitment difficulties have remained high in Hospitality, Construction and Social Care.
- Just under one-fifth of East Midlands businesses (19%) believed that recruitment of **Apprentices** and trainees had decreased due to the recession. There was a notable concentration of employers stating this in **Nottingham City** and **Nottinghamshire**. Moreover, almost one-fifth of businesses said that expenditure on training had decreased.
- Looking forward over the next 12 months, a very high proportion of employers said that they were unlikely to take on any new Apprentices. Currently, about 8% of employers employed Apprentices. The proportion was the highest in Distribution, Retail, Construction and Public Administration, Education and Health.⁹
- **Practical or job-specific skills** continue to account for the largest share of the skills employers find lacking amongst applicants (64% of skills shortage vacancies).
- **Generic skills** are also important, with customer handling skills, problem solving skills, oral communication and team working skills all being needed in at least 40% of skills shortage vacancies. Basic and generic skills are particularly an issue for employers seeking to fill sales and service vacancies.
- A lack of **management skills** were a barrier to filling over a third of all skills shortage vacancies. These skills were particularly lacking in the East Midlands amongst applying for managerial and professional jobs. Management skills were particularly lacking amongst applicants for higher skilled jobs in the East Midlands.

In line with experiences across England, employers in the East Midlands identified particular issues with 16 year old recruits due to their perceived lack of experience of the working world, poor attitude to work and lack of motivation.

The '**skills gaps**' of current workers are particularly likely to be identified in low skilled jobs in the service sector and in elementary jobs (requiring very limited skills) across all sectors. This is because of a high level of turnover in lower skilled jobs in sectors such as Retail (SkillsSmart Sector Skills Council) and Hospitality (People 1st SSC). Skills gaps were also higher in higher skilled jobs in Health (Skills for Health SSC) and Manufacturing and engineering (SEMTEA).¹⁰

⁷ BMG Research prepared for the YPLA and SFA East Midlands Region, '*The National Employer Skills Survey 2009: report of results for the East Midlands*' – Forthcoming. Table 29.

⁸ Ibid. Table 21.

⁹ YPLA, '*East Midlands, National Employer Skills Survey 2009, Headline Findings for the East Midlands*'. 16 February 2010.

¹⁰ Ibid. Table 41.

Employer investment in training is a further indicator of employer demand for skills. In the East Midlands, 67% of employers funded or supplied training in 2009, in line with the national average. Employers in **Lincolnshire** (69%) were slightly more likely to report that they had undertaken training. However, in **Rutland** (46%), **Derby** (62%) and **Nottingham** (62%) employers were less likely to train.¹¹

The majority of this training is at Levels 2 and 3.¹² Training investment appears to have been maintained in the East Midlands through the recession, with 80% of employers who support training stating that their expenditure had stayed the same. Only 11% reported a decrease in training expenditure.

Sectors which are more likely to be engaged to training are closely related to the public sector (covered by SSCs such as Government Skills, Skills for Justice, etc). Public sector spending cuts could result in significant reductions. Because of regulatory requirements, employers in the Financial Services are more likely to train their staff. Employers in the Health and Energy sectors also invest significantly in training and the need to meet health and safety regulations could be a factor in this. However, it is estimated that around a quarter of training across all sectors is in induction and health and safety. Therefore, it is not carried out to improve the productivity of staff, but to comply with regulations.¹³

Sector Skills Council footprints which were less likely to train include SkillsFast (fashion, design, manufacturing of textiles), GoSkills (passenger transport), Creative & Cultural Skills (because of the nature of skills required in this sector and the very high proportion of graduates recruited), Proskills (manufacturing of building products, ceramics, paper, printing), Improve (food and drink), Cogent (chemicals, pharmaceutical, nuclear, oil), and Skillsmart UK (Retail).¹⁴

Of the employers who invested in training in 2009, 29% used FE providers (a substantive increase compared to 2007), 65% used private training providers and 12% used universities.

Employers' satisfaction of the training delivered by the FE sector was high (86%), but satisfaction with private training providers was even higher (93%), and training provided by HE universities was also high (90%). The two key reasons for employers not using FE providers were: "the course was not relevant" (39%), and; because they "prefer to train in-house" (20%).¹⁵

2.2 Future skills demand

This section focuses on likely short-term trends in skills demand associated with industrial change up to 2013. It is then placed in the longer-term context of the decade 2007 to 2017. These are the latest available national forecasts of

¹¹ BMG Research prepared for the YPLA and SFA East Midlands Region, 'The National Employer Skills Survey 2009: report of results for the East Midlands' – Forthcoming. Table 45.

¹² Ibid. page 69.

¹³ Ibid. page 72.

¹⁴ Ibid. Table 46.

¹⁵ Ibid. section 6.

employment by sector and occupation, but it is important to note that they will not reflect the full impact of recession or the likely impacts of policy changes and cuts in public expenditure.

Forecasts for 2010-2013 suggest that employment in:¹⁶

- Highly skilled occupations (such as **Managers, Senior Officials, Professionals, and Associate Professionals**) could increase less in the East Midlands than in the UK, but may increase more than the regional average in **North Derbyshire, North Nottinghamshire and Northamptonshire**.
- **Admin and Secretarial** occupations could decrease more in the East Midlands than in the UK.
- The **Skilled Trades** (such as electricians, plumbers, engineering trades) are projected to decrease in the East Midlands whilst increasing in the UK. **Derby and Derbyshire, Lincolnshire, and Leicestershire** are projected to experience more significant decreases in such job roles than elsewhere in the region.
- **Service and Sales** occupations could increase more in the East Midlands than in the UK between 2010 and 2013 providing low and medium skilled jobs. These jobs are projected to increase more than the regional average in **North Derbyshire, North Nottinghamshire and Northamptonshire**.
- Low skilled **Process, Plant and Elementary** jobs are projected to increase much less in the East Midlands than in the UK, but these jobs will increase more than the regional average in **Northamptonshire**.

In the long term to 2017,¹⁷ **replacement demand** (replacing those who leave the labour market due to retirement) will considerably exceed the number of jobs created by economic growth. It is likely to be much more significant in terms of education and training requirements both in terms of content and delivery method. Replacement demand is forecast to be:

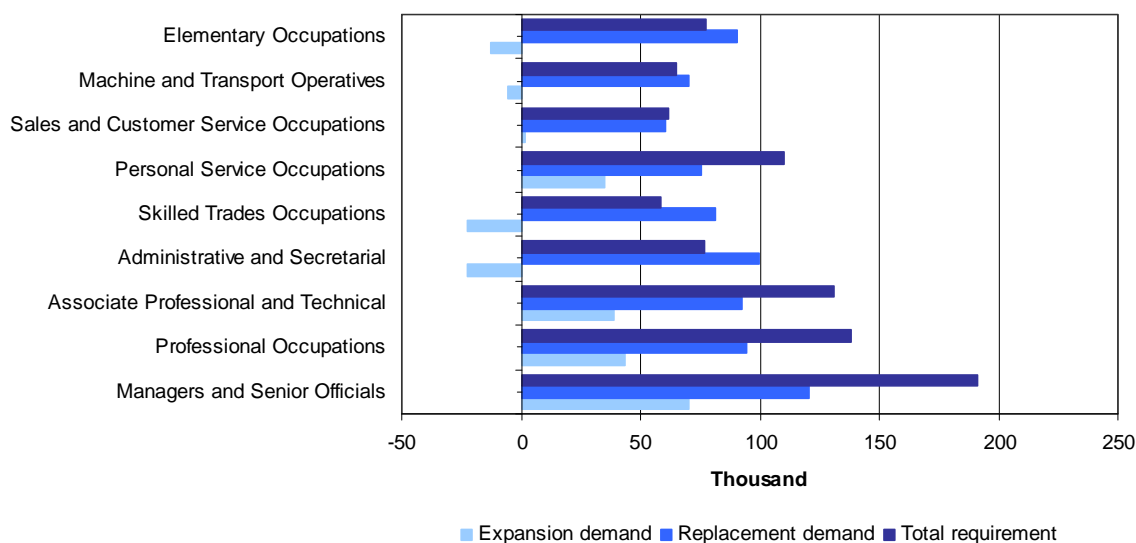
- Most significant for **Managers and Senior Officials**.
- Significant for **Professionals and Associate Professionals, Administrative Occupations, Skilled Trades and Elementary Occupations**. There are therefore significant projected requirements for both the highest and the lowest skilled occupations.
- Significant in high and intermediate skills (including apprenticeships and sector-led FE provision) in **Transport Equipment, Advanced Engineering** in **southern Nottinghamshire, Derbyshire, Leicestershire and Northamptonshire**.

Expansion demand (new jobs created) in the East Midlands and the UK is projected to occur amongst the **Managerial and Professional Occupations**. The number of low and medium skilled job roles, such as the **Skilled Trades and Administrative Occupations**, are projected to decline.

¹⁶ emda/Experian, 'Scenario Impact Model', September 2009.

¹⁷ Warwick Institute for Employment Research and Cambridge Econometrics, on behalf of the UK Commission for Employment and Skills and Learning and Skills Council, 'Working Futures 2007-2017', 2008.

Figure 2: Projected change in occupations, East Midlands, 2007-2017, thousands



Source: Warwick Institute for Employment Research and Cambridge Econometrics, on behalf of the UK Commission for Employment and Skills and Learning and Skills Council, 'Working Futures 2007-2017', 2008.

Note: Replacement Demand = Retirements + Occupational Mobility + Migration.

Total requirement+ Expansion demand + Replacement demand.

2.3 Regional Priority Sectors

The following priority sectors build on current competitive advantage, enabling the region to take opportunities in the future in low carbon and other new technologies.

The **Transport Equipment** sector includes aerospace, automotive and rail manufacturing and is particularly important in **Derby, Derbyshire** and **Northamptonshire**. Despite a projected slight decrease in output and employment, this sector is expected to remain strategically important and accounts for some of the East Midlands' high profile employers and international investment successes.¹⁸ Key skills requirements include:

- Technician level skills to address replacement demand resulting from the sector's ageing workforce.
- Skills gaps reported for employees in the aerospace, automotive, bioscience, electrical, and electronics sub-sectors include technical and engineering skills at all levels, as well as communication and management skills¹⁹.
- Manufacturing related specific skills most likely to be identified by employers in the East Midlands included: food and drink products; electrical equipment; plastic products; metal structures; and skills related to general mechanical engineering and manufacture of parts and accessories for motor vehicles and their engines.

¹⁸ emda, 'The East Midlands in 2010', June 2010.

¹⁹ Engineering Skills Balance Sheets, East Midlands

http://www.semta.org.uk/public_bodies/research/engineering_balance_sheets.aspx

The **Healthcare and Bioscience** sector covers the manufacture of medical equipment and pharmaceuticals, R&D in life sciences and also the healthcare sector, principally represented by the NHS. Healthcare is expected to be the fastest growing sector in both the East Midlands and nationally²⁰. There are particular strengths in this sector in **Nottingham**. There is also likely to be an increasing demand for products and services associated with Life Sciences and pharmaceuticals due to the significant growth of the region's population. Also, the ageing population will increase the demand for pharmaceuticals, medical equipment, and other health care products:

- Employers in the healthcare element of this sector report significant skills gaps as a result of changing needs, staff turnover, and the high level of skill required. The population's requirements from the health service are continuously changing, and differ in different local areas. In **Leicester City**, rising births rates, and in-migration of young people will place higher demands on healthcare for children. **Coastal Lincolnshire** has a rapidly ageing population and has isolated communities, requiring a mix of skills and occupations in both residential care and more bespoke personal care in the home.
- In the East Midlands, 19% of establishments within the health sector report having skills gaps within their workforce (in line with the regional average)²¹. Management and leadership skills are common in terms of both skills gaps and skill shortages across the sector.
- In **Nottingham City**, there are significant future opportunities to link FE provision with the existing close relationship between HE, the health service (around Queen's Medical Centre) and private sector and university spin-off R&D activity in Biocity etc.

Future growth prospects for **Sustainable Construction** have been made more difficult due to the recession. It is an important employer across the East Midlands, accounting for large proportions of the workforce in **Nottinghamshire, Derbyshire and Leicestershire**, with key firms also based in **Lincolnshire and Northamptonshire**. This sector is expected to experience a fall in employment in line with the UK average, but is expected to experience an increase in output.²² It is also important to note that the East Midlands has experienced one of the most rapid population growth rates, leading to significant housing demand, which is expected to continue in the future as the housing market recovers. However, this is by no means certain as the sector is particularly vulnerable to cyclical changes. Skills provision in the region needs to ensure that this demand can be met through modern, low carbon building techniques:

- East Midlands employers were most likely to demand Construction related specific skills related to the general construction of buildings and other building installations (floor, plumbing, glazing etc), with electrical wiring and fittings skills cited as the most needed skills²³.

²⁰ *emda*, 'The East Midlands in 2010', June 2010.

²¹ BMG Research prepared for the YPLA and SFA East Midlands Region, 'The National Employer Skills Survey 2009: report of results for the East Midlands' – Forthcoming.

²² *Ibid.*

²³ *emda*, Regional Business Support Information System (RBSIS), for the period of March 2009-March 2010.

- It is crucial for providers to incorporate an awareness of Low Carbon technologies in meeting the skills demands above.
- The region is currently a key exporter of both energy and building materials. However, the East Midlands has not yet met its full potential in renewable energy, with lower generation from renewable sources compared to elsewhere. Therefore, there are opportunities for sustainable construction in meeting future demand for new renewable generation facilities.

The **Food and Drink** sector covers a range of different activities, from routine food preparation and packaging in **Coastal Lincolnshire** to innovative food production sciences around **Leicester**. Workplaces in the sector are concentrated in **Lincolnshire** (27%), **Northamptonshire** (20%) and are important in rural areas across the region. Forecasts suggest that the food and drink sector will experience growth in output and employment between 2008 and 2018, in contrast to a modest decline forecast nationally.²⁴

- In this sector, 8% of East Midlands workforce have no qualifications.²⁵
- Skills gaps affect 27% of employers in the sector. Skills gaps are more evident in lower skilled **Machine Operatives** and **Managerial positions**.
- Employer investment in training in food and drink has primarily focussed on mandatory requirements for food safety and health and safety.
- Leadership and Management skills are thought to be the skills in most need of improvement. This will be particularly important in the better deployment of skilled staff, ensuring greater opportunities for individual progression within the sector.

Section 2 Key Points

- Due to the recession, recruitment difficulties have decreased as unemployment has increased.
- Generic, employability and basic skills are more likely to be flagged as Skills Gaps by employers.
- Employer training investment has been maintained despite the recession. However, a very high proportion of employers said that they were unlikely to take on any new Apprentices in the future.
- Low carbon technologies and other new technologies provide opportunities to exploit local and regional advantages and generate new skills demands.
- Replacement demand will considerably exceed the number of new jobs created by economic growth.
- Demand is increasing for the highest skill jobs but there will be a continued requirement for low skilled employment.

Section 3: Distribution of Current Investment

²⁴ emda, 'The East Midlands in 2010', June 2010.

²⁵ The Food and Drink Manufacturing Industry in the East Midlands – Labour Market Information Profile 2009/2010, Improve Skills SSC, http://www.improve-skills.co.uk/downloads/research_lmi/Regional/EM-2009-template.pdf and BMG Research prepared for the YPLA and SFA East Midlands Region, 'The National Employer Skills Survey 2009: report of results for the East Midlands' – Forthcoming.

This section provides a snapshot of current skills provision across the East Midlands. It draws on an analysis of Skills Funding Agency (SFA), Young People's Learning Agency (YPLA), Higher Education and other information on the distribution of supply and the current capacity of the system.²⁶ However, it is also important to recognise that those currently engaged in education and training only represent a small proportion of the skills available in the regional workforce. It also describes the current skills profile of the East Midlands workforce.

3.1 Distribution of skills in the regional workforce

Analysis of the distribution of qualifications in the current workforce by job role and sector demonstrates that the East Midlands differs from the national average as follows:

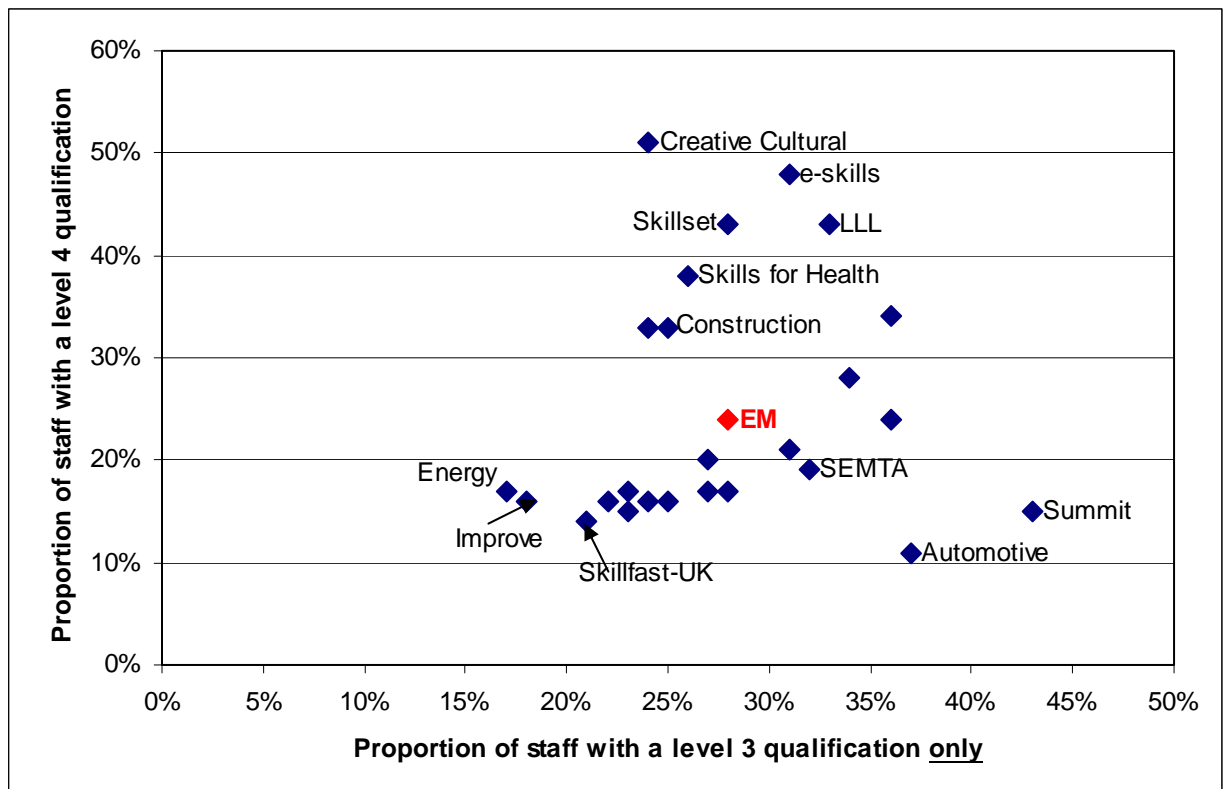
- People working in low skilled jobs in the East Midlands are relatively over-qualified compared to the UK average;
- Almost every sector in the East Midlands has somewhat lower proportion of high skilled employees than the UK average;
- Overall, 39% of people are qualified to a higher level than their job role could require;
- People working in some higher skilled jobs (**Associate Professional Occupations**) appear to be slightly under-qualified in the region; and
- The East Midlands also has a higher than average proportion of people lacking a Level 2 qualification.

This confirms the need to increase the demand for skills and tackle under-utilisation of current skills. It also demonstrates that the supply of workforce skills, especially for higher skilled occupations, needs to be improved.

Figure 3 illustrates the clusters of intermediate and high skilled sectors (by SSC) in the East Midlands, compared to the regional average in 2009.

²⁶ The skills provision data for learners, in line with the Government's Statistical First Release (SFR) expresses course enrolments rather than individuals (an individual can enrol in multiple courses). However, Train to Gain and Apprenticeships data refer to starts.

Figure 3: Proportion of staff holding Level 3 and Level 4 highest qualifications, 2009



Source: Based on BMG, 'National Employer Skills Survey 2009: report of results for the East Midlands' analysis, page 97, Table 60.

The chart shows that:

- Employers in repair, maintenance and sale of vehicles sector (Automotive) and in electrical installation, plumbing, air conditioning etc (Summit Skills) have a relatively high proportion of employees qualified to Level 3 (but no higher), providing a strong indication of the technician-level skill required.
- High proportions of workers with both Level 3 and Level 4 are found in non-compulsory education (Lifelong Learning UK) as well as cultural and technology-related sectors (Creative & Cultural Skills and e-Skills UK).
- The proportion of staff qualified to intermediate/high level skills is close to the regional average in engineering (SEMTA – related to the priority sector of Transport Equipment) however; this will vary sub-regional, with higher level qualifications concentrated around **Derby City**.
- The proportion of staff qualified to at least Level 4 is significantly greater than the regional average in health – related to the priority sector of Health and Bioscience – there will also be concentrations of skilled staff around **Nottingham City**.
- The proportion of staff qualified to either an intermediate or high level is low in the Food and Drink Manufacturing sector (represented by Improve SSC). However there are significant sub-regional differences between **Lincolnshire** – with low skilled food processing; and **Leicester**, with high-tech food manufacturing.

3.2 Profile of the long-term unemployed

People who are currently out of work represent a supply of labour, but also present skills challenges, especially those who have been unemployed for long periods. Opportunities for unemployed people to enter the labour market depend on the match between their skills and experience and the current profile of vacancies, which is continuously changing. In May 2010:

- There were approximately, 103,000 people claiming unemployment benefit in the East Midlands and there were 30,000 job vacancies notified through Job Centre Plus. This means that there were approximately 3.4 individuals to every one vacancy (although it must be noted that neither unemployment benefit claimants nor notified vacancies represent the full extent of the jobs market).
- There were 20,000 long-term unemployed (claiming for more than 52 weeks), the majority of which were seeking low skilled, elementary occupations.
- However, vacancies in such low skilled jobs made up a lower proportion of all vacancies. Vacancies were concentrated in Sales and Healthcare. This highlights that there is a need to re- and up-skill the long-term unemployed to enable them to take new labour market opportunities.

3.3 Capacity of the Supply System

Further Education Provision for Young People (16-18)

In 2008/09 there were 253,574 enrolments aged 16-18 years old in the East Midlands. **Almost 20% of all courses were in Skills for Life areas** (i.e. basic skills), such as Language (1,130); Numeracy (22,904) and Literacy (26,942).

Subject areas²⁷ are very **fragmented** and **heterogenic**. The **Top 5 subject areas** covered just above 13% of enrolments: creative and arts (Creative and Cultural Skills); fitness and sport (Skills Active); beauty and hairdressing (HABIA); ICT (e-skills); construction and; and hospitality (People 1st).

GCSE and GCE A/AS/A2 levels

In 2008/09 there were 11,984 enrolments for GCSEs and 42,512 students taking GCE A/AS/A2 in the East Midlands.

The **Top 5 most popular GCSE subject areas** were: Science and Maths; Language and Literature; Business Admin and Law; Social Science; and Arts and Media studies. These subjects cover more than 97% of total GCSEs in 2008/09.

Engineering, manufacturing technologies was the 6th most popular GCSE subject area and ICT was the 8th most popular out of the 13. At GCSE A/AS/A2 level, the

²⁷ In SFA Learner Response data, the subject area is known for only about 30% of enrolments.

Top 5 most popular subjects were: Science and Maths; Language and Literature; Business Admin and Law; Arts and Media studies; and Social Sciences. These subjects cover more than 80% of subjects at this level in 2008/09. Engineering and manufacturing technologies represented the 11th most popular A/AS/A2 subject area whilst ICT was the 8th most popular out of the 13.

Higher Education

In 2008/09 there were 154,755 individuals studying²⁸ in one of the East Midlands' ten HE institutions. This accounts for 7.7% of the total number of students in England:

- The number of students in 2008/09 was 5,700 more than in 2007/08.
- In 2008/09, 63,570 students studied STEM subjects²⁹ in the region which accounts for more than 41% of the student population (first degree, postgraduate and other undergraduate students together). This is in line with the average for England.
- The number of STEM students in the East Midlands increased by 2,815 between 2007/2008 and 2008/09.
- The most popular subject was Business and Admin, which accounted for approximately 15.8% of students in 2008/09. This was followed by subjects allied to medicine (11.5%); social studies (9.7%); creative art and design (8.6%); and engineering and technologies (7.5%).

Further Education Provision for Adults (19+)

East Midlands residents accounted for 218,670 adult enrolments in 2008/09. Exactly 25% of these undertook Skills for Life courses, such as Language, Numeracy and Literacy.

The **Top 5** most popular subjects covered almost 20% of enrolments. By Sector Qualification Footprint, these were: ICT (e-Skills); Health; general professional development (ENTO); non-compulsory education (Lifelong Learning UK); electrical installation, plumbing, air conditioning etc. (Summit Skills) and; hospitality (People 1st).

ICT is one of the most popular subjects amongst East Midlands students. This is important because it will support IT skills in the regional workforce, important to all sectors and occupations.

Apprenticeships (16+)

In 2008/09, there were 22,175 Apprenticeship starts in the region which was 2.2% higher than the previous year. However, it is important to note that this

²⁸ Students include postgraduates, first degree and other graduates altogether. Source: HESA, 'Students in Higher Education Institutions', 2008/09.

²⁹ Source: HESA, 'Students in Higher Education Institutions' 2008/09. Note: STEM is identified as Medicine & dentistry; Subjects allied to medicine; Biological science; Veterinary science; Physical science; Mathematical sciences; Computer sciences; Engineering & technology; Architecture, building & planning.

trend was influenced by a significant increase in the provision of Apprenticeship places as a result of Government policy at the time:

- In 2008, the rate of participation in work based learning³⁰ amongst 16 and 17 year olds was 7% in the East Midlands, accounting for 8,600 pupils³¹. The participation rate was highest in **Derby** and **Nottinghamshire**, at 11% and 9% respectively, and lowest in Rutland at just 2%.
- **The number of Apprentices has increased in every local area in the East Midlands from 2005/06 onwards.** However, in the short term (2007/08 to 2008/09) learner numbers decreased slightly in **Leicestershire** and in **Northamptonshire**.
- Over half of all Apprenticeships in 2008/09 were resident in **Derbyshire** and **Nottinghamshire**, with less than 15% in Northamptonshire. This is broadly in line with the distribution of the regional population.
- From 2005/06 the proportion of Apprenticeships has slowly decreased at Level 2; slowly increased at Level 3 and slightly increased at Level 4. However, the vast majority of Apprenticeships continue to be delivered at Level 2.

The **Top 5** most popular Apprenticeships by SSC/SSB Qualification Footprints were: customer service (Institute of Customer Service); hospitality (People 1st); childcare and adult services (Children and Workforce Development Council); business and administration (Council for Administration), and; beauty and hairdressing (HABIA).

The ten most popular Apprenticeships can be grouped into the following broad sectoral areas:

- **Public and private services** (including Childcare, Health and Social Care/Children and Workforce Development Council, Skills for Health; Hospitality/People 1st; Hairdressing, beauty/HABIA etc.).
- **Business administration and Accountancy.**
- **Construction.**
- **Engineering** (including SEMTA, Construction and Summit Skills, strongly related to the regional Priority Sectors of **Transport Equipment** and **Sustainable Construction**). In **Derbyshire**, Apprenticeship in these areas are more likely to be at Level 3 than elsewhere.
- **Retail** (Skillsmart Retail) which can provide the skills required to access employment for low skilled individuals and those who are not currently close to the labour market.

However, between 2007/08 and 2008/09, the number of **new Apprenticeships in Engineering and Construction decreased by over 20%** in each case. This represents a significant challenge for technician skills relevant to the region's Priority Sectors and may be an outcome of the fall in demand related to the recession.

³⁰ "Work Based Learning" is a generic term used to describe vocationally focused learning completed within the workplace.

³¹ DfE: 'Participation in Education, Training and Employment by 16-18 Year Olds in England'.
<http://www.dcsf.gov.uk/rsgateway/DB/SFR/s000938/index.shtml>

Conversely, **new Apprenticeships increased in Agriculture and Leisure, travel and tourism.** However, these sectors employ relatively small numbers, and overall employment in Agriculture is declining. It will be important to ensure that where provision in these sectors is increasing, it is in local areas where there is sufficient demand, such as **Derbyshire and Lincolnshire.**

When surveyed in 2009, 8% of employers in the East Midlands stated that they currently had or offered Apprenticeships. This was in line with the national average. The highest proportions in Distribution and Retailing (19% of all employers offering Apprenticeships); Construction (16%); Public Administration, education, health and social work (15%). This is reasonably in line with the distribution of Apprenticeships by subject area.

Train to Gain (16+)

There were 81,385 Train to Gain learners resident in the East Midlands in the academic year of 2008/09:³²

- The bulk of the delivery is at Level 2 (63%) and around 15%-18% of courses deliver Skills for Life qualifications.
- Employers in agriculture (LANTRA) in non-compulsory education (Life Long Learning UK) and in hospitality (People 1st) appear to be more engaged with Skills for Life courses.

The most popular Train to Gain course areas were:

- Care and social care (Skills for Care and Development).
- Engineering and manufacturing (SEMTA).
- Construction skills.
- Freight logistics industries (Skills for Logistics).
- Generic skills customer services (Institute of Customer service).
- Passenger transport (Go Skills).
- Hospitality (People 1st).
- Management skills (Management Standard Centre).

Small businesses (1-49 employees) are under represented in terms of Train to Gain take up. Larger businesses (50+ employees) appear to be overrepresented:

- More than 41% of Train to Gain learners work in businesses with a size of 1-49 employees (96.5%³³ of employees in the region work in a business of this size).

³² About third of these were captured by RBSIS proposal lines, which record LSF funded learner number through Business Link. The different numbers can be related to:

- RBSIS data are for financial year, SFA data are for academic year;
- RBSIS captures only one of the routes (i.e. Business Link brokerage service) by which businesses can have access to skills and training advice: Business Link Advisers; colleges and training providers.

³³ ONS: 'UK Business: Activity, Size and Location – 2009'.

- Approximately 23% of learners work in establishments with the size of 50-249 people (3% of employees in the region work in a business of this size).
- The proportion of learners from businesses with a size of 250-4999 employees was 14.5%; from a size of 5000+ was 18%³⁴.

Section 3 Key Points

- FE provision for young people by sector-subject area is fragmented and very mixed, mirroring individual choices rather than employment opportunities.
- FE provision for adults was more in line with the structure of the regional economy and regional priority sectors.
- STEM subjects are well represented in HE provision.
- Apprenticeship provision is a route for both labour market entry for young people in the Not in Employment, Education or Training (NEET) group and progression in the workplace for those currently in work.
- The majority of long-term unemployed were seeking low skilled elementary jobs, whilst vacancies were concentrated in Sales and Healthcare. This demonstrates that there is a need to re- and up-skill the long-term unemployed to enable them to take new labour market opportunities.
- It is crucial to maintain the recent trend to towards higher level Apprenticeships. The majority of Apprenticeships result in qualifications at Level 2. Although proportions at Level 3 and 4 are increasing, total numbers remain small.

Section 4: Investment Shifts

This section identifies four key themes outlining possible shifts in skills provision. Where possible, details on key locations, sectors and occupations are provided.

4.1 Skills for Manufacturing

As noted in Section 2, the East Midlands has a number of comparative advantages in manufacturing, notably in Transport Equipment and Food and Drink sectors, with particular local strengths around Derby, Leicester City and Lincolnshire respectively. At GCSE and A-level subjects and in Higher Education, relevant courses in STEM subjects are well represented.

However, there is a notable lack of relevant FE capacity for courses that support manufacturing, especially for young people.

FE and Information, Advice and Guidance (IAG) providers should be more responsive to opportunities in manufacturing-related provision. Key messages are:

³⁴ There is 3.1% unknown. Table 13 provided by SFA.

- More **technician-level** training provision is needed related to manufacturing. This is required to meet replacement demand, which is producing year-on-year requirements for new entrants.
- Technological change, including the introduction of low carbon and resource efficient technologies, means that Apprenticeships should increasingly move towards **Level 3 and 4**.
- Provision should increasingly support manufacturing companies in adopting new technologies and moving towards more efficient, low carbon processes.
- Required skills include: electrical and electronic equipment; plastic products; metal fabrication; and engineering skills relevant to aerospace, automotive, bioscience sub-sectors, as well as communication and management skills across all sub-sectors.
- **ICT skills** are essential to all job roles in manufacturing in order to deploy new technologies. ICT should therefore be embedded across the curriculum.
- The large, high value employers in manufacturing in the East Midlands, such as Rolls Royce, Toyota, Bombardier etc and their supply chains provide opportunities for FE collaboration in developing curricula and delivery methods, and also provide a market for provision. The R&D-intensive nature of these firms provides an opportunity for FE to develop cutting-edge curricula to support new technician level jobs.
- Greater FE interaction with manufacturing employers will create more opportunities for young people to progress into Apprenticeships.

4.2 Skills for Construction

Evidence on supply suggests that young people and adults through FE, Apprenticeships, and Train to Gain are well engaged in skills provision relevant to Construction. However, new technologies, environmental concerns and a changing regulatory environment pose challenges for providers to shape curricula to meet future skills needs. Key messages are:

- The increasing use of Offsite Manufacturing in the Construction industry provides opportunities to link skills provision relevant to **manufacturing technologies** with courses aimed at job roles in Construction. It also provides opportunities for employees, supported by the right skills provision, to progress and move between the two sectors.
- The impact of changing regulation will contribute to the demand for courses within the Summit Skills Qualification Footprint (e.g. plumbing, electrical engineering, air conditioning, energy efficiency in buildings).
- **Low Carbon technologies** provide opportunities for providers to link to and support employers in areas where the region has leading strengths in R&D, such as power generation and waste recycling. Courses should support specific skills required both for installation and maintenance of new equipment in building services and engineering (including electrical trades, heating, ventilation and air conditioning fitters) and for skills enabling the efficient use of fuel and waste.
- Reductions in public investment will reduce the extent of procurement opportunities in publicly funded infrastructure. Where opportunities do

exist, there will be increased competition between construction firms, which will raise demand for skills to enable them to offer value for money and cutting edge, Low Carbon technologies and solutions that adapt to climate change (such as technologies and materials that are resilient to more extreme weather conditions).

- Labour market opportunities in Sustainable Construction will be particularly important in **Lincolnshire**, with the presence of several large engineering construction employers and because of changing housing needs (including an ageing population, inward migration and flood risk). There will also be opportunities in **Northamptonshire**, because of high population growth and significant planned housing development.

4.3 Skills for Health and Bioscience

Healthcare is forecast to be the fastest growing sector in the East Midlands whilst medical equipment and pharmaceutical manufacturing requires highly skilled qualifications in biosciences and other technologies (such as nanotechnologies, polymers, etc). The ageing population poses increasing demands on healthcare whilst also creating new markets for products and services.

The healthcare sector is well represented in Apprenticeships and adult FE, particularly related to care-related jobs. However, there appears to be fewer people studying non-care related courses at technician level. A shift in focus towards technician levels skills that support medical equipment manufacturing and R&D would enable the region to take advantage of key assets in HE and in the private sector. Key messages are:

- The growth and diversification of the sector will require provision of Skills for Life and qualifications at Level 2 and Level 3, especially for care assistants.
- FE in some local areas will need to specialize to meet demands related to population change. In more remote rural areas (such as coastal **Lincolnshire**) a mix of skills and occupations are needed in caring for the elderly in both residential and more bespoke personal care in the home. In **Leicester City**, rising birth rates will place higher demands for healthcare for children requiring different skill sets. The shortage occupation list for Tier 2 of the Points Based System recommended by the Migration Advisory Committee (MAC)³⁵ includes nurses working in operating theatres and in neonatal intensive care units.
- There is a need for further progression routes for the unemployed from Skills for Life towards more specific healthcare-related provision. This is because low-skilled jobs in healthcare provide entry-level opportunities for people who have been long-term unemployed and young people who are in the NEET group. However, analysis suggests that people in these groups may lack the required skills to be able to fill such jobs.
- There is a requirement for more bespoke provision for work-based learning to support supervisors and managers across the sector. Employers in the

³⁵ Migration Advisory Committee (MAC), 'UK Boarder Agency shortage occupation list'. [accessed 7 July 2010] <http://www.ukba.homeoffice.gov.uk/aboutus/workingwithus/indbodies/mac/>

Skills for Health footprint also identify skills gaps at a higher level, such as management and leadership.

- Excellence in East Midland R&D (both in the private sector and HE) provides opportunities for FE to develop technician level provision that will support continued innovative activity. Current local assets include private sector clustering around Loughborough and NHS and university spin-offs in **Nottingham**.

4.4 Apprenticeships

It is increasingly recognised that Apprenticeships represents an effective route to providing technician level skills in the workplace. They provide a structured programme for young people and adults leading to recognised qualifications at Level 2, 3 and 4 delivered to meet real labour market requirements.

Key messages are:

- It is important to mitigate the impact of a recent decrease, due to the recession, in Manufacturing and Construction Apprenticeships, especially around **Derby City** (where the proportion of NEET is relatively high compared to the regional average) and across **Lincolnshire**.
- The trend towards higher qualification level Apprenticeships should be maintained to address the comparatively low skills base in the East Midlands and forecast demand for higher skill jobs.
- The provision of Level 2 Apprenticeships will remain important to meet replacement demand in technician level occupations.

ANNEX 1: Advice regarding how SFA investment could support RSPS priorities

To provide further specificity of investment priorities for adult skills, each SPS will include an annex providing detail on how Skills Funding Agency investments could best support SPS objectives.

There is no specific template for this annex, however it should be no more than 1 side and be written in terms that SFA colleagues and providers can understand and implement.

ANNEX 2: Engagement and consultation

This annex should provide a short summary of the consultation undertaken to inform development of the SPS and key findings/ conclusions. Given the expectation that the statements have been developed in partnership with the FE sector and other interested parties, BIS require details on who has been consulted and involved in their development, eg SSCs, Skills Funding Agency, statutory Employment and Skills Boards, local authorities, universities, colleges and providers.

ANNEX 3: Evidence Base (for inclusion with final draft of statement to be submitted to BID in September 2010)

Each region should provide a summary of evidence used to formulate the SPS. This could take the form of a list of references, signposting to data sources and reports or a more substantive compendium of evidence.

As confirmed in earlier advice, for 2011/12, we would like the analysis and contextualisation to cover where possible:

- Historical profiling of current skills provision: the level, vocational area, subjects and post codes.
- Analysis of the Labour Force Survey with an assessment of where there are gaps/shortages
- Analysis of trends and issues in performance including: trends in the flows from school and college in learning take up at age 19; an analysis of the basic skills survey and an assessment of future need;
- Assessment of likely impacts of future industrial and/or socio economic change and their associated skills implications - taking account of new industry and new jobs; employer surveys; Businesslink responses etc
- Analysis of regional demographics and what this is likely to mean for the future.

ANNEX 4: Strategic Context

This annex presents a summary of the high level skills challenges and objectives for the East Midlands.

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