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LEEDS CITY REGION ENTERPRISE PARTNERSHIP

CONTENTS

SUMMARY

Raising the bar on high level skills

- Higher skilled jobs present a major opportunity for the City Region. They are expected to remain the main engine of future employment growth and act as a positive contributor to increased productivity. Nonetheless, high skilled employment is under-represented relative to other parts of the country, particularly in London and the South East.
- Growth in the supply of people with higher level qualifications has stalled locally in recent years. A key constraint is lack of access to higher education within certain districts in the City Region and for the disadvantaged.
- Access to higher level skills via apprenticeships is growing rapidly but from a low base and is currently narrowly focused in terms of sector subject coverage.
- Higher skilled occupations are susceptible to skill shortages (recruitment difficulties due to a lack of candidates with the right skills) with the exception of management roles, which are more prone to skills gaps (a deficit of skills among existing employees). Both types of deficit have a negative effect on business performance and growth.
- Under-utilisation of higher level skills is also widespread, demonstrating that higher level skills must be developed in economically valuable areas if individuals, businesses and the wider economy are to see the full benefit of this investment.

More and better apprenticeships

- The City Region made good progress in increasing take-up of apprenticeships in 2015/16, seeing a rate of growth that easily exceeded the national average.
- Growth was particularly rapid for the advanced and higher apprenticeships as targeted in the City Region's Employment and Skills Plan *Skilled People, Better Jobs 2016-2020* and was also strong in priority subjects relating to construction, engineering & manufacturing and digital skills. Much of the growth was also due to an increase in apprenticeships for those aged 25 and over, a trend which may intensify with the implementation of levy arrangements.
- Apprenticeships could be made more inclusive. The disadvantaged are less likely to enter an apprenticeship whilst there are other issues including segregation along gender lines and under-representation of Black, Asian and minority ethnic (BAME) communities.

Employability, accessing jobs and realising potential

- The labour market is key to the inclusive growth agenda. Enabling disadvantaged individuals to enter employment and progress their career is central to tackling deprivation as well as supporting the growth of the economy.
- In spite of recent strong improvements in the local labour market there is still a substantial body of people who do not have a job but would like one, whilst others are underemployed. Specific groups, such as the disabled, are particularly likely to be excluded from the labour market.
- A large number of workers are employed in low-paid and low-skilled jobs with limited opportunities for progression, meaning that they often rely on the state to top-up their income.
- Ensuring that people have the right skills is an important part of addressing these challenges. Skills are key to getting people into a job and they help people to progress to better paid jobs once in the workplace. So, it is a major concern that the disadvantaged are less likely to take up opportunities in higher education, apprenticeships and job-related training.
- Skills for employability, are relatively weak in the City Region, with the proportion of the population qualified below Level 2 (the threshold for employability) higher than the national average and most other LEP areas.

Great education connected to businesses

- To prepare people for the world of work the education, skills and careers system must have a close relationship with business at all levels. This relationship is key to ensuring that curricula are vocationally relevant; that students have an understanding of the demands of the workplace and are in a position to develop the skills and attributes businesses are looking for; and that provision of careers information, advice and guidance is grounded in the reality of labour market opportunities.
- A wide range of evidence suggests that there is further potential to improve the alignment between the profile of education and training provision at a number of levels and the needs of the local labour market.
- Although a majority of local employers acknowledge the importance of relevant work experience in their recruitment decisions, relatively few offer work experience and work inspiration activities themselves.

Building workforce skills and attracting talent

- A majority of the people who will make up the workforce in 2030 are already in the labour market. With vocational skills requirements likely to evolve ever more rapidly over the next decade it is clear that we need to focus on the skills needs of existing workers if the local economy is to become more productive and competitive.
- Moreover, employers' expenditure of training represents a large investment, estimated to be around £2 billion per annum when wage costs are taken into account, lending added weight to this agenda.
- The evidence suggests that a significant proportion of employers do not undertake sufficient training to meet the needs of their business. The main constraints that they highlight relate to cost and time. Therefore, a key challenge is to demonstrate to such businesses that workforce development represents an investment that can generate a bottom line benefit in terms of business performance.
- Access to job-related training is uneven across different segments of the workforce, with lower qualified and part-time workers among those groups that are less likely to participate. This is likely to have a bearing on prospects for workplace progression.
- Potential changes in the availability of EU migrant workers arising out of the UK's departure from the EU could have labour supply implications for local employers and this may prompt a need for significant investment in workforce skills.

INTRODUCTION

PURPOSE OF THIS DOCUMENT

This report seeks to provide a comprehensive assessment of our City Region's skills needs based on a detailed analysis of the supply and demand of skills together with evidence of mismatch and market failure.

Labour markets work better when different groups in the market can access a large quantity of information about jobs and skills. The ultimate aim is to use intelligence to get the right people with the right skills in the right place to support business competitiveness, individual progression and wellbeing. This is key to achieving the vision of inclusive growth for the City Region because:

- Raising productivity and innovation and promoting growth depends on businesses getting access to people with the right skills.
- Good jobs, incomes and less inequality rely on equipping local people with the right skills to secure high quality employment.

This report seeks to add value by supplying intelligence for the following purposes:

- To help individuals to make appropriate, well-informed choices about future learning and career opportunities
- To help careers advisers to support individuals in making these choices
- To assist education and training providers to assess provision and to shape skill strategies that address or reflect the needs of the labour market
- To inform employers as they work collectively to raise skills demand, to support strategic decision-making within businesses and to promote the implementation of a system that reflects need

To support public bodies, including the Leeds City Region Enterprise partnership (LEP) and West Yorkshire Combined Authority (WYCA), as they consider policy priorities and resource allocation in the context of a strategic overview of jobs and skills in the City Region.




STRUCTURE OF THE DOCUMENT

The following analysis is structured around the priorities set out in the Leeds City Region Employment and Skills Plan *Skilled People, Better Jobs 2016-2020*. It provides an overview of the key evidence relating to the scale and nature of need against each of the following themes:

- **Raising the bar on high level skills:** ensuring that the City Region has the high level skills it needs to maximise economic performance.
- **More and better apprenticeships:** making the most of apprenticeships in terms of addressing employers' skills needs and boosting their performance whilst enabling individuals to earn while they learn and maximise their potential.
- **Great education connected to businesses:** ensuring that business has the best opportunity to influence the education and training curriculum and the content of careers information advice and guidance, while engaging directly with individuals through work experience and work inspiration activities.
- **Employability, accessing jobs and realising potential:** using skills to get people into work and enabling them to progress their career.
- **Building workforce skills and attracting talent:** helping business to make the skills investment that it needs to drive productivity and competitiveness and address evidenced skills shortages.

A cross-cutting priority is to address skills shortages and gaps that are barriers to growth in the City Region, specifically: infrastructure, digital skills and engineering & manufacturing.

Across all of these themes is the issue of inclusive growth. Inclusive growth is about ensuring that everyone including the most disadvantaged communities can participate in and benefit from, economic growth. The labour market plays a key role in this. To fulfil our aspirations for inclusive growth we need to create more and better jobs and make sure that everyone can connect to them. On the supply side we need to support individuals through better education and training, transport and employment support. Action is also required on the demand side to increase the supply of good jobs. Through an active industrial strategy, we need to boost employers' demand for skills and shape the occupational and sectoral profile of the City Region economy in order to push up levels of pay and improve terms and conditions of employment contracts.

RAISING THE BAR ON HIGH LEVEL SKILLS

Higher level skills are becoming increasingly important to the economy as the number and proportion of workers in higher skilled jobs increases. We face challenges around ensuring that we have enough high level skills of the right kind, providing equality of access to high level skills for all sections of the community and broadening the range of routes into high level skills. To harness the full benefit of higher level skills we also need to help businesses to utilise these skills to best effect.

SUMMARY

Higher skilled jobs represent a large and growing part of employment in the City Region and access to higher skilled workers plays an important role in driving productivity growth. These occupations have been the main area of employment growth in recent years and this trend is expected to continue in future across almost all high skilled occupational segments.

There is some evidence to suggest a deficit of demand for high skilled workers in the City Region. Workers in this category are relatively low paid compared to their national counterparts and account for a relatively low share of total employment.

The City Region underperforms with regard to its supply of high skilled people, with progress in this area coming to a virtual standstill in recent years. The deficit of high skilled people is particularly marked in some districts while socio-economic disadvantage presents a key barrier to attainment and progression.

The proportion of HE students in the City Region qualifying in key subjects such as Maths, Computer science, Engineering and Architecture, building and planning is low relative to the national average.

The City Region performs positively on graduate retention but progress relies on boosting demand for high skilled workers among local companies.

Higher skilled occupations are susceptible to skill shortages and occupational groups such as engineering professionals and ICT professionals are particularly affected. At the same time management roles are prone to skills gaps, with significant implications for business performance and productivity growth. A cross-cutting issue is the marked under-representation of women in many higher skilled occupations.

Under-utilisation of higher level skills is also a key issue, reflected in the large number of highly qualified individuals working in medium and lower skilled occupations. This demonstrates that it is not sufficient to simply raise the supply of higher level skills; those additional skills must be in economically valuable areas.

Opportunities to develop high level skills via the work-based route (mainly higher apprenticeships) remain limited but are key to widening participation and delivering relevant skills.

HIGHER SKILLED JOBS ARE KEY TO THE LEEDS CITY REGION ECONOMY

Around 615,000 people work in a high skilled occupation[1], contributing 42% of total employment in the City Region.

Higher skilled jobs make a key contribution to economic performance. According to one study[2], it is estimated that a 1% increase in the graduate share of the workforce raises the national productivity level by 0.2 to 0.5%.

This is reflected in the rates of pay available to higher skilled workers. For example, the median hourly pay of full-time workers in Yorkshire and the Humber for both corporate manager and professional occupational categories is around 50% higher than the median for all occupations.[3]

However, in relative terms the City Region lags behind many other parts of the country with regard to higher skilled jobs. At 42% of total employment the representation of higher skilled employment is lower than the national average of 46% and considerably lower than in parts of south east England. In London the equivalent proportion is 58%, in Thames Valley Berkshire LEP area 57% and Oxfordshire 54%.[4]

615,000
PEOPLE WORK IN A
HIGH SKILLED OCCUPATION

THE TOTAL EMPLOYMENT (42%) OF HIGHER SKILLED JOBS IN LEEDS CITY REGION IS LOWER THAN THE NATIONAL AVERAGE OF 46% AND CONSIDERABLY LOWER THAN IN PARTS OF SOUTH EAST ENGLAND.

[1] For the purpose of this document we have defined higher skilled occupations as those falling within Standard Occupational Classification major groups 1-3: managers, professionals and associate professionals.
[2] Holland, D., Liadze, I., Rienzo, C. & Wilkinson, D., (NIESR), (2013) The relationship between graduates and growth across countries, Department for Business, Innovation and Skills, London.
[3] Annual Survey of Hours and Earnings, 2016.
[4] Annual Population Survey, Jan – Dec 2016.

HIGHER SKILLED JOBS INCORPORATE A DIVERSE RANGE OF OCCUPATIONS

Higher skilled occupations range from teaching professionals to health professionals to corporate managers to professionals in science, technology, engineering and manufacturing (STEM) disciplines.

The two largest occupational sub-major groups have employment of around 100,000. The corporate managers category accounts for the largest share of employment, and includes occupations such as retail managers, production managers and financial managers. Business and public service associate professionals is the next largest category, which includes, for example, sales accounts / business development managers and finance / investment analysts / advisers.

The business, media and public service professionals category includes a diverse range of occupations including project management professionals and chartered and certified accountants. Science, research, engineering and technology professionals comprises high level STEM occupations, ICT including occupations like programmers and software developers plus various kinds of engineers and scientists. With regard to industry sectors, the largest concentrations of high skilled jobs are concentrated in education, health and social work, professional services and wholesale / retail.

The majority (54%) of people working in higher skilled jobs are male and the gender split of employment within occupational groups varies considerably. Women account for a large majority of workers in teaching and the health related groups but are significantly under-represented in the STEM-related occupational groups (barely a quarter of employment) as well accounting for a minority of employment in corporate management occupations (30%).

WOMEN ACCOUNT FOR A LARGE MAJORITY OF WORKERS IN TEACHING AND THE HEALTH RELATED GROUPS BUT ARE SIGNIFICANTLY UNDER-REPRESENTED IN THE STEM-RELATED OCCUPATIONAL GROUPS (BARELY A QUARTER OF EMPLOYMENT).

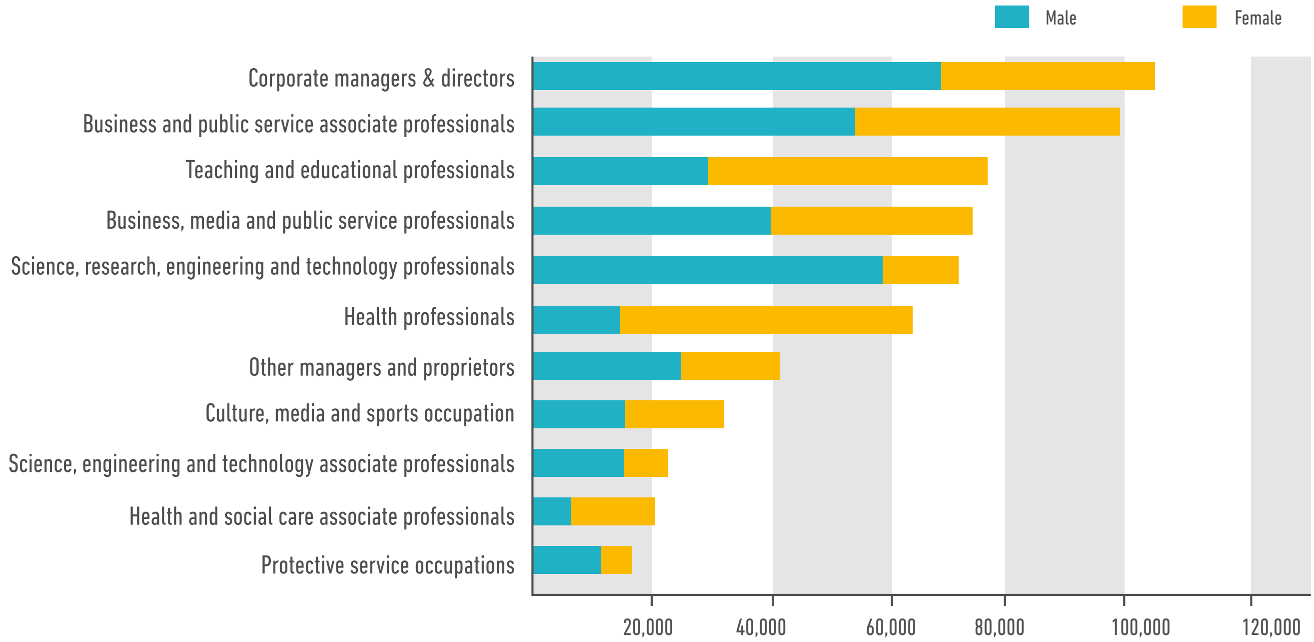
ONLY 30%

OF PEOPLE WORKING IN CORPORATE MANAGEMENT OCCUPATIONS ARE WOMEN

54%

OF PEOPLE WORKING IN HIGHER SKILLED JOBS ARE MALE

FIGURE 1. EMPLOYMENT IN HIGHER SKILLED JOBS BY OCCUPATIONAL SUB-MAJOR GROUP AND GENDER



Source: Annual Population Survey, Jan – Dec 2016

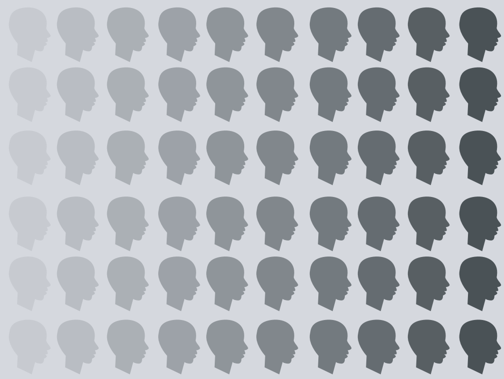
HIGH SKILLED OCCUPATIONS HAVE BEEN THE MAIN CONTRIBUTOR TO EMPLOYMENT GROWTH OVER THE LAST DECADE

Figure 2 shows cumulative employment growth over time, with the contributions made by broad occupational segments to that growth.

High skilled jobs are the main source of additional employment since 2004, contributing a gain of over 100,000 since 2004, although growth has levelled off in recent months.

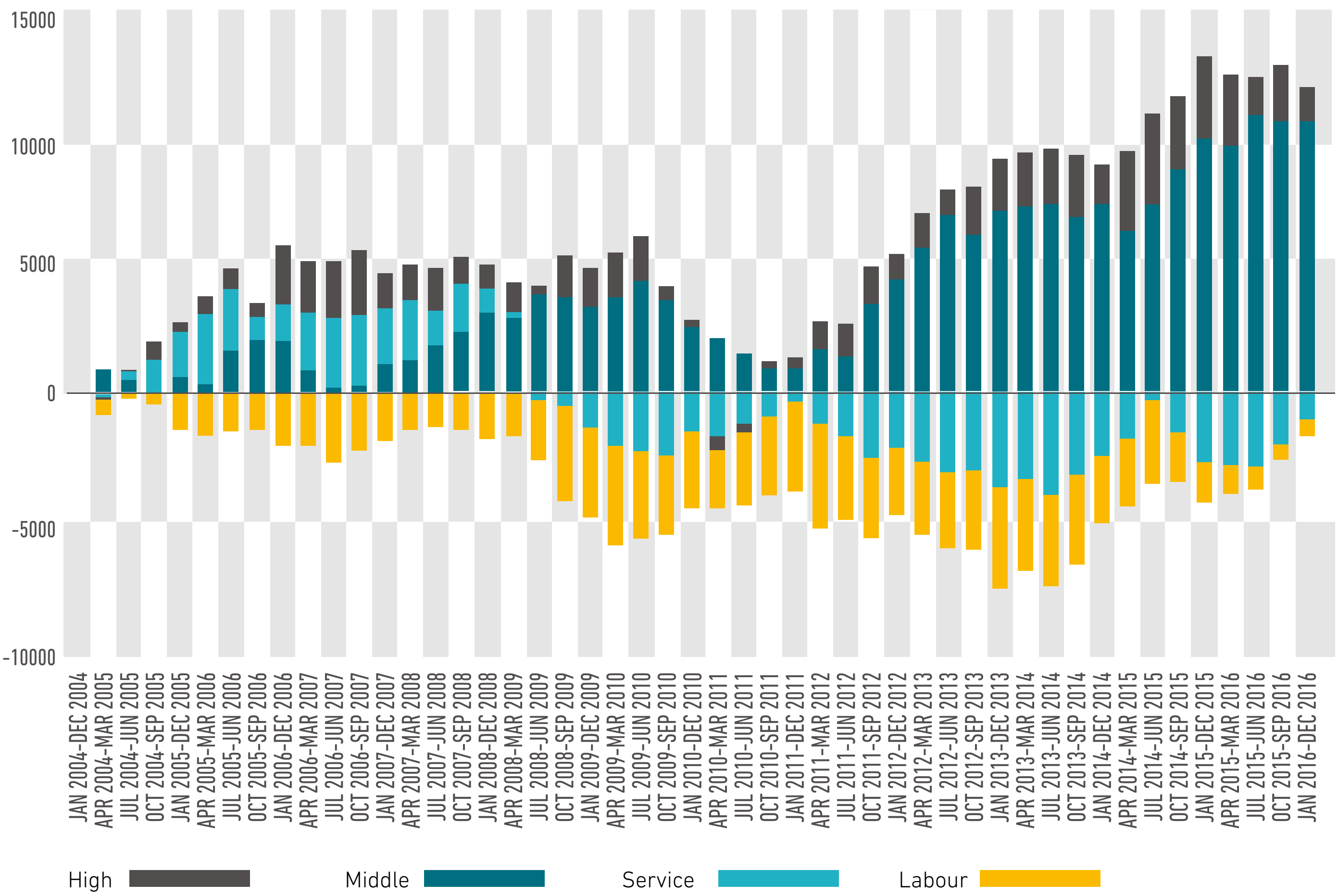
Service-intensive occupations (which includes care-related and sales / customer service occupations) also made a positive contribution to employment growth over this period, albeit much smaller, of 13,000.

Meanwhile middle skilled and labour intensive occupations both made negative contributions to growth, of 10,000 and 6,000 respectively, although both have recovered ground in the years since the recession.



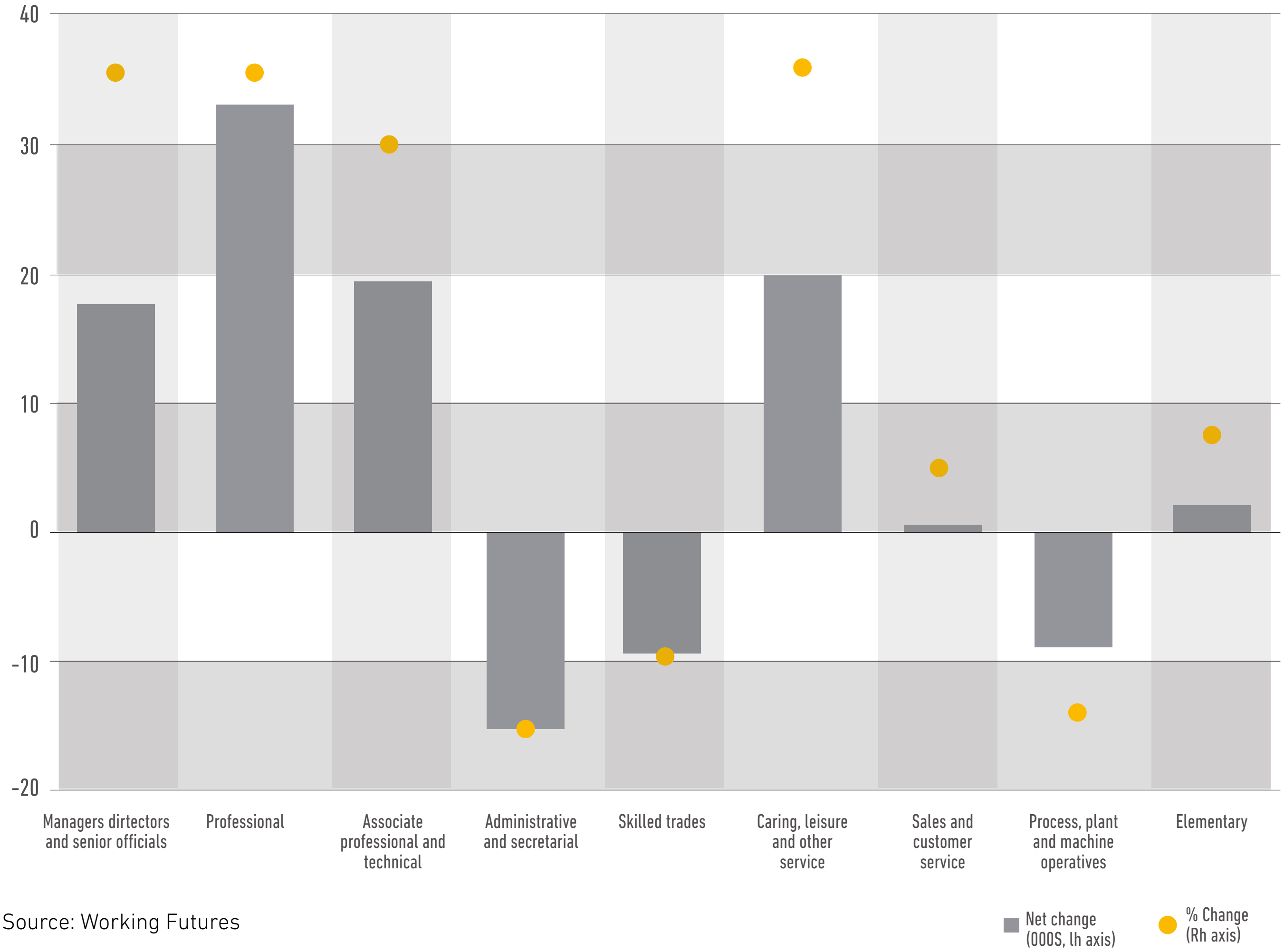
SINCE 2004 HIGH SKILLED JOBS HAVE GROWN BY MORE THAN 100,000

FIGURE 2. OCCUPATIONAL CONTRIBUTION TO CUMULATIVE EMPLOYMENT GROWTH



Source: Annual Population Survey
Note: High is SOC 1-3, Middle is SOC 4 and 5, Service is SOC 6 and 7 and Labour is SOC 8 and 9

FIGURE 3. PROJECTED NET CHANGE IN EMPLOYMENT BY OCCUPATIONAL MAJOR GROUP, 2014-2024, LEEDS CITY REGION



Source: Working Futures

HIGH SKILLED JOBS ARE EXPECTED TO GROW THREE TIMES AS QUICKLY AS EMPLOYMENT AS A WHOLE OVER THE NEXT DECADE

Labour market projections indicate that this pattern will continue with higher skilled occupations likely to remain the area of strongest demand in terms of job opportunities in the City Region.

The level of employment in high skilled management, professional and associate professional occupations is expected to grow three times as quickly as the average for all jobs over the next decade (12% versus 4%); equivalent to net growth of 70,000 jobs. Professional jobs are forecast to see the largest net growth in absolute terms and also the fastest rate of growth. By comparison, overall employment in the City Region is expected to grow by 60,000 as the contribution from higher skilled occupations is offset by net decline in other occupational areas.

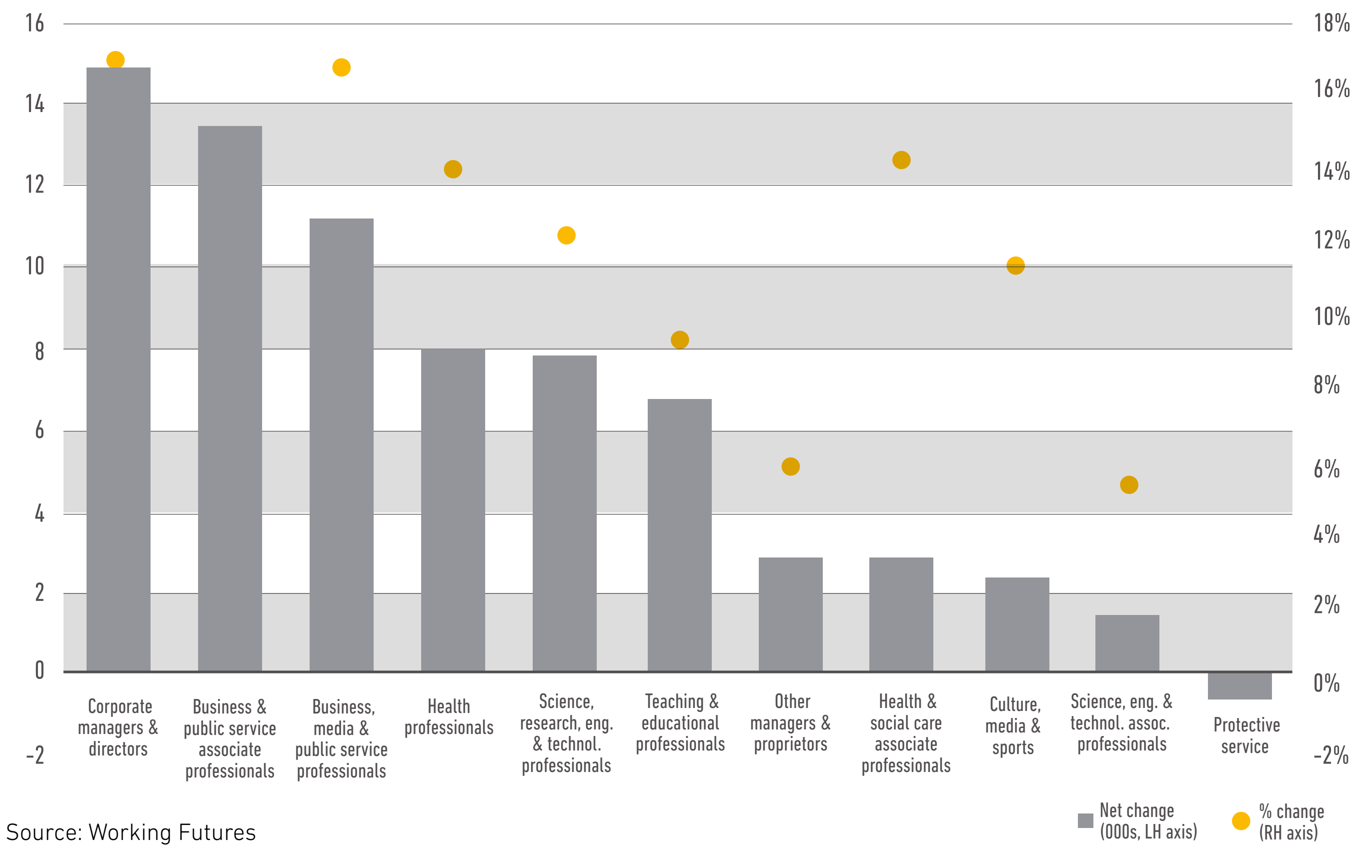
HIGH SKILLED MANAGEMENT, PROFESSIONAL AND ASSOCIATE PROFESSIONALS **WILL GROW THREE TIMES AS QUICKLY** AS ALL JOBS OVER THE NEXT DECADE

4% VS **12%**

AVERAGE JOB GROWTH

HIGH SKILLED OCCUPATIONS

FIGURE 4. PROJECTED NET CHANGE IN EMPLOYMENT BY OCCUPATIONAL SUB-MAJOR GROUP, 2014-2024, LEEDS CITY REGION



Source: Working Futures

DUE TO REPLACEMENT NEEDS, AROUND 300,000 JOB OPENINGS ARE EXPECTED OVER THE NEXT DECADE

Moreover, projections suggest that net growth in high skilled employment will also be supplemented by sizeable replacement demands, as existing workers exit the workforce due to retirement, family reasons (e.g. maternity leave) and mortality. Job openings from this source are projected to be three times the size of net growth for high skilled occupations, totalling around 220,000; combined with net growth this means a total of around 300,000 openings over the course of the decade.

AROUND **3000,000 JOB OPENINGS** ARE EXPECTED OVER THE NEXT DECADE

220,000 JOBS WILL BE CREATED THROUGH REPLACEMENT DEMAND

GROWTH IS EXPECTED TO BE BROADLY BASED ACROSS OCCUPATIONAL SEGMENTS OF HIGH SKILLED EMPLOYMENT

Most higher skilled occupational segments are expected to see significant employment growth in absolute terms and / or a rate of growth that exceeds the average for all occupations (4%).

The scale of net growth (in thousands of jobs) largely reflects the scale of employment in the occupation at the start of the period (see Figure 1). The Corporate Managers category is expected to see the greatest growth in absolute terms and also the fastest rate of growth alongside the Business, media and public service professionals group. The STEM professionals groups is expected to see a relatively middling rate of growth.

GROWTH IN THE SUPPLY OF HIGHER QUALIFIED PEOPLE HAS STALLED IN RECENT YEARS

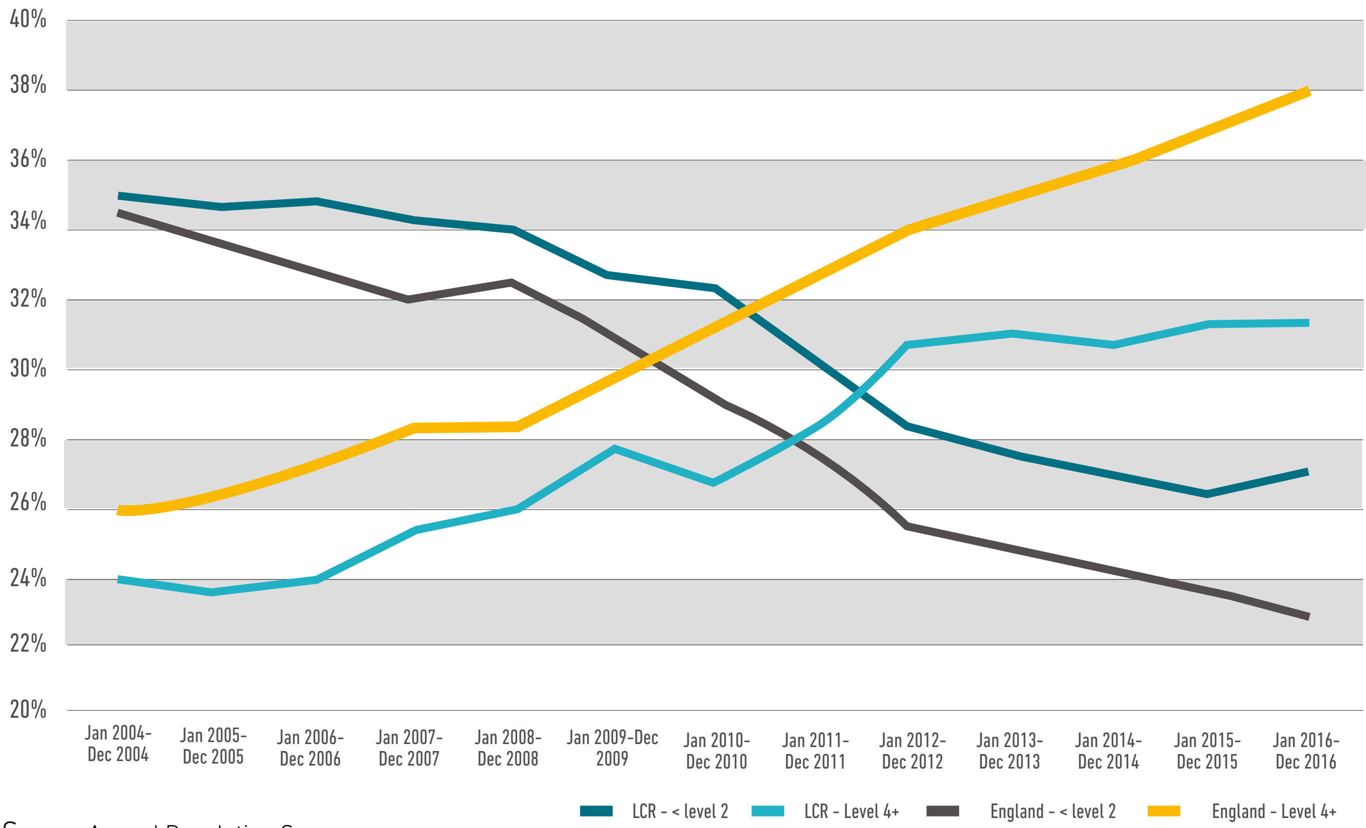
A strong supply of individuals with relevant high level skills is needed to meet current demand and projected growth in higher skilled jobs and also plays a key part in attracting inward investment into the City Region.

The evidence indicates that, following a prolonged period of steady increases in the proportion of the population qualified at level 4 and above, progress has stalled in recent years.

According to the latest data 31% of the working age population are qualified to level 4 and above. This is much lower than the England average (38%) which has continued to improve at the same time that the City Region's performance has remained flat.

LEEDS CITY REGION POPULATION QUALIFIED TO LEVEL 4+ **31%** VS **38%** ENGLAND POPULATION QUALIFIED TO LEVEL 4+

FIGURE 5. PROFILE OF LEVEL OF HIGHEST QUALIFICATION HELD BY WORKING AGE POPULATION

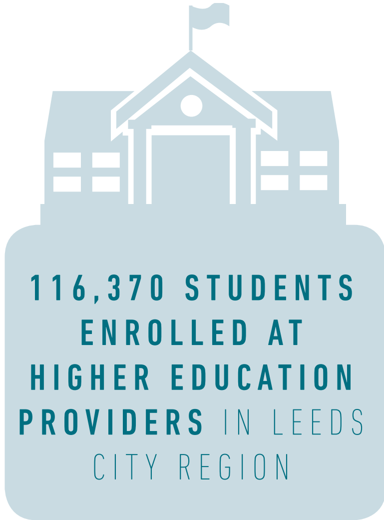


Source: Annual Population Survey

THE NUMBER OF ENROLMENTS AT HIGHER EDUCATION INSTITUTIONS (HEIs) IN THE CITY REGION HAS REMAINED STABLE IN RECENT YEARS

The Leeds City Region has a substantial higher education sector which serves as a major asset to the local economy and labour market, with two world class business schools, nine universities and Europe's largest teaching hospital. It is estimated that Leeds City Region has the second largest higher education sector after London, in terms of number of enrolments.

As of the 2015/16 academic year, there were 116,370 students enrolled at higher education providers located in the City Region. The number of enrolments at institutions in the City Region has remained stable since 2012/13.



LEEDS CITY REGION HAS THE SECOND LARGEST HIGHER EDUCATION SECTOR AFTER LONDON IN TERMS OF NUMBER OF ENROLMENTS

THE OVERALL PROPORTION OF HIGHER EDUCATION (HE) QUALIFIERS IN STEM SUBJECTS IS SIMILAR TO THE NATIONAL AVERAGE IN THE CITY REGION BUT IS RELATIVELY LOW IN SOME SPECIFIC SUBJECTS

There were around 38,500 qualifiers from Leeds City Region higher education institutions during the 2015/16 academic year, a level that was almost unchanged on 2014/15.

40% of those qualifying had undertaken a science subject (broadly defined), the same proportion as the national average. However, the proportions of qualifiers undertaking particular key subjects is low relative to the national subject profile. This includes mathematical sciences, computer science, engineering and technology and architecture, building and planning. On the other hand other science subjects saw a relatively strong level of take-up, most notably biological sciences, physical sciences and subjects allied to medicine (which mostly comprises nursing studies).

TABLE 1. PROFILE OF HIGHER EDUCATION QUALIFIERS BY SUBJECT AREA – LEEDS CITY REGION AND ENGLAND, 2015/16

Subject	Leeds City Region - % of total qualifiers	England - % of total qualifiers
Medicine and dentistry	2.0%	2.4%
Subjects allied to medicine	12.9%	10.9%
Biological sciences	9.4%	8.3%
Veterinary science	0.0%	0.2%
Agriculture & related subjects	0.3%	0.7%
Physical sciences	4.3%	3.6%
Mathematical sciences	1.2%	1.7%
Computer science	2.7%	3.3%
Engineering & technology	5.9%	6.5%
Architecture, building & planning	1.3%	2.3%
Social studies	10.4%	9.8%
Law	2.9%	4.2%
Business & administrative studies	16.3%	17.1%
Mass communications & documentation	2.5%	2.6%
Languages	6.3%	4.5%
Historical & philosophical studies	4.7%	3.5%
Creative arts & design	6.7%	8.0%
Education	10.1%	9.5%
Combined	0.1%	0.8%
Qualifiers in all science subjects as % of total	**40.0%**	**40.0%**

Source: Higher Education Statistics Agency
Note: Relates to qualifiers from Leeds City Region higher education providers

ENTRY INTO HIGHER EDUCATION IS LOW IN SOME DISTRICTS WHILE DISADVANTAGED PUPILS ARE SIGNIFICANTLY LESS LIKELY TO PARTICIPATE IN HIGHER EDUCATION

Performance in the City Region is mixed with regard to overall entry rates into higher education. Pupils in Barnsley, Wakefield and Leeds are less likely to go into higher education than the national average. Conversely, Calderdale, Kirklees and Bradford, together with York and districts in North Yorkshire have relatively high rates.

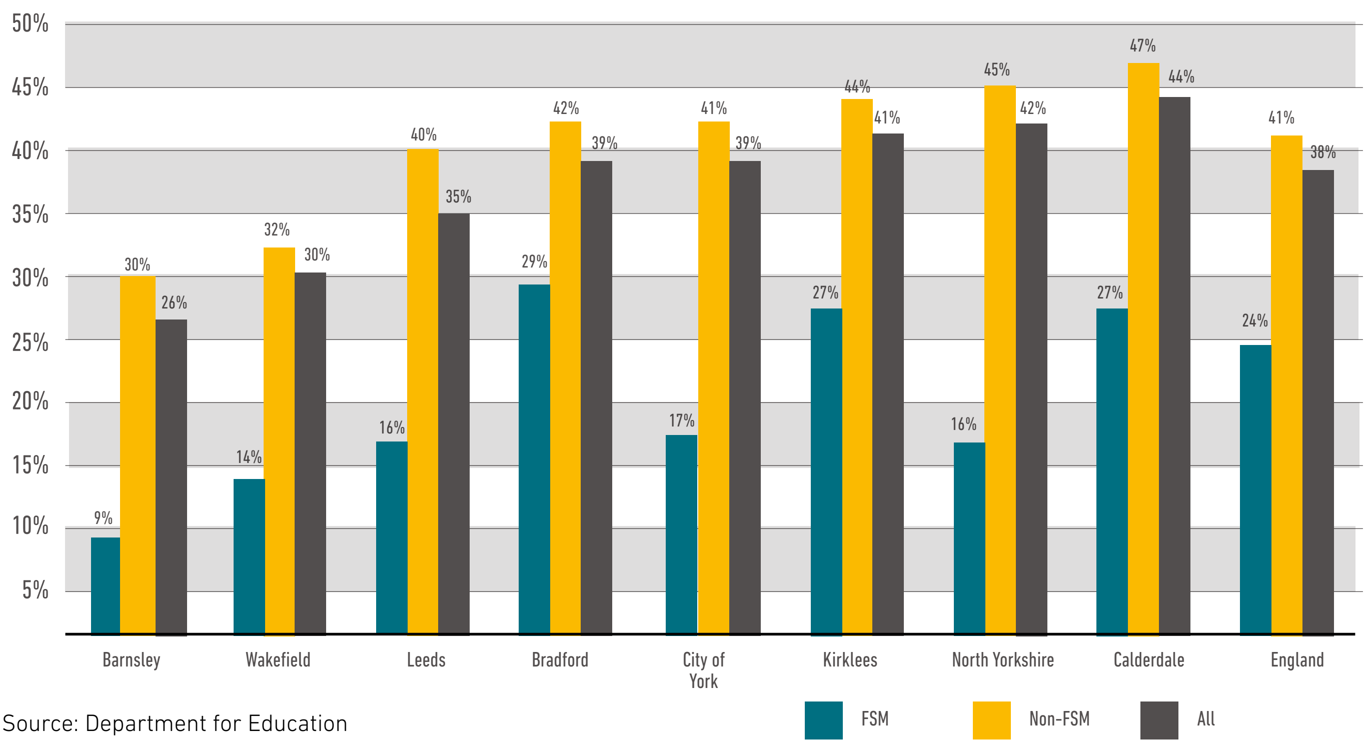
Underperforming districts are characterised by very low entry rates among disadvantaged pupils eligible for free school meals: below 10% in Barnsley, 14% in Wakefield and only 16% in Leeds; this compares with a national average rate of 24%.

However, some areas with strong overall performance, including York and North Yorkshire also perform poorly with regard to entry rates for pupils eligible for free school meals and demonstrate the widest gap between the disadvantaged and non-disadvantaged.

PUPILS IN BARNSLEY, WAKEFIELD AND LEEDS ARE LESS LIKELY TO GO INTO HIGHER EDUCATION THAT THE NATIONAL AVERAGE

SOME AREAS WITH STRONG OVERALL PERFORMANCE, INCLUDING YORK AND NORTH YORKSHIRE ALSO PERFORM POORLY WITH REGARD TO ENTRY RATES FOR PUPILS ELIGIBLE FOR FREE SCHOOL MEALS AND DEMONSTRATE THE WIDEST GAP BETWEEN THE DISADVANTAGED AND NON-DISADVANTAGED

FIGURE 6. ESTIMATED PERCENTAGE OF 15 YEAR OLD PUPILS FROM STATE-FUNDED AND SPECIAL SCHOOLS BY FREE SCHOOL MEAL (FSM) STATUS WHO ENTERED HIGHER EDUCATION BY AGE 19 BY LOCAL AUTHORITY, 2014/15



Source: Department for Education

BRADFORD, HAS THE HIGHEST ENTRY RATE FOR FREE SCHOOL MEAL PUPILS IN THE CITY REGION AND THE LOWEST 'DISADVANTAGE GAP'; THIS IS IN SPITE OF HAVING THE LARGEST NUMBER OF PUPILS ELIGIBLE FOR FREE SCHOOL MEALS IN THE AREA.

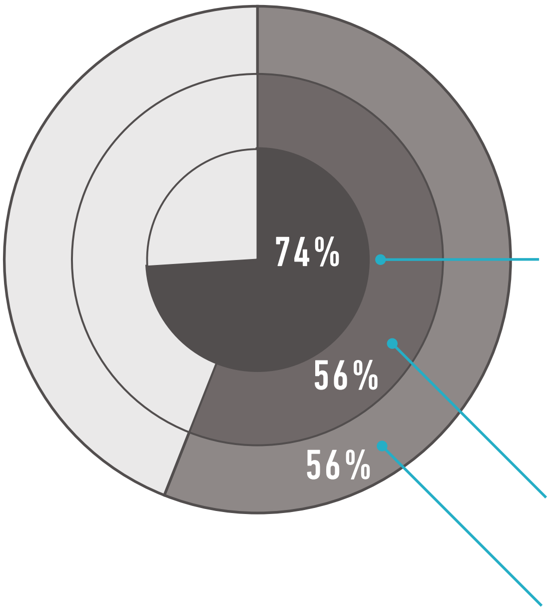
Nonetheless, all districts face a significant gap of this kind, with only two falling below the national average. One of these, Bradford, has the highest entry rate for free school meal pupils in the City Region and the lowest 'disadvantage gap'; this is in spite of having the largest number of pupils eligible for free school meals in the area.

Looking at change over time, there is no clear evidence of a reduction over time in the progression rate gap between free school meal and non-free school meal pupils, either in the City Region or nationally.

ALMOST THREE QUARTERS OF HIGHER EDUCATION LEAVERS WHO ARE FROM THE CITY REGION FIND EMPLOYMENT IN YORKSHIRE AND THE HUMBER

The City Region's higher education sector is a major asset to the area but its impact on the local economy is largely determined by the extent to which graduates are retained following completion of their studies. The evidence suggests that students who are originally from the area are more likely to be retained, irrespective of where they studied, than people who simply studied in the area.

Around 74% of higher education leavers who are from the City Region (i.e. their original domicile is within the City Region but many did not study here) find employment in the Yorkshire and the Humber region following graduation, with only 7% moving to London, traditionally seen as a strong magnet for graduates.



74% OF HIGHER EDUCATION LEAVERS FROM THE CITY REGION FIND EMPLOYMENT IN YORKSHIRE AND THE HUMBER AFTER GRADUATION

56% OF LEAVERS WHO STUDIED IN THE CITY REGION BUT WHOSE ORIGINAL DOMICILE IS NOT WITHIN THE CITY REGION FIND EMPLOYMENT IN YORKSHIRE AND THE HUMBER AFTER GRADUATION

56% OF LEAVERS WHO STUDIED IN THE CITY REGION (INCLUDING IMPORTED STUDENTS, WHOSE ORIGINAL DOMICILE IS NOT WITHIN THE CITY REGION) FOUND EMPLOYMENT IN YORKSHIRE AND THE HUMBER FOLLOWING GRADUATION.

Arguably the City Region performs positively on graduate retention but it should be noted that flows of graduates around the country are determined primarily by relative levels of demand for high skilled workers. The challenge ultimately is about boosting demand for high skilled workers among local businesses.

Having said that, it is clear that some businesses in the City Region are experiencing difficulties in attracting recruits with the specialist skills that are needed.

SHORTAGES RELATING TO HIGHER SKILLED OCCUPATIONS HAVE GROWN SIGNIFICANTLY DURING THE ECONOMIC RECOVERY

In terms of volume, there were around 3,000 skill shortage vacancies relating to higher skilled occupations in the City Region at the time of the 2015 Employer Skills Survey, around a fifth of total shortages reported by employers. This means that approximately one fifth of all vacancies for higher skilled jobs were estimated to be difficult to fill due to a lack of candidates with the right skills.

Moreover, the number of skill shortage vacancies relating to high skilled occupations more than doubled between 2013 and 2015 (growing by 141%).

Professional and associate professional occupations show the highest incidence of skill shortage vacancies aside from skilled trades (i.e. employers are most likely to say that they have them). More than one in five employers reporting shortages indicated that these related to associate professional roles, while one in six said that posts at a professional level were affected. Conversely, jobs falling into the management category are the least likely to be identified as a shortage area, being susceptible to skills gaps instead (as set out below).

SKILLS SHORTAGE VACANCIES RELATING TO HIGH SKILLED OCCUPATIONS HAD **GROWN BY 141% BETWEEN 2013 AND 2015**

3,000 SKILL SHORTAGE VACANCIES RELATING TO HIGHER SKILLED OCCUPATIONS IN THE CITY REGION

1/5 OF ALL VACANCIES FOR HIGHER SKILLED JOBS WERE ESTIMATED TO BE DIFFICULT TO FILL DUE TO A LACK OF CANDIDATES WITH THE RIGHT SKILLS

MANAGEMENT ROLES ARE PARTICULARLY SUSCEPTIBLE TO SKILL GAPS

Skill gaps occur when existing employees lack the skills and proficiency required to meet business objectives.

Skills gaps are relatively widespread within the economy. According to the 2015 Employer Skills Survey around 17% of employers reported at least one gap with the equivalent of 63,000 or 5% of workers lacking full proficiency.

Employers are generally more likely to report that skills gaps affect mid and lower skilled occupations. This partly reflects high rates of staff turnover in some occupational groups, meaning that a significant proportion of workers in these groups are receiving their initial training at any given point in time.

The key exception to this is management roles. Around one in five employers reporting gaps say that at least one of the gaps relates to people in management roles, reflecting an issue that is also observed at national level.

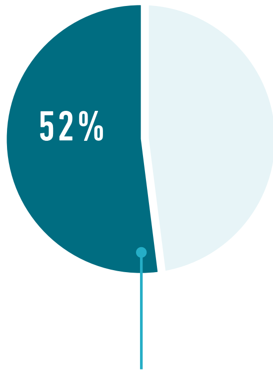
This raises significant questions about the management capability of local businesses and chimes with other research conducted nationally and internationally that suggests that deficits in management skills play a key part in constraining productivity growth.

Employers' response to management skills gaps is also a cause for concern. Barely half (52%) of employers in the City Region agree that investing in management and leadership skills is a top priority for their business[5] and only 39% of employers who provide training arrange or fund management training (see Figure 34). Managers are also the occupation least likely to receive training from their employer (see Figure 30).

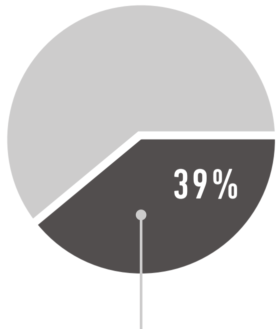
In addition, it is also important to note that managers' existing qualifications levels are lower than might be expected. Fewer than half (47%) of managers in Yorkshire and the Humber are qualified to level 4 and above, compared with 84% of workers in professional occupations. [6]

As noted above skills gaps often affect medium-skilled and low-skilled roles. Not surprisingly the skills in deficit are, in many instances of a routine nature. However, in some cases the skills in need of improvement relate to more complex technical areas or to aspects of management and leadership. Particular skills which are most commonly affected include advanced / specialist IT skills, solving complex problems and complex numerical and statistical skills.[7]

63,000 (OR 5%) OF WORKERS LACK FULL PROFICIENCY



ONLY 52% OF EMPLOYERS IN THE CITY REGION AGREE THAT INVESTING IN MANAGEMENT AND LEADERSHIP SKILLS IS A TOP PRIORITY FOR THEIR BUSINESS



AND ONLY 39% WHO PROVIDE TRAINING ARRANGE OR FUND MANAGEMENT TRAINING

[5] Employer Perspectives Survey, 2016.
[6] Labour Force Survey, October – December 2016.
[7] Employer Skills Survey, 2015.

INVESTING IN THE RIGHT, ECONOMICALLY VALUABLE SKILLS, IS CRITICAL TO ADDRESSING THE HIGHER SKILLS CHALLENGE

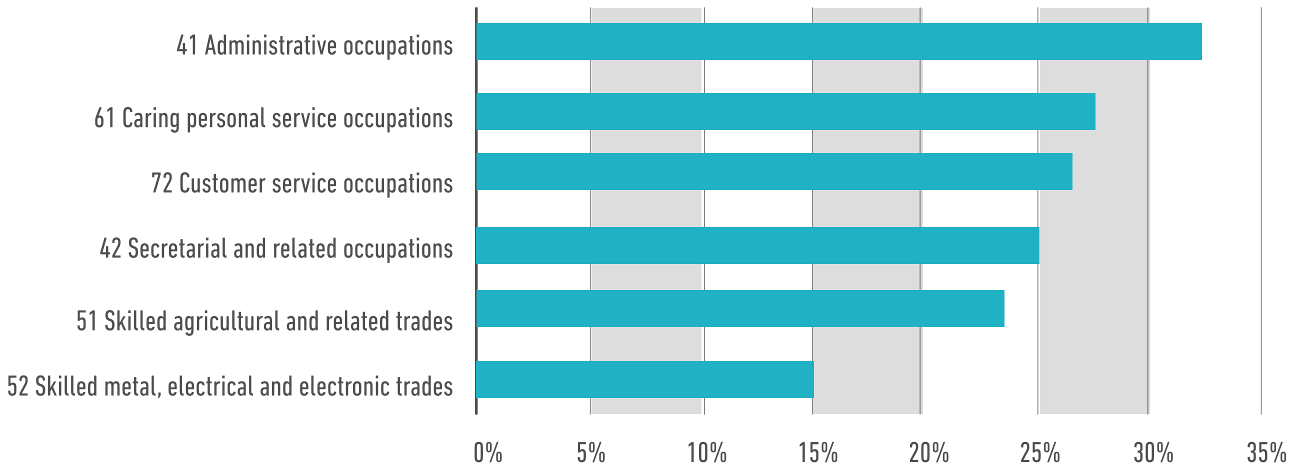
Skills mismatches are not only due to skills deficits. Just under a third (32%) of employers in the City Region say that they employ workers whose skills / qualifications are in advance of those needed for the job.[8] This incidence of underutilisation is broadly in line with other local areas and with the national average.

Based on some measures, underutilisation of skills is much more prevalent than the various forms of skills deficit already explored. Data for the Yorkshire and the Humber region indicates that 260,000 people working in non-graduate roles (as their main job) hold qualifications at level four and above i.e. they have qualifications at a more advanced level than is needed to perform their role. This is equivalent to 10% of all people in employment in the region and 18% of people working in non-graduate roles. 'Over qualification rates' are highest in administrative occupations, caring personal service occupations and customer service occupations but there are also large numbers of high qualified people working in the lowest skilled elementary roles.[9]

10% OF ALL PEOPLE IN EMPLOYMENT IN THE CITY REGION HAVE QUALIFICATIONS AT A MORE ADVANCED LEVEL THAN IS NEEDED TO PERFORM THEIR ROLE

An inability to use acquired skills and knowledge has a de-motivating effect on workers and represents a missed opportunity for employers to maximise productivity. An important part of the response to this issue is an increase in the availability of high quality information, advice and guidance to ensure that individuals invest in economically valuable skills and that the matching process between individuals and opportunities becomes more effective.

FIGURE 7. NON-GRADUATE OCCUPATIONS WITH THE GREATEST PROPORTION OF WORKERS QUALIFIED AT LEVEL 4+; YORKSHIRE AND THE HUMBER, JANUARY TO MARCH 2017



Source: Labour Force Survey

AN INABILITY TO USE ACQUIRED SKILLS AND KNOWLEDGE HAS A DE-MOTIVATING EFFECT ON WORKERS AND REPRESENTS A MISSED OPPORTUNITY FOR EMPLOYERS TO MAXIMISE PRODUCTIVITY

[8] Employer Skills Survey 2015.
[9] This group is likely to include young people and others who are working in these occupations on a temporary basis before progressing to higher level occupations.

ALTHOUGH TAKE-UP OF HIGHER APPRENTICESHIPS HAS GROWN RAPIDLY IN RECENT YEARS IT HAS DONE SO FROM A VERY LOW BASE, MEANING THAT A SIGNIFICANT CHALLENGE REMAINS TO EXPAND THIS ROUTE TO A SCALE COMPARABLE TO MAINSTREAM HIGHER EDUCATION.

OPPORTUNITIES TO DEVELOP HIGHER LEVEL SKILLS VIA A TECHNICAL OR WORK-BASED ROUTE REMAIN COMPARATIVELY LIMITED

Higher and degree apprenticeships offer the potential for a significant increase in the number of people accessing higher level skills via the work-based route. This route offers a number of advantages, enabling the individual to learn while they earn without incurring student debt, whilst for the employer the option of 'growing their own' skilled workers provides the opportunity of addressing specific skills challenges.

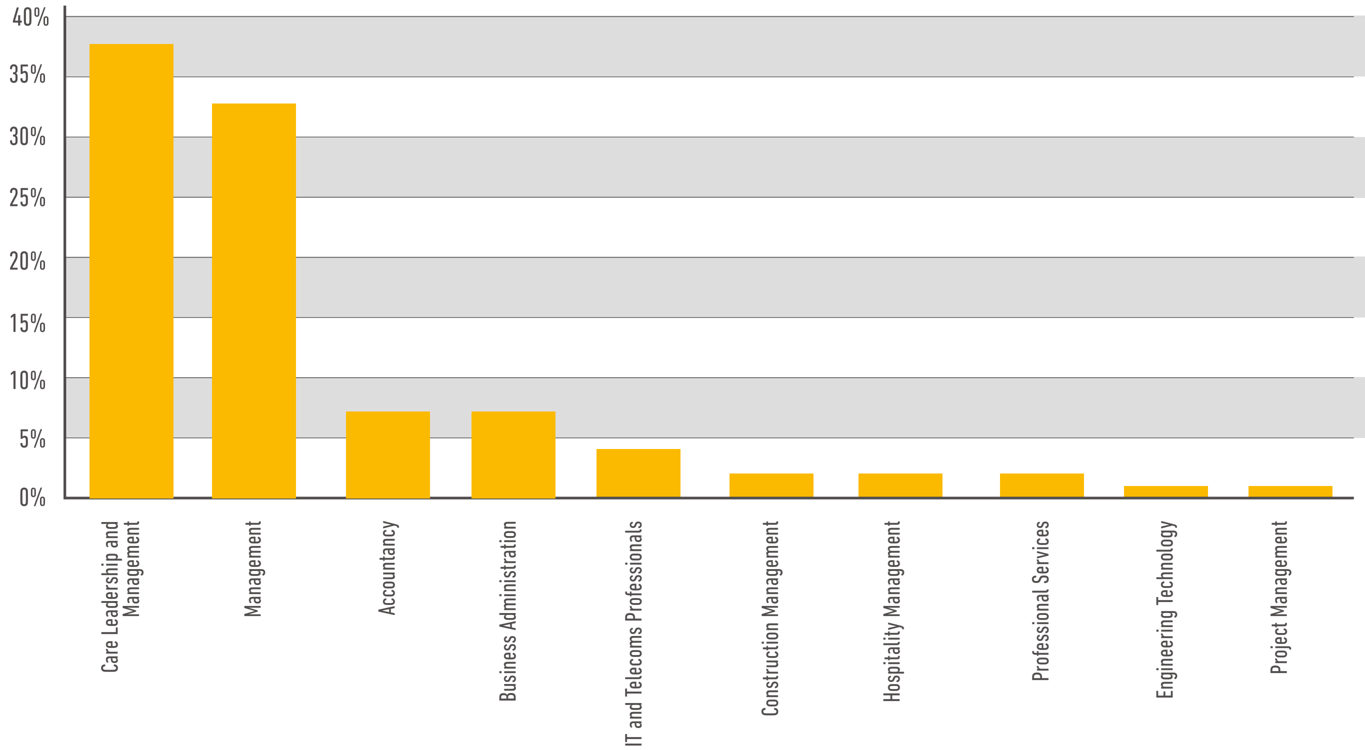
Although take-up of higher apprenticeships has grown rapidly in recent years it has done so from a very low base, meaning that a significant challenge remains to expand this route to a scale comparable to mainstream higher education.

The subject profile of higher apprenticeships is currently narrowly focused, reflecting the fact that standards are currently still under development in many key areas.

Although the level of higher apprenticeship starts grew by almost 50% in 2015/16 (see below) 72% of total starts were concentrated in just two frameworks – care leadership & management and management.

This is likely to act as a major constraint on the overall growth of higher apprenticeships in the City Region. Anecdotal evidence suggests that difficulties experienced by providers in recruiting teaching staff in technical areas is also a major limiting factor upon delivery capacity

FIGURE 8: HIGHER APPRENTICESHIP STARTS IN LEEDS CITY REGION - TOP 10 FRAMEWORKS - % OF TOTAL STARTS, 2015/16



Source: Education and Skills Funding Agency

PART-TIME STUDY PLAYS AN IMPORTANT ROLE IN UP-SKILLING AND RE-SKILLING MATURE WORKERS, A CRITICAL FUNCTION IN A FAST CHANGING LABOUR MARKET.

PART-TIME HIGHER EDUCATION IS IN DECLINE

It should also be noted that progress around higher apprenticeships has been offset by a rapid decline in the number of people undertaking study in higher education via a part-time route, experienced both locally and across the UK.

This is a concern because part-time higher education has a strong vocational orientation: most part-time students take vocationally orientated and professional qualifications (often with the financial support of their employer) and part-time study plays an important role in up-skilling and re-skilling mature workers, a critical function in a fast changing labour market.

According to Higher Education Statistics Agency (HESA) statistics, the number of part-time students in Leeds City Region higher education institutions fell by 67% between 2011/12 and 2015/16.

THE NUMBER OF PART-TIME STUDENTS IN LEEDS CITY REGION HIGHER EDUCATION INSTITUTIONS **FELL BY 67%** BETWEEN 2011/12 AND 2015/16

MORE AND BETTER APPRENTICESHIPS

Apprenticeships provide an option for organisations to 'grow their own skills' to meet business needs and for individuals to earn while they learn and develop their career. National evidence shows that apprenticeship can make a major contribution to increasing the productivity of firms and the earning potential of individuals. The challenge is to increase the take-up of apprenticeships in the City Region whilst at the same time maximising their economic contribution.

SUMMARY

The City Region saw strong growth in apprenticeship take-up in the 2015/16 academic year, exceeding the national average, with priority skill areas enjoying a large share of that growth. Advanced and higher apprenticeships grew quickest but intermediate apprenticeships remain the largest segment in terms of programme starts. Much of the growth in 2015/16 was also due to adult (25+) apprenticeship starts.

There are issues around the inclusiveness of apprenticeships. The disadvantaged are less likely to enter an apprenticeship while take-up is highly segregated by gender in terms of occupational focus.

The quality of apprenticeships is also relatively strong, with local achievement rates consistently surpassing the national average while the overwhelming majority of apprentices secure positive labour market outcomes. Nonetheless, a significant minority of apprentices do not successfully complete their framework.

There is significant potential to increase take-up of apprenticeships. Many companies do not currently offer apprenticeships but plan to do so in the future, presenting prime prospects for engagement. There is still scope to increase the awareness of apprenticeships among the more than 50% of establishments which either have no direct experience of them or acknowledge that their understanding is not good. Many larger companies are keen to increase their take-up of apprenticeships in response to the implementation of the Apprenticeship Levy in April 2017.

WITH 8% ANNUAL GROWTH IN APPRENTICESHIP STARTS THE CITY REGION EASILY OUTPERFORMED THE NATIONAL AVERAGE

There were 31,210 apprenticeship starts in the City Region in the 2015/16 academic year. Starts grew by 8% (2,210) compared with the previous year, significantly higher than the England average growth rate of 2%.

10,970 workplaces in the City Region took on an apprentice during 2015/16, an increase of 5% on 2014/15.

APPRENTICESHIP STARTS IN LEEDS CITY REGION

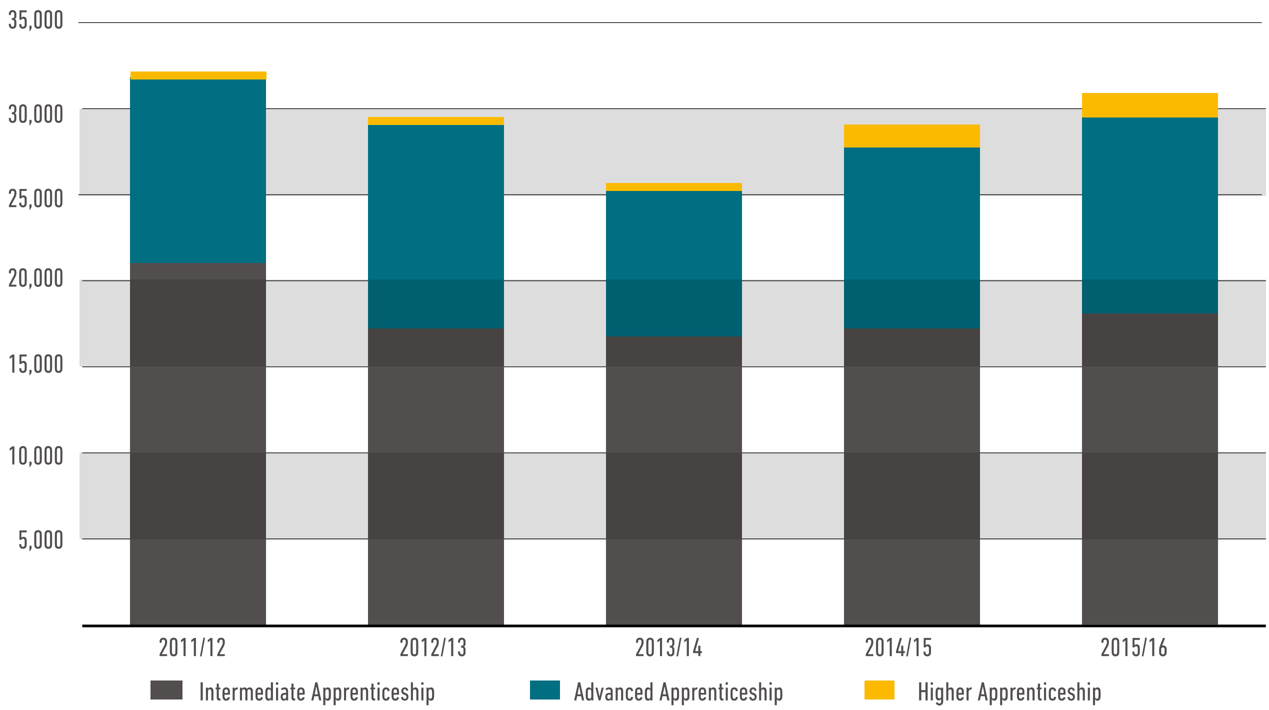
8% VS 2%

APPRENTICESHIP STARTS NATIONALLY

10,970 WORKPLACES IN THE CITY REGION TOOK ON AN APPRENTICE DURING 2015/16

= 5% INCREASE ON 2014/15

FIGURE 9. APPRENTICESHIP STARTS BY LEVEL, LEEDS CITY REGION



Source: Education and Skills Funding Agency

INTERMEDIATE APPRENTICESHIPS ACCOUNT FOR THE MAJORITY OF STARTS BUT ADVANCED AND HIGHER STARTS GREW FASTER DURING 2015/16

Starts on intermediate apprenticeships accounted for 59% of total starts, advanced apprenticeship starts contributed 37% and higher apprenticeships 5%. Intermediate and advanced level apprenticeship starts saw similar volumes of growth during 2015/16, at 920 and 910 respectively.

The rate of growth in advanced starts was faster at 9%, compared with 5% for intermediate starts. Higher apprenticeships saw strong growth from a low base, with a volume increase of 460 starts, a rapid growth rate of 47%.

59% OF TOTAL APPRENTICESHIP STARTS WERE INTERMEDIATE LEVEL

37% OF TOTAL APPRENTICESHIP STARTS WERE ADVANCED LEVEL

ADULT (25+) APPRENTICESHIP STARTS ACCOUNTED FOR THE BULK OF GROWTH

During 2015/16, 45% of starts were for apprentices aged 25 and over, with the remainder almost evenly split between 16-18 year olds and 19-24 year olds.

Starts among people aged 25+ grew fastest (by 13%, versus an overall growth rate of 8%) and accounted for almost three quarters of total growth in starts, whereas 16-18 year olds saw growth of 6%, accounting for one fifth of total growth.

45% APPRENTICESHIP STARTS AGED 25+ IN 2015/2016

TWO SUBJECT AREAS ACCOUNT FOR MORE THAN HALF OF TOTAL STARTS

Business, administration & law and health, public services & care are the two largest subject areas by number of starts in the City Region; the former accounting for 30% of total starts and the latter for 24%. In terms of numbers of starts Business, administration and law is dominated by the apprenticeship frameworks of Administration and Business management, which themselves account for 16 and 10% of total starts respectively. Health and social care, the framework providing the chief component of Health, public services and care contributes one fifth of total starts.

Among the priority subjects, Engineering and manufacturing technologies is the most substantial with 16% of starts, followed by Construction, planning and the built environment with 6%. ICT accounts for only 2%.

30% OF APPRENTICESHIP STARTS WERE IN BUSINESS, ADMINISTRATION & LAW

24% OF APPRENTICESHIP START WERE IN HEALTH, PUBLIC SERVICES & CARE

PRIORITY SUBJECT AREAS INCREASED THEIR SHARE OF TOTAL STARTS IN 2015/16

Although the priority subjects represent a minority of apprenticeship provision, they increased their share during 2015/16 from 21% to 23%. All three areas saw a rate of growth in starts that far exceeded the average for the City Region, with ICT practitioners growing by 38% (albeit from a low base) whilst Engineering and manufacturing technologies grew by 19% and Construction, planning and the built environment grew by 18%.

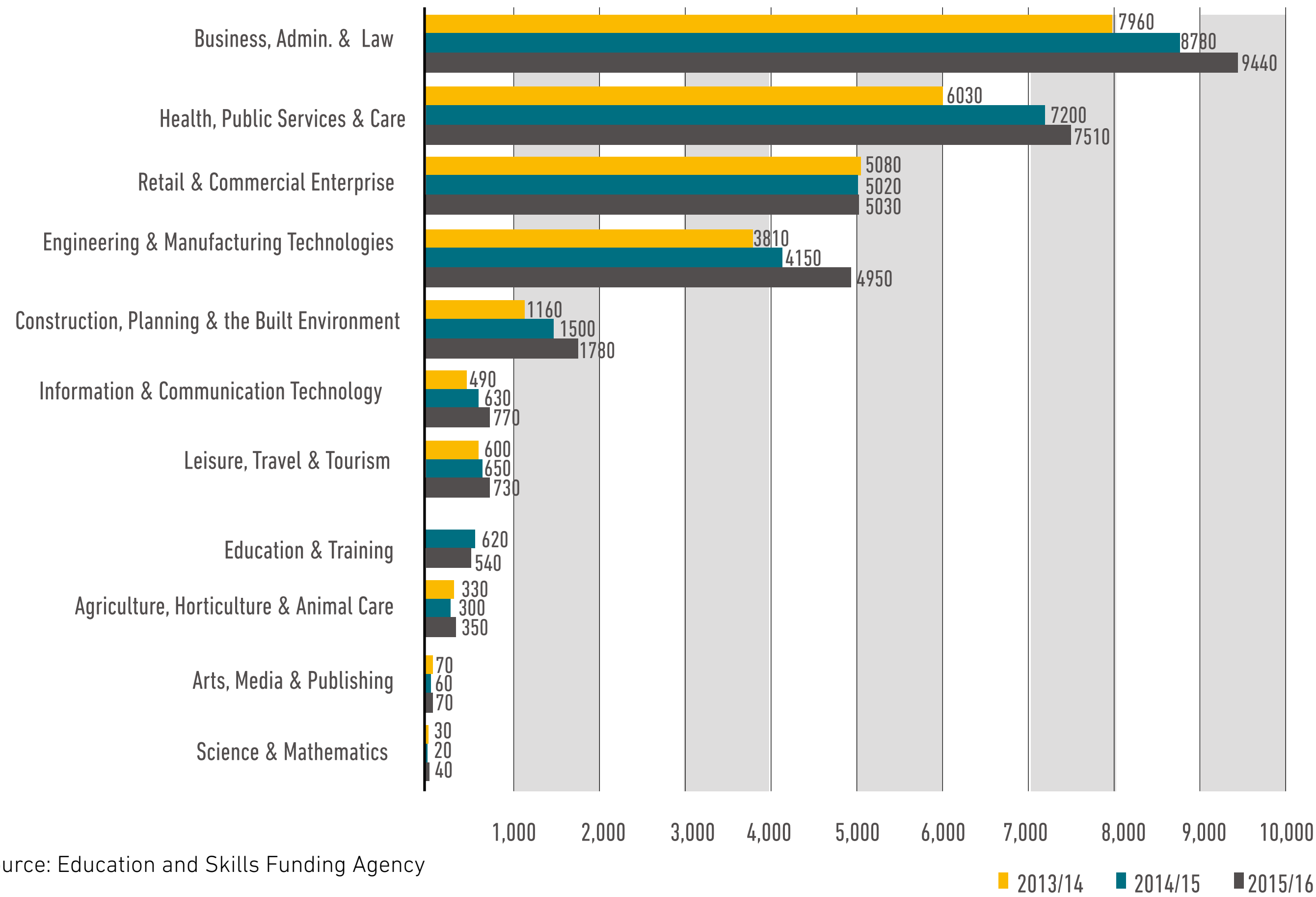
ICT STARTS GREW BY **38%**

ENGINEERING & MANUFACTURING STARTS GREW BY **19%**

CONSTRUCTION, PLANNING AND THE BUILT ENVIRONMENT STARTS GREW BY **18%**

Figure 23 below, shows, the profile of apprenticeships achievements is in broad alignment with the projected profile of future job openings in the City Region, reflecting the fact that apprentices are in employment. For those areas where apprenticeships are under or over-represented there is a need to consider whether this reflects the nature of the labour market (for example the strong representation of apprenticeships in engineering and manufacturing probably reflects the strong tradition of apprenticeships in related occupational areas) or whether action is needed to adjust the focus of provision to maximise the impact of apprenticeships on the local economy.

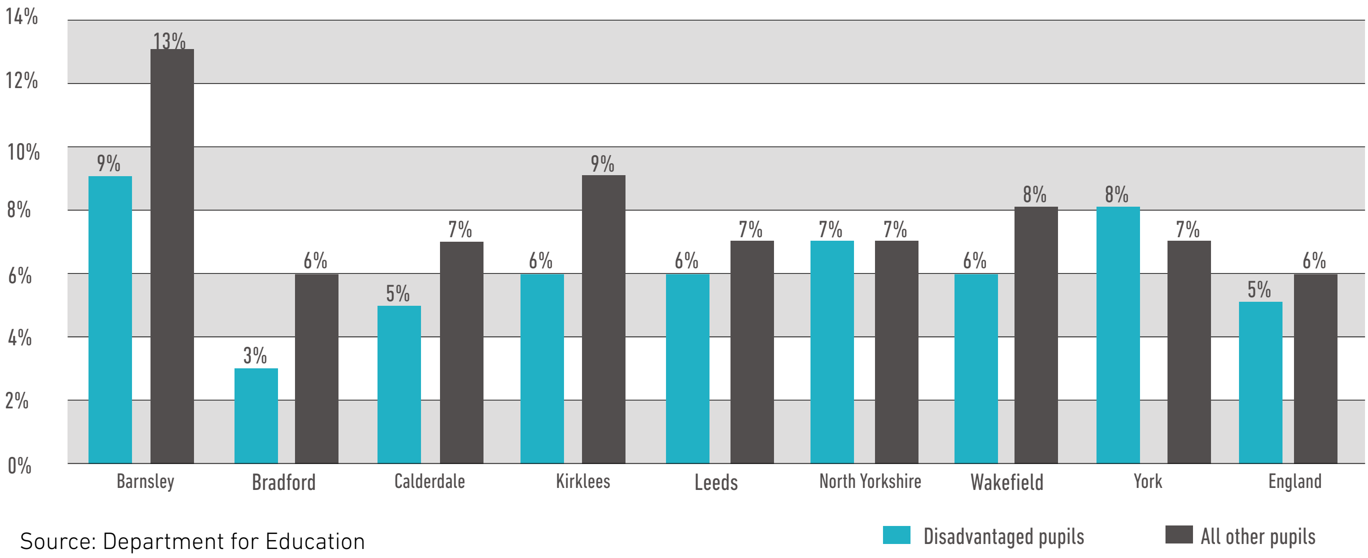
FIGURE 10: APPRENTICESHIP STARTS BY SECTOR SUBJECT AREA, LEEDS CITY REGION



Source: Education and Skills Funding Agency

IN GENERAL, THERE IS A STRONG MATCH BETWEEN THE SUBJECT PROFILE OF APPRENTICESHIPS AND THE PROFILE OF FUTURE JOB OPENINGS

FIGURE 11: PROPORTION OF PUPILS ENTERING APPRENTICESHIPS FOLLOWING COMPLETION OF KEY STAGE 4; 2014/15 DESTINATIONS FOR THE 2013/14 COHORT (STATE-FUNDED MAINSTREAM SCHOOLS)



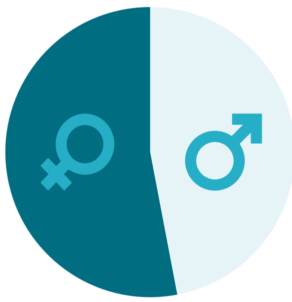
Source: Department for Education

DISADVANTAGED YOUNG PEOPLE ARE LESS LIKELY TO ACCESS APPRENTICESHIPS THAN COUNTERPARTS WHO ARE NOT DISADVANTAGED.

ACCESS TO APPRENTICESHIPS NEEDS TO BE MADE MORE INCLUSIVE

As with several other types of opportunity, disadvantaged young people are less likely to access apprenticeships than counterparts who are not disadvantaged.

The national average figures also show a gap but this is less pronounced than for a number of local districts.



53% OF APPRENTICESHIP STARTS IN 2015/16 WERE FEMALE

ACROSS ALL DISTRICTS OF THE CITY REGION (WITH THE EXCEPTION OF YORK) DISADVANTAGED PUPILS ARE LESS LIKELY TO ENTER AN APPRENTICESHIP THAN OTHER PUPILS ON THE COMPLETION OF KEY STAGE 4.

With regard to diversity, females accounted for a small majority (53%) of apprenticeship starts in 2015/16. However, take-up of apprenticeships is highly segmented by subject. For example, 85% of starts on health, public services & care apprenticeships were for females but the proportion for construction, planning & the built environment was only 2%.

10% of apprenticeship starts in the City Region related to black, Asian, and minority ethnic (BAME) apprentices during the academic year, a marginal increase on 9% in 2014/15. This mirrors the national average, also 10%, but is somewhat lower than the 13% of the working population of the City Region who are from ethnic minorities.

10% OF APPRENTICESHIP STARTS IN THE CITY REGION RELATED TO BLACK, ASIAN, AND MINORITY ETHNIC (BAME) APPRENTICES DURING THE ACADEMIC YEAR, A MARGINAL INCREASE ON 9% IN 2014/15.

THIS MIRRORS THE NATIONAL AVERAGE, ALSO 10%, BUT IS SOMEWHAT LOWER THAN THE 13% OF THE WORKING POPULATION OF THE CITY REGION WHO ARE FROM ETHNIC MINORITIES.

CLOSE TO HALF OF EMPLOYERS HAVE / OFFER APPRENTICESHIPS OR HAVE A GOOD KNOWLEDGE OF APPRENTICESHIPS

Data from the Employer Perspectives Survey 2016 indicates that 13% of employers in Leeds City Region currently have an apprentice (similar to the national average of 12%) whilst a further 7% offer apprenticeships, although they do not currently employ any. Overall then, a fifth of employer currently have or offer apprenticeships.

In addition to the 20% of employers who have or offer apprenticeships, a further 26% indicate that they have a good knowledge of apprenticeships, suggesting that exposure to and understanding of apprenticeships is widespread.

STRUCTURAL ISSUES PRESENT THE MOST COMMON BARRIER TO APPRENTICESHIP TAKE-UP

According to the Employer Perspectives Survey (EPS) 2016, perceived structural barriers are the most widespread reason for not offering apprenticeships, most notably a feeling that the establishment is too small or there is no need to recruit staff. Barriers of this kind are cited by 62% of establishments across Yorkshire and the Humber that do not offer apprenticeships.

Around a third (34%) of establishments in Yorkshire and the Humber actively choose not to offer apprenticeships, because, for example, all staff are felt to be fully skilled or apprenticeships are felt not to suit the firm's business model.

Employers are much less likely to indicate that lack of awareness is a reason for not participating in apprenticeships. Only 10% of respondents in Yorkshire and the Humber cite this as a reason.

THE INTRODUCTION OF THE APPRENTICESHIP LEVY IS MOTIVATING LARGER EMPLOYERS TO OFFER APPRENTICESHIPS FOR THE FIRST TIME OR INCREASE THEIR NUMBER OF APPRENTICES

National data from EPS indicates that among those employers who do not currently offer apprenticeships, reasons for planning to start offering apprenticeships in the future mainly related to employers seeing apprenticeships as a good way to get skilled staff, to expand the business and to recruit young people. Among large employers with 100+ staff that plan to start offering apprenticeships in future, 12% spontaneously cited the impending introduction of the apprenticeship levy as a reason.

National findings from EPS also show that 30% of employers with current apprentices were expecting to increase the number of apprentices they employ over the next two years. Among larger employers with 100+ staff, 24% spontaneously cited the apprenticeship levy as a reason for this expected increase.

26% OF EMPLOYERS THAT DO NOT OFFER APPRENTICESHIPS CITE STRUCTURAL BARRIERS AS THE MAIN REASON WHY, MOST NOTABLY THAT THEY FEEL THE BUSINESS IS TOO SMALL OR THAT THERE IS NO NEED TO RECRUIT STAFF

12%

12% OF EMPLOYERS THAT DID NOT PREVIOUSLY OFFER APPRENTICESHIPS PLANNED TO START OFFERING THEM AS A RESULT OF THE LEVY

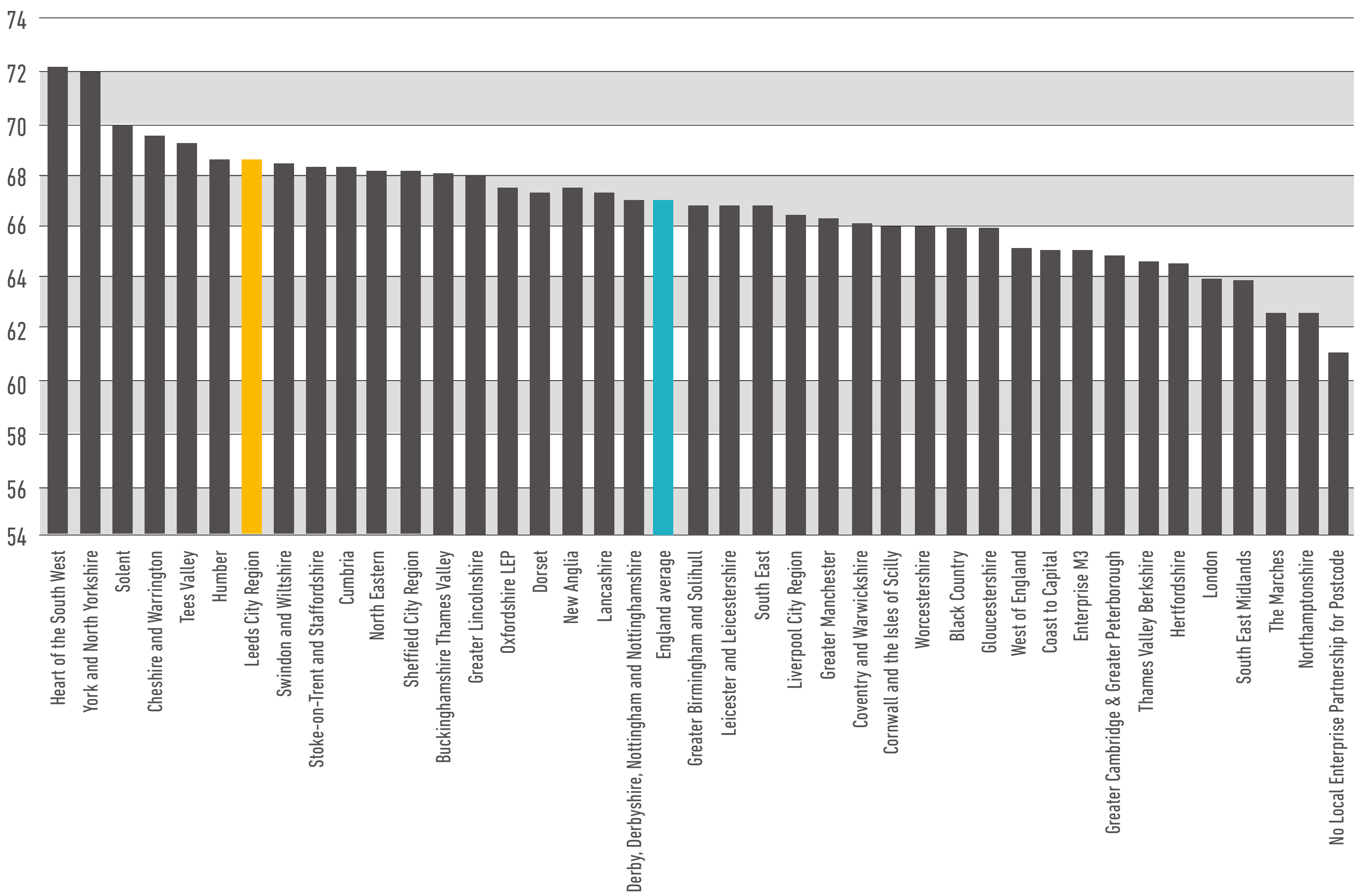
24% OF EMPLOYERS THAT HAD PREVIOUSLY OFFERED APPRENTICESHIPS PLANNED TO INCREASE THIS OFFER AS A RESULT OF THE LEVY

THE CITY REGION PERFORMS STRONGLY ON APPRENTICESHIP ACHIEVEMENT RATES

Information on the level of take-up of apprenticeships clearly provides only part of the picture and needs to be supplemented by analysis of outputs and outcomes. Qualification achievement rates show how many learners that started a qualification went on to successfully complete it. They help training providers to assess the quality of the courses they provide, and the Office for Standards in Education, Children's Services and Skills (Ofsted) uses them in their inspections.

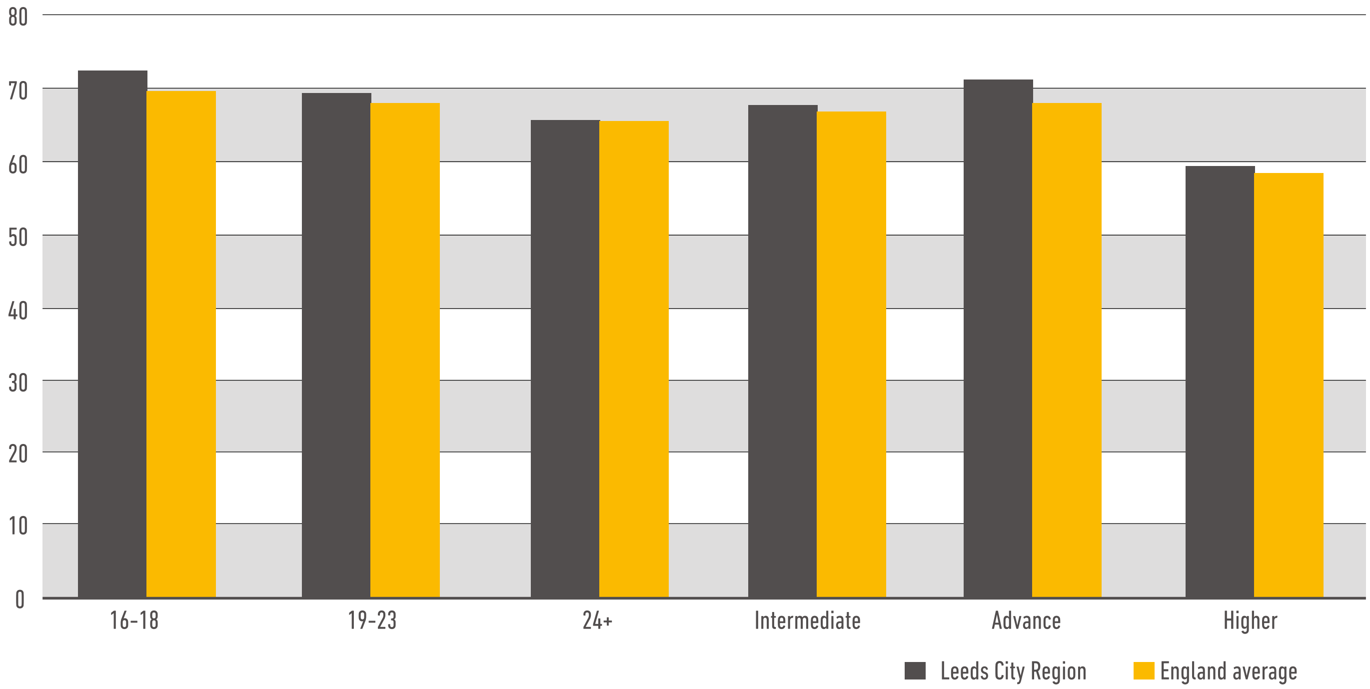
Aggregate data are available, which look at achievement rate performance by LEP area, with apprentices allocated to a LEP area based on where they live. These show that Leeds City Region performs relatively strongly, with a rate exceeding the national average and a ranking of seventh out of 39 LEPs. Nonetheless, it should be noted that only 69% of apprenticeships are successfully completed in the City Region, suggesting that there is significant scope to improve the quality of apprenticeship opportunities and to increase the effectiveness of the process by which individuals are matched with apprenticeship opportunities.

FIGURE 12. APPRENTICESHIP OVERALL ACHIEVEMENT RATES (%) BY LOCAL ENTERPRISE PARTNERSHIP (BASED ON RESIDENCE OF APPRENTICE), 2015/16



Source: Education and Funding Skills Agency

FIGURE 13. OVERALL ACHIEVEMENT RATES (%) BY APPRENTICESHIP TYPE (AGE AND LEVEL), 2015/16



Source: Education and Funding Skills Agency

The City Region consistently outperforms the national average with regard to all types of apprenticeship. Focusing on differences in performance by type of scheme, achievement tends to be higher for younger apprentices aged 16-18 compared with the older age bands, while advanced apprenticeships deliver higher rates than the other levels. In particular, achievement rates for higher apprenticeships are around 13 points lower than for advanced apprenticeships.

Consistent data are not currently available at LEP level to enable us to assess progress over time with regard to achievement rates. However, we can look at performance over time for our key providers and this indicates that most of these institutions have seen an improvement in their rates between 2013/14 and 2015/16; this is in contrast to the national average which has fallen slightly in each year.

THE CITY REGION CONSISTENTLY OUTPERFORMS THE NATIONAL AVERAGE WITH REGARD TO ALL TYPES OF APPRENTICESHIP.

TABLE 2. ADULT FURTHER EDUCATION STANDARD OUTCOME BASED SUCCESS MEASURES FOR APPRENTICESHIPS BY LOCAL AUTHORITY

Local Authority	Completions	Sustained Employment Rate (%)	Sustained Learning Rate (%)	Sustained Positive Destination Rate (%)
Barnsley	1,040	89	17	91-100%
Bradford	1,790	87	16	89
Calderdale	930	86	18	89
Craven	240	90	17	91-100%
Harrogate	590	88	20	91-100%
Kirklees	1,590	89	19t	91-100%
Leeds	3,560	89	16	91-100%
Selby	280	91-100%	13	91-100%
Wakefield	1,280	90	14	91-100%
York	900	89	13	90
England		88	15	90

Source: Department for Education

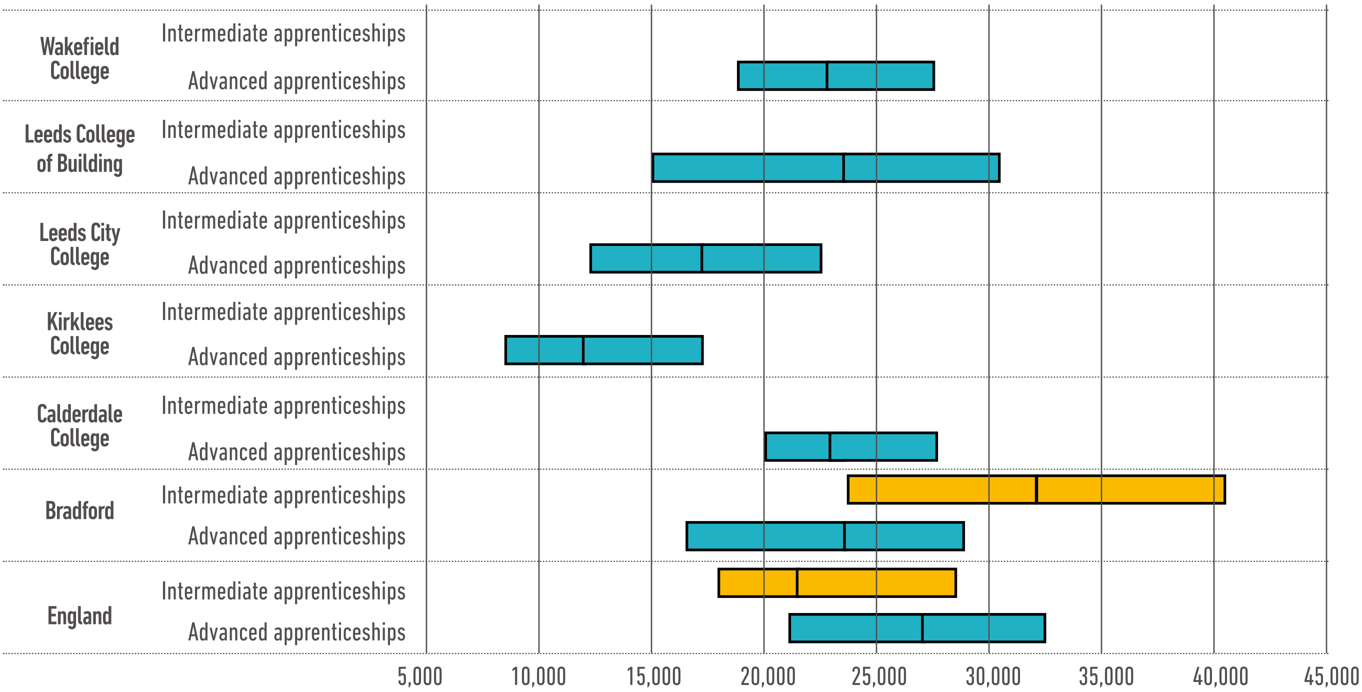
90% OR MORE OF ADULT APPRENTICES TYPICALLY ENTER A SUSTAINED POSITIVE DESTINATION

Experimental data relating to outcome-based success measures provide an insight into the destinations (into employment and learning) and the progression of post-19 learners, including adult (19+) apprentices. The sustained positive destination measure shows the proportion of all apprentices who progress to a sustained destination into learning or employment (or both) following completion of their apprenticeship.[10]

Most districts recorded a sustained employment rate for adult apprenticeships that was close to 90%, while a number of districts saw a sustained positive destination rate in excess of 90%.

[10] Sustained employment - learners must have completed a self-assessed return for tax year 2014/15 or be in paid PAYE employment in five out of six months between October and March in the following academic year. Sustained learning – learners must be learning in all six months between October and March in the following academic year.

FIGURE 14. MEDIAN ANNUALISED EARNINGS (£) ONE YEAR AFTER STUDY FOR ACHIEVERS OF ENGINEERING APPRENTICESHIPS BETWEEN AUGUST 2010 AND JULY 2013



Source: Longitudinal Education Outcomes Study. Note: Adult apprenticeship achievers only. Box plots show median and lower / upper quartiles

MEDIAN EARNINGS POST AN ENGINEERING APPRENTICESHIP ARE TYPICALLY BETWEEN £20,000 AND £25,000

Experimental estimates on the earnings outcomes of adult learners who achieved an apprenticeship are available. These are based on linked administrative data relating to adult learners who achieved apprenticeships between August 2010 and July 2013 and their observed earnings after training up to the 2014/15 tax year.

A range of data are available but the most substantial body of information across local institutions relates to engineering apprenticeships, one of the largest areas of delivery in the City Region.

Median annualised earnings one year after study typically fall in the range of £20,000 to £25,000 for advanced apprenticeships, although estimates are lower for some institutions. This is slightly below the national average of £27,000.

The earning range for an apprenticeship programme delivered by a particular institution can be wide. For advanced engineering apprenticeships at Leeds College of Building, for example, the lower quartile estimate is £15,200 and the upper quartile £30,500.

At Bradford College median earnings are higher for intermediate apprenticeships than for advanced apprenticeships. This is surprising since at the national level earnings are higher for those completing advanced apprenticeships in engineering.

£20,000-£25,000 =
THE AVERAGE ANNUAL EARNINGS FOR AN ENGINEERING APPRENTICESHIP ONE YEAR AFTER STUDY

EMPLOYABILITY, ACCESSING JOBS AND REALISING POTENTIAL

Since 2014 the UK labour market has been extremely efficient in getting people into work and this has been reflected at the level of the City Region. Nonetheless, there continues to be a major gap in terms of more jobs and better jobs.

SUMMARY

In spite of the continued strengthening of the labour market the City Region still has a substantial 'jobs gap', reflecting the number of people who are unemployed, economically inactive (but would like work) or under-employed.

There is also a shortage of good jobs in the City Region. A job is no longer a guaranteed route out of poverty and a large number of people in the City Region are stuck in low paid, low quality jobs with poor prospects for progression.

The projected decline in employment in middle skilled occupations in favour of an increase in service-intensive jobs with poorer pay and prospects threatens to intensify the situation.

Skills mismatch and health issues are among the main barriers to employment for the jobless.

Skills for employability remains a challenge with more than a quarter of the working age population qualified below level 2 and 190,000 people holding no formal qualifications.

Inclusive growth relies on creating more good jobs with higher pay and ensuring these jobs are available to everyone. On their own, supply side measures, such as investing in skills, are not sufficient to enable everyone to fulfil their potential in the labour market. Active measures are required to address the deficit of labour demand in order to create more and better jobs.

THE CITY REGION LABOUR MARKET CONTINUES TO STRENGTHEN

Most indicators point to an ongoing strengthening of the City Region's labour market as local and national economies continue their recovery from the recession.

Strong growth in the demand for labour is reflected in an increasing employment rate. Since the recession the number of people in jobs in the City Region has grown by over 115,000, or around 9% to 1.4 million. The proportion of people of working age in employment has increased from a low-point during the recession of 68% to its current rate of 73%, a position last seen in 2006.

The City Region needs to increase its level of employment just to maintain a static employment rate, since the population of working age is growing. There are approximately 67,000 (4%) more people of working age in the City Region than a decade ago.

This is positive news but it should be noted that the local employment rate still slightly lags behind the national average of 74%. If we were to raise the City Region's employment rate in line with the national average that would mean an increase of 18,000 people in employment.

THE LOCAL EMPLOYMENT RATE STILL LAGS BEHIND THE NATIONAL AVERAGE OF 74%. IF WE WERE TO RAISE THE CITY REGION'S EMPLOYMENT RATE IN LINE WITH THE NATIONAL AVERAGE THAT WOULD MEAN AN INCREASE OF 18,000 PEOPLE IN EMPLOYMENT.

IN THE LAST YEAR FULL-TIME EMPLOYEE JOBS HAVE MADE THE BIGGEST CONTRIBUTION TO EMPLOYMENT EXPANSION

In recent years there has been an ongoing debate about the types of jobs being created during the economic recovery in terms of their employment status.

Certainly, there has been strong growth in self-employment and part-time employment in the City Region since 2008, but as the recovery has proceeded, jobs for employees and full-time workers have increased their contribution to growth, reflecting the pattern seen in previous economic recoveries.

Self-employment accounted for half (51%) of employment growth in the City Region since 2008. However, focusing on the last year, only a quarter of net growth was accounted for by self-employed jobs, with employee jobs contributing the remaining three quarters.

Similarly, growth in part-time employment has contributed 70% of total employment growth since 2008 (nearly 80% of growth in male employment); but in 2016 showed signs of decline with all of the net growth coming from full-time employment.

To put this into context around 26% of people are currently working part-time and 13% are self-employed; this is as compared with 25 and 12% respectively in 2008.

SELF-EMPLOYMENT ACCOUNTED FOR HALF (51%) OF EMPLOYMENT GROWTH IN THE CITY REGION SINCE 2008.

PEOPLE OFTEN WELCOME EMPLOYMENT FLEXIBILITY: ACROSS YORKSHIRE AND THE HUMBER ONLY 1 IN 7 OF PART-TIME WORKERS SAY THEY WORK PART-TIME BECAUSE THEY CANNOT FIND A FULL-TIME JOB

A MAJORITY OF PART-TIME AND TEMPORARY WORKERS ARE CONTENT WITH THEIR EMPLOYMENT STATUS

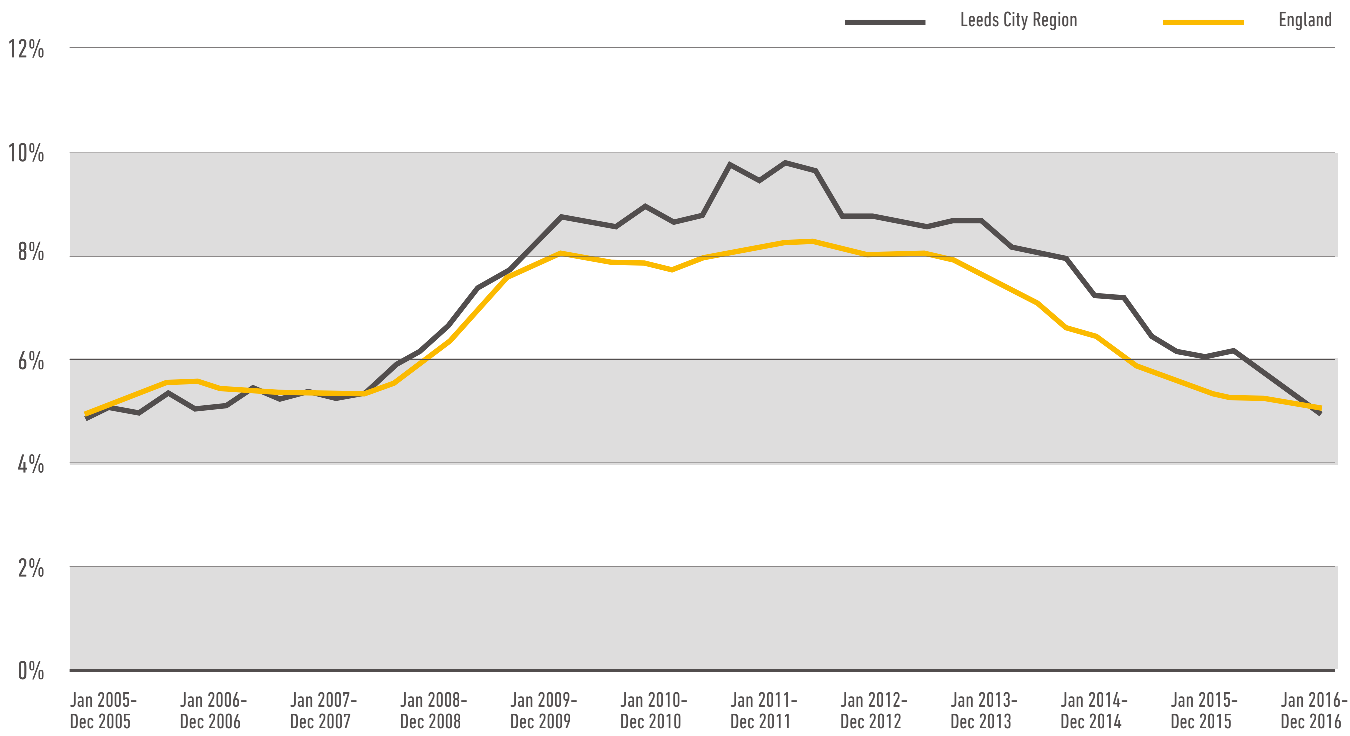
People often welcome employment flexibility: across Yorkshire and the Humber only 1 in 7 of part-time workers say they work part-time because they cannot find a full-time job; and a third of temporary workers say they really want a permanent job. This equates to 4% and 2% of total workers respectively.

Figures on zero hours contracts for Yorkshire and Humber indicate that 3% of people in employment in the region are on a zero hours contract, a similar rate to the national average.[11] Applying this proportion to the City Region suggests that around 40,000 people are on a zero hours contract. This indicates that zero hours contracts are a small but significant element of the employment landscape in the City Region.

3% OF PEOPLE IN EMPLOYMENT IN YORKSHIRE AND HUMBER ARE ON A ZERO HOURS CONTRACT

[11] Labour Force Survey, Oct – Dec 2016.

FIGURE 15. UNEMPLOYED AS A PROPORTION OF WORKING AGE POPULATION (AGED 16-64)



Source: Annual Population Survey

UNEMPLOYMENT IS FALLING BUT STILL REMAINS AT SIGNIFICANT LEVELS

The improving labour market has led to rapid reductions in unemployment.

The number of unemployed people (on the official international labour organisation (ILO) measure) has fallen by around 67,000 or 48% from its highest point, to a current figure of around 72,000, whilst the rate of unemployment has fallen from close to 10% at its peak to around 5% – the lowest rate seen since 2006.

In the last year alone, unemployment has fallen by one fifth in the City Region, compared with 5% nationally. This has led to an equalisation of the national and local unemployment rates for the first time since the recession.

The unemployment rate of young people in the City Region remains much higher than the average at 12.5%, with 28,000 16-24 year olds still falling into this category.

THE RATE OF UNEMPLOYMENT HAS **FALLEN FROM CLOSE TO 10% TO AROUND 5%** – THE LOWEST RATE SEEN SINCE 2006.

AROUND 100,000 PEOPLE IN THE CITY REGION ARE ECONOMICALLY INACTIVE BUT WANT TO WORK

The number of economically inactive people of working age in the City Region dwarfs the unemployed, at around 440,000, or 23% of the total working age population. Around a quarter of the inactive, or 100,000 people, say that they want to work even though they are not actively seeking or available for work at present. The level of economic inactivity is also more stubborn than unemployment, falling by 39,000 or only 8% since its peak and remaining at a static level over the last year.

THE OVERALL 'EMPLOYMENT GAP' FOR THE CITY REGION IS AROUND 170,000

When the number of unemployed people actively seeking and available for work is combined with the number of inactive people who want to work the total figure comes to 172,000. To set this into context this figure is equivalent to 9% of the working age population. Alternatively, it accounts for 11% of the people who are in or would like to work (the sum total of the employed, unemployed and inactive who would like to work).

IT IS LIKELY THAT MORE THAN 100,000 PEOPLE ARE UNDEREMPLOYED IN THE CITY REGION

In addition to people who do not have a job, there is also the underemployed - people who are in work but who would like to work longer hours. They also constitute a kind of job gap between the work that people would like to do and the work available.

The underemployed consist of people who are looking for an additional job, people who are looking for a new job with longer hours and people who want to work longer hours in their current job (the last being the largest of the three groups).

Official estimates of the underemployed are not available for either the City Region or for Yorkshire and Humber. Figures for the UK indicate that 8% of people aged 16+ and in employment are underemployed. When applied to the City Region this gives an estimate of 117,000 people who are underemployed.

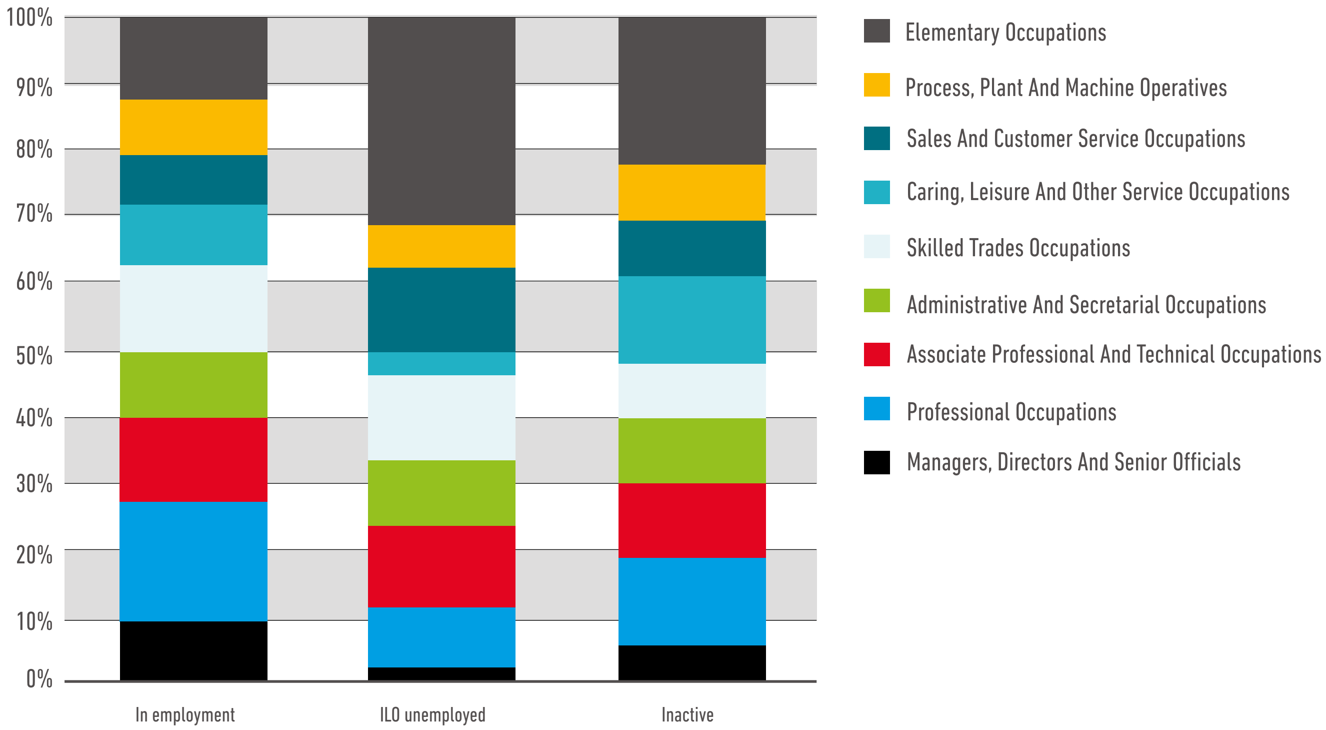
So, what are the barriers that prevent the jobless from getting into work? Skills play an important part.

AN ESTIMATED **117,000 PEOPLE** IN THE CITY REGION ARE UNDEREMPLOYED

THE UNDEREMPLOYED=

- PEOPLE LOOKING FOR ADDITIONAL JOBS
- PEOPLE WHO ARE LOOKING FOR A NEW JOB WITH LONGER HOURS
- PEOPLE WHO WANT TO WORK LONGER HOURS IN THEIR CURRENT JOB

FIGURE 16. OCCUPATION BY ECONOMIC STATUS, YORKSHIRE AND THE HUMBER



Source: Labour Force Survey, Oct – Dec 2016. Note: Analysis shows current occupation of people in employment and previous occupation of the unemployed and inactive

THE JOBLESS ARE LIKELY TO BE RELATIVELY POORLY QUALIFIED AND TO HAVE A BACKGROUND IN LOW SKILLED OCCUPATIONS

One of the structural factors that limits the ability of the jobless to enter employment is skills mismatch (see Figure 17).

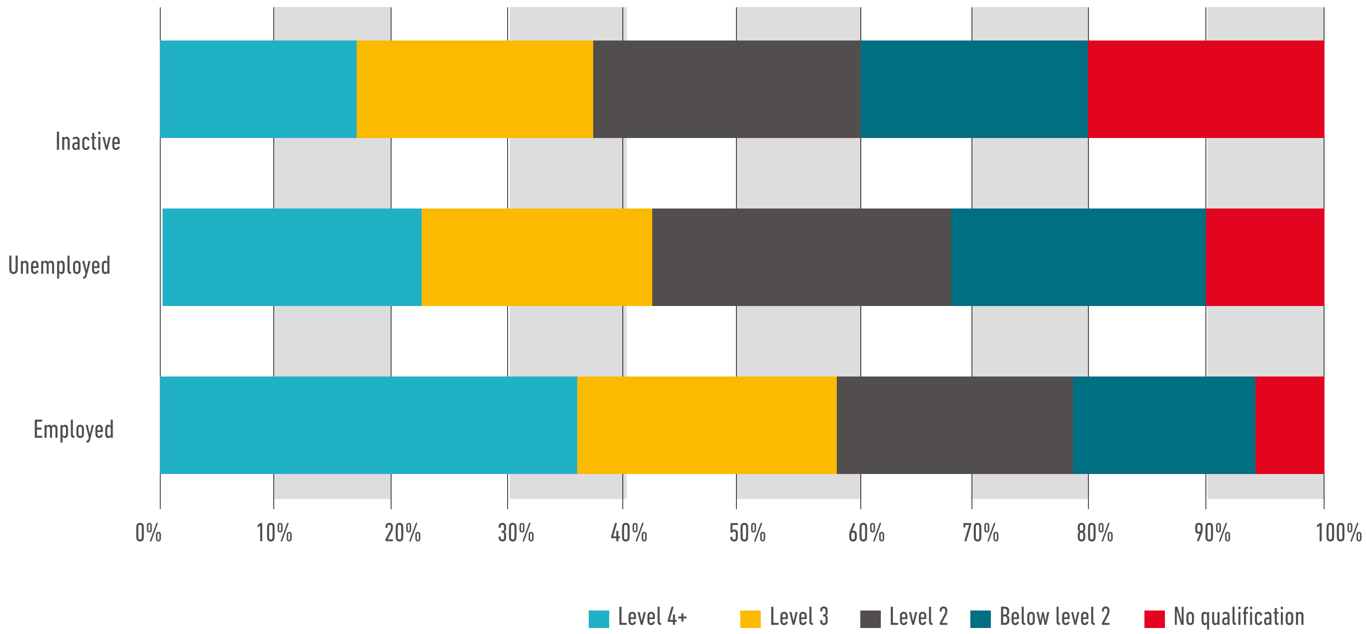
There is a misalignment between the skills and experience of the unemployed and the profile of demand in the labour market, as reflected in skills held by people in employment and also areas of employment growth.

The jobless are more likely to have experience in lower skilled occupations and much less likely to have a background in high skilled occupations.

For example, across Yorkshire and the Humber 30% of the unemployed have a background in low-skilled elementary work compared with 12% of people who are currently employed in those occupations.

THERE IS A MISALIGNMENT BETWEEN THE SKILLS AND EXPERIENCE OF THE UNEMPLOYED AND THE PROFILE OF DEMAND IN THE LABOUR MARKET.

FIGURE 17. LEVEL OF HIGHEST QUALIFICATION HELD BY ECONOMIC STATUS, YORKSHIRE & HUMBER



Source: Labour Force Survey, Oct – Dec 2016

The skills mismatch facing the jobless is also reflected in their qualification profile, which provides an insight into the level of skills that are held. 36% of employed people are qualified at level 4 and above, compared with only 17% of the inactive and 23% of the unemployed. Conversely, only 6% of the employed have no qualifications compared with 20% of the inactive.

THE SKILLS MISMATCH FACING THE JOBLESS IS ALSO REFLECTED IN THEIR QUALIFICATION PROFILE:

6% VS **20%**

OF THE EMPLOYED HAVE NO QUALIFICATIONS

OF THE INACTIVE HAVE NO QUALIFICATIONS

THE CITY REGION UNDERPERFORMS ON SKILLS FOR EMPLOYABILITY

As Figure 5 shows there is general underperformance in terms of the proportion of the working age population qualified at level 2, the qualification level usually associated with basic employability. In spite of improvement over the last decade there is still a residual group of 27% who lack qualifications at this level. Within this group 10% (190,000 people) hold no formal qualifications at all. The fact that more than a quarter of the adult population have no qualifications or are qualified at the lowest level represents a significant weakness for the City Region in competing for investment that requires skills that are higher than the most basic level.

THE DISABLED ARE A SIGNIFICANT EXCLUDED GROUP IN THE LABOUR MARKET

A priority within the Employment and Skills Plan is to maximise positive connections between health, jobs and prosperity and to address barriers to work to help individuals to meet their economic potential. This reflects the fact that disabled people represent a group of considerable size and their labour market outcomes are relatively poor.

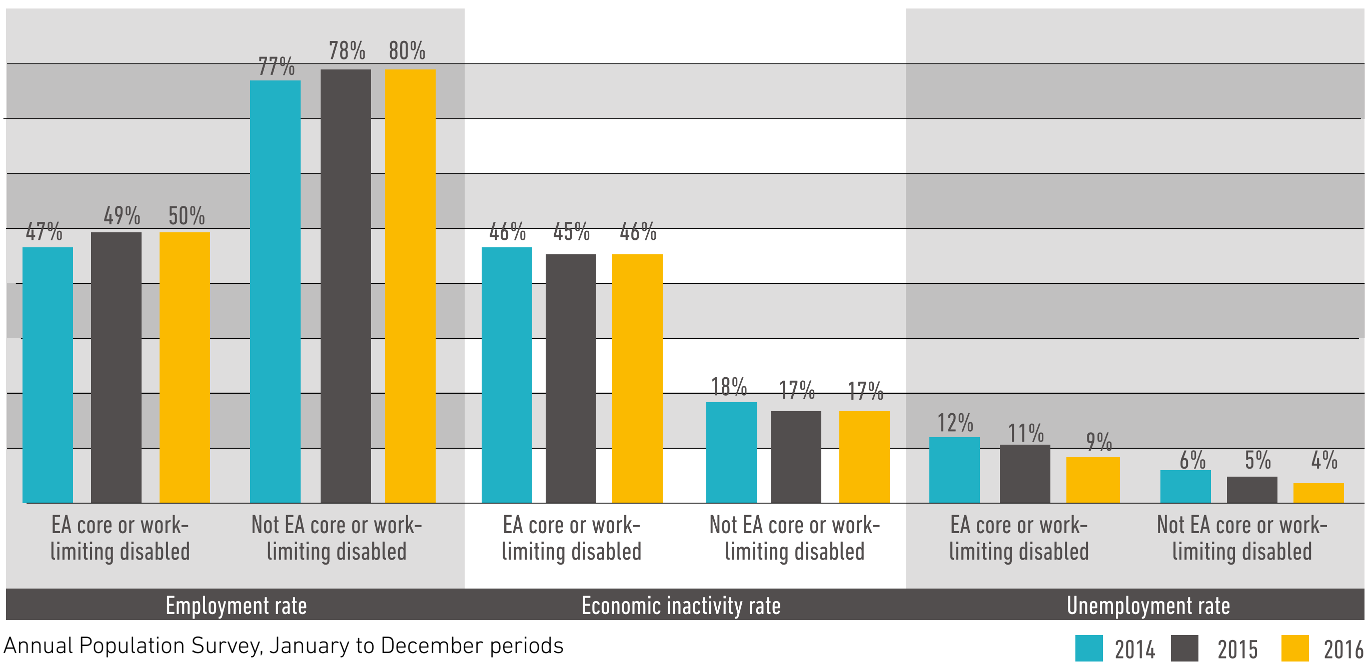
There are around 390,000 disabled people of working age in the City Region, approximately one fifth of the total working age population.

Only half of disabled people of working age are in a job – compared with a rate of close to 80% for people who are not disabled. In total, around 200,000 disabled people of working age are inactive or unemployed.

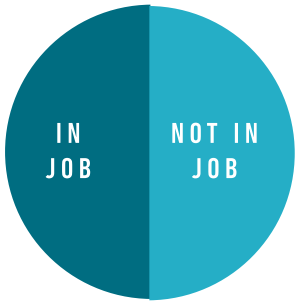
Although the employment rate of disabled people has shown modest improvement in recent years, this has not been sufficient to reduce the gap with non-disabled people.

THERE ARE AROUND 390,000 DISABLED PEOPLE OF WORKING AGE IN THE CITY REGION, APPROXIMATELY ONE FIFTH OF THE TOTAL WORKING AGE POPULATION.

FIGURE 18. LABOUR MARKET STATUS OF THE DISABLED AND NON-DISABLED, LEEDS CITY REGION



Annual Population Survey, January to December periods



VS

ONLY HALF OF DISABLED PEOPLE OF WORKING AGE ARE IN A JOB

80% FOR PEOPLE OF WORKING AGE WHO ARE NOT DISABLED

ONE-IN-TEN OF THE WORKING AGE POPULATION CLAIMS OUT-OF-WORK BENEFITS, WITH HEALTH ISSUES BEING THE MAIN REASON FOR MANY OF THE CLAIMS

Statistics relating to the number of people claiming benefits also provide an insight in the scale and nature of the jobless challenge. As of November 2016, 177,000 people were claiming out-of-work benefits, equivalent to one-in-ten people of working age in the City Region.

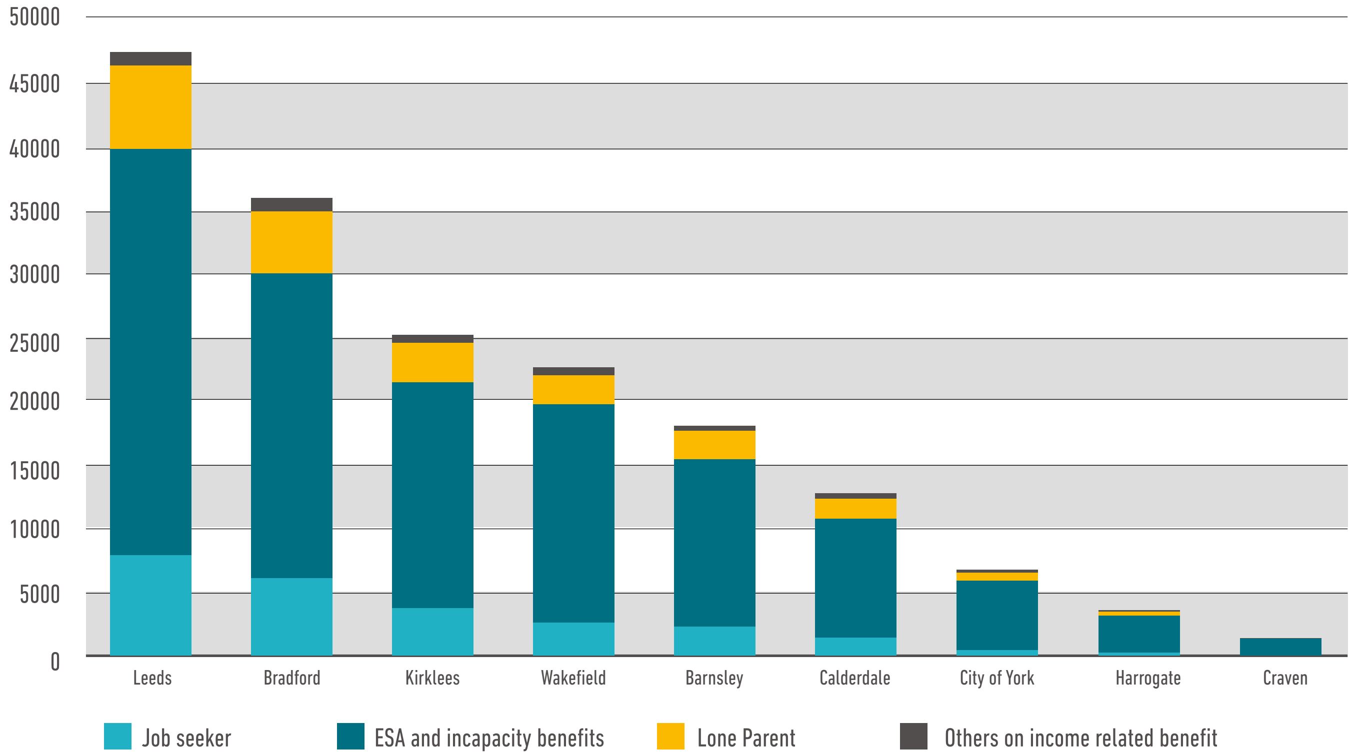
The number of people claiming these benefits has fallen in recent years but only to a moderate degree as compared with ILO unemployment. The claimant level has fallen by 30% from its peak of 254,000 in February 2010 and by 12,000 (6%) in the year to November 2016. It is also notable that three quarters of claimants have been on out of work benefits for a year or more while 43% have been claiming for more than five years, demonstrating the acute structural nature of their joblessness.

177,000 PEOPLE WERE CLAIMING OUT-OF-WORK BENEFITS IN NOVEMBER 2016

= **1 IN 10 PEOPLE OF WORKING AGE** IN THE CITY REGION

THREE QUARTERS OF CLAIMANTS HAVE BEEN ON OUT OF WORK BENEFITS FOR A YEAR OR MORE WHILE 43% HAVE BEEN CLAIMING FOR MORE THAN FIVE YEARS, DEMONSTRATING THE ACUTE STRUCTURAL NATURE OF THEIR JOBLESSNESS.

FIGURE 19. OUT-OF-WORK BENEFIT CLAIMANTS BY DISTRICT AND BENEFIT TYPE, NOVEMBER 2016[12]



Source: Department of Work and Pensions

The largest proportion of claimants are in receipt of Employment and Support Allowance (ESA) / incapacity benefit, outnumbering job seekers to a considerable extent. Around 70% of out-of-work claimants are on ESA / incapacity benefit: a total of 125,000 people across the City Region, demonstrating the strong link between joblessness and health issues. By contrast 26,000 (15%) are classified as job seekers. These proportions vary markedly by district. For example, in York only 4% of claimants are classified as jobless, with 86% on ESA / incapacity benefit; while in Bradford 18% of claimants are job seekers and 66% on ESA / incapacity benefit.

The analysis also demonstrates that a significant proportion of claimants of out-of-work benefits are lone parents.

AROUND 70% OF OUT-OF-WORK CLAIMANTS ARE ON ESA / INCAPACITY BENEFIT: A TOTAL OF 125,000 PEOPLE ACROSS THE CITY REGION, DEMONSTRATING THE STRONG LINK BETWEEN JOBLESSNESS AND HEALTH ISSUES.

[12] This analysis uses DWP's Statistical Group typology, which presents each person by the main reasons why they are claiming benefit. Each client is classified just once. Benefits are arranged hierarchically and claimants are assigned to the top most benefit which they receive.

SUSTAINING PEOPLE IN EMPLOYMENT IS ALSO A KEY CHALLENGE

Getting people into work is only part of the challenge. Addressing employment insecurity and sustaining people in work is also a major issue, particularly for workers in low-paid jobs. Analysis undertaken by the Joseph Rowntree Foundation of the British Household Panel Survey found that more than a third of low-paid workers[13] (38.4%) experience a period of worklessness over a four year period. It was also found that when they return to employment, it is to a similarly low level of earnings, making it difficult to escape low living standards and advance in the world of work. Almost a quarter of low-paid workers (24.3%) cycle between employment, worklessness, and back into employment over a four-year period.

NATIONALLY ALMOST A QUARTER OF LOW-PAID WORKERS (24.3%) CYCLE BETWEEN EMPLOYMENT, WORKLESSNESS, AND BACK INTO EMPLOYMENT OVER A FOUR-YEAR PERIOD.

THE CITY REGION HAS A SHORTAGE OF GOOD JOBS THAT PAY THE LIVING WAGE

It is no longer sufficient to get people into a job to enable them to escape poverty. At national level it is estimated that around a half of people in poverty are in a working household.[14]

Low pay is a large and widespread issue in the City Region: according to the Annual Survey of Hours and Earnings[15] a quarter of jobs pay less than the Living Wage Foundation's Living Wage level of £8.45 – close to 300,000 jobs in the City Region. There is also a considerable degree of polarisation in pay: the highest earners (at the 80th percentile of the pay distribution) are paid almost 2.5 times more than low earners (at the 20th percentile).

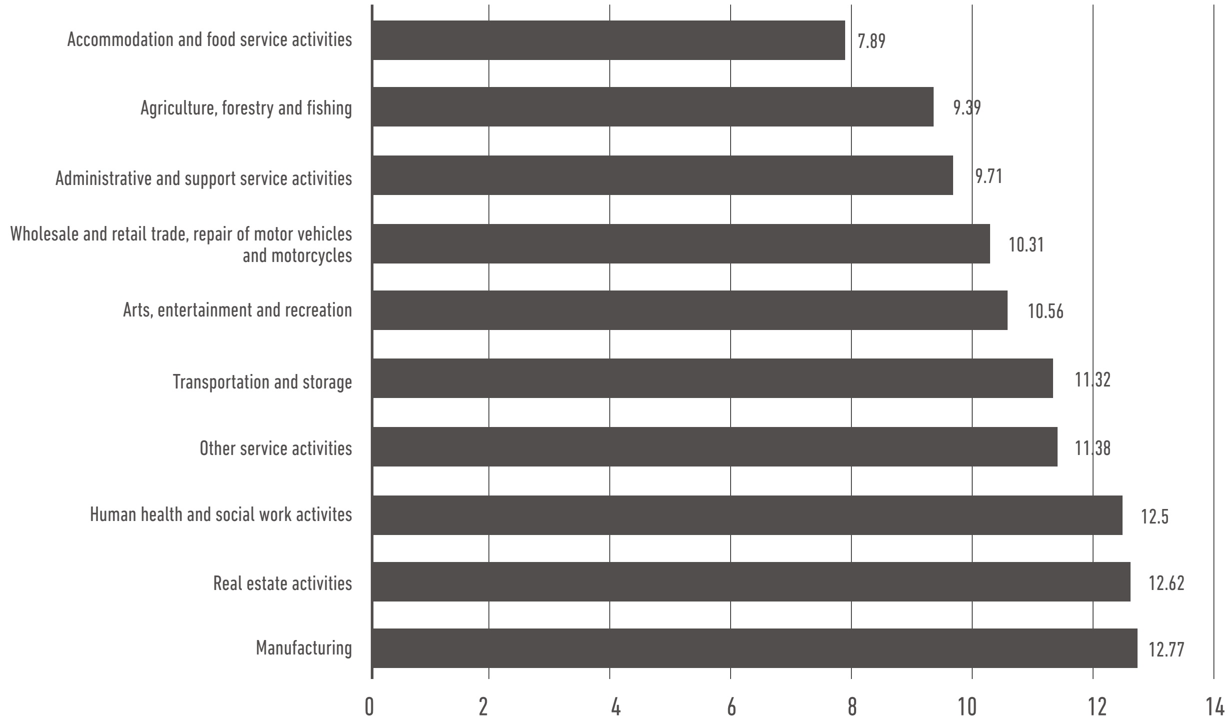
Moreover, it is difficult to escape from low paid work: national evidence shows that four fifths of people who enter low-paid work remain on low pay a decade later.[16] As we have seen the low-paid find it more difficult to sustain employment and are susceptible to slipping into a 'low pay, no pay' cycle.

A QUARTER OF JOBS PAY LESS THAN THE LIVING WAGE FOUNDATION'S LIVING WAGE LEVEL OF £8.45

= ALMOST 300,000 JOBS IN THE CITY REGION

[13] Defined here as those whose hourly earnings are less than two thirds of the median hourly wage.
[14] Tinson, A., Ayrton, C., Barker, K., Barry Born, T., Aldridge, H. and Kenway, P. (2016) Monitoring Poverty and Social Exclusion 2016, JRF, York.
[15] Annual Survey of Hours and Earnings 2016.
[16] D'Arcy, C. and Hurrell, A. (2014) Escape Plan: Understanding who progresses from low pay and who gets stuck, Resolution Foundation, London.

FIGURE 20. GROSS MEDIAN HOURLY EARNINGS (£) FOR FULL-TIME JOBS BY INDUSTRY SECTOR; 10 LOWEST PAID SECTORS; YORKSHIRE AND THE HUMBER (WORK REGION)



Source: Annual Survey of Hours and Earnings, 2016

LOW PAID JOBS ARE CONCENTRATED IN PRIVATE SECTOR SERVICE ACTIVITIES

What are the characteristics of the low paid? As Figure 21 shows, the sectors with the lowest median hourly pay are in private service sectors, together with agriculture. They include accommodation & food services, administrative & support services (which comprises activities like cleaning services, call centres and private security activities) and wholesale & retail.

In the case of accommodation & food, median pay in Yorkshire and the Humber is lower than the Living Wage of £8.45.

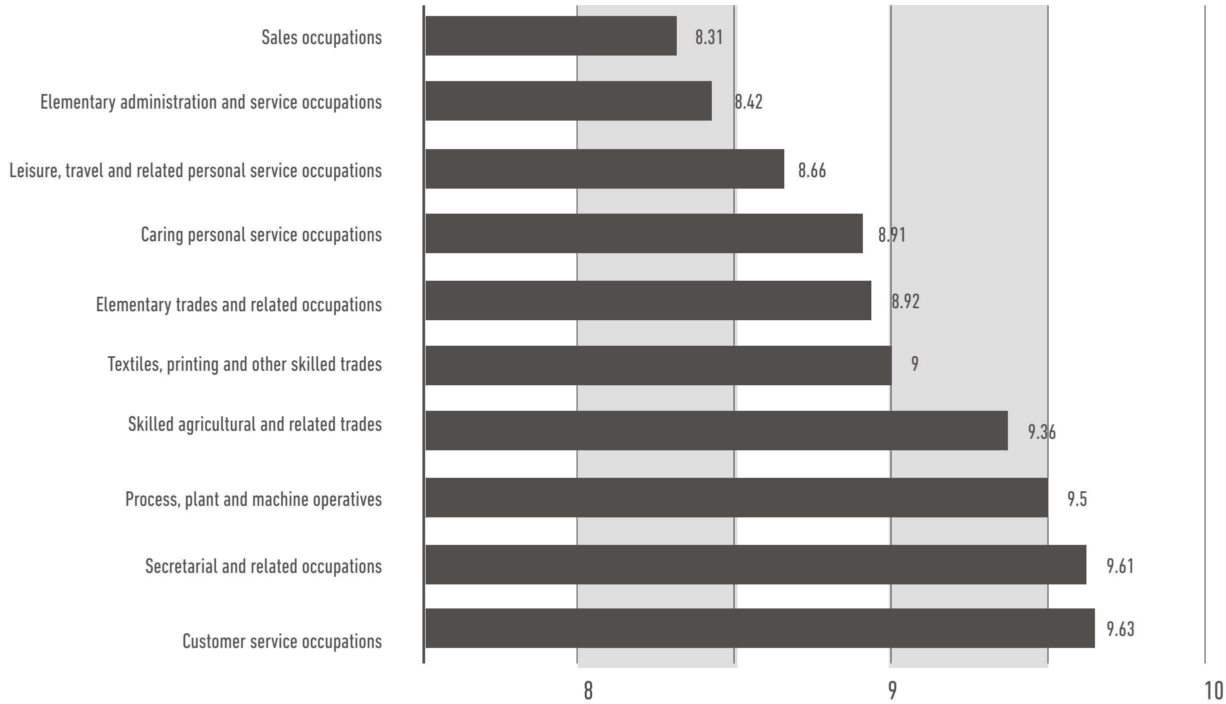
These sectors employ large numbers of people. In the City Region the three sectors of accommodation & food, administrative & support services and wholesale & retail together account for just over one-third of employee jobs.[17]

Moreover, these same sectors are projected to be a major source of net employment growth and job openings over the next decade. According to Working Futures they are expected to see combined growth of close to 40,000 (60% of total net employment growth in the City Region) and to contribute more than 200,000 job openings when replacement demands are taken into account.

At £12.77, hourly median pay in the manufacturing sector is considerably higher than in the lower paid service sectors. However, there is significant variation in pay levels between manufacturing sub-sectors. Pay in food manufacturing, for example, is only £9.91 compared with £26.43 in the coke / refined petroleum sector.

[17] Source: Business Register and Employment Survey 2015.

FIGURE 21. GROSS MEDIAN HOURLY EARNINGS (£) FOR FULL-TIME JOBS BY OCCUPATIONAL SUB-MAJOR GROUP; 10 LOWEST PAID OCCUPATIONS; YORKSHIRE AND THE HUMBER (WORK REGION)



Source: Annual Survey of Hours and Earnings, 2016

SERVICE-INTENSIVE OCCUPATIONS ARE AMONG THE LOWEST PAID

Reflecting the service-dominated sectoral profile of low-paid work, the lowest paid occupations are also service-related.

Sales occupations have the lowest median hourly pay in Yorkshire and the Humber. This category mainly comprises sales assistants and retail cashiers. Second lowest is elementary administration & service occupations, which includes postal workers, cleaning occupations and elementary security occupations. Both of these occupational categories have median hourly rates of pay for full-time workers that fall below the Living Wage.

The caring personal services occupational category has the fourth lowest level of median pay. This category includes childcare occupations, teaching assistants, nursing auxiliaries and care workers.

As with sectors, these occupational categories account for large numbers of workers. The four lowest paid categories employ around 360,000 people, or a quarter of total employment in the City Region. Of these four occupations only caring personal services is expected to see significant net growth over the next decade, with an increase of 20,000 jobs; but their combined recruitment requirement is expected to be considerable, with 170,000 job openings projected for the next decade by Working Futures.

Analysis undertaken at national level using a wider range of criteria in addition to pay to identify sectors and occupations with the greatest proportions of low quality jobs, produces similar results to the above findings.[18] As well as offering low pay the same sectors are also the most likely to feature underemployed workers, involuntary part-time workers and workers on insecure temporary contracts.

Common features of low paid jobs are limited opportunities for progression and low demand for skills, with jobs often designed to limit workers' use of skills. The problem of weak demand for skills affects wages but also the extent to which employees are able to develop their skills in order to progress within the organisation or move to a job at a different firm.[19]

THE CARING PERSONAL SERVICES OCCUPATIONAL CATEGORY HAS THE FOURTH LOWEST LEVEL OF MEDIAN PAY. THIS CATEGORY INCLUDES CHILDCARE OCCUPATIONS, TEACHING ASSISTANTS, NURSING AUXILIARIES AND CARE WORKERS.

[18] Pike et al 2017.
[19] Sissons, P. and Jones, K (2014) How can Local Skills Strategies Help Low Earners? JRF, York.

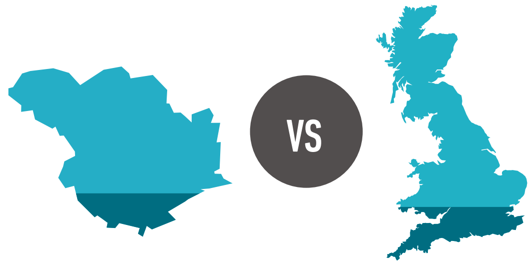
ONE IN FIVE WORKING HOUSEHOLDS RELY ON TAX CREDITS BUT THIS IS MUCH HIGHER IN SOME PARTS OF THE CITY REGION

The prevalence of low pay in the City Region is also reflected in the number of households relying on tax credits to top up their income from work.

Around 165,000 households in the City Region receive tax credits as a supplement to their earnings from employment, equating to 20% of all working households. This is higher than the UK average of 17%.

Reliance on tax credits among working families varies considerably within the City Region. Bradford has the greatest number of recipients, with 41,000, accounting for 31% of all working households. At the other extreme only 10% of working households are in receipt of tax credits in Harrogate.

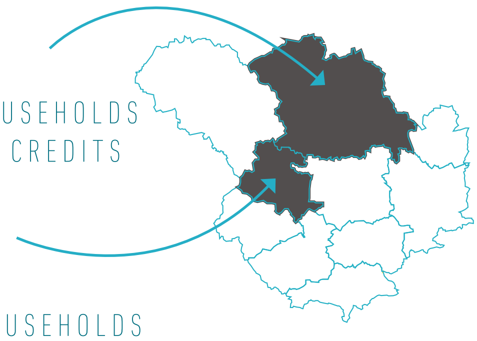
165,000 HOUSEHOLDS IN THE CITY REGION RECEIVE TAX CREDITS AS A SUPPLEMENT TO THEIR EARNINGS



20% OF ALL WORKING HOUSEHOLDS IN THE CITY REGION

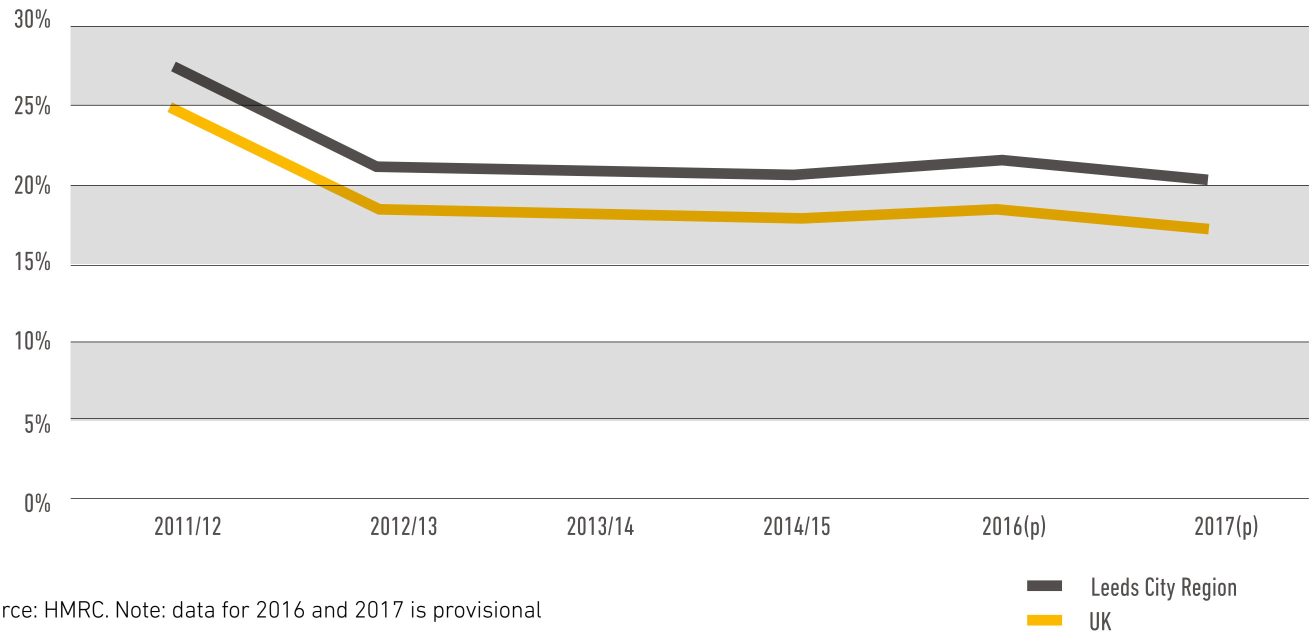
17% OF WORKING HOUSEHOLDS NATIONALLY

HARROGATE:
10% OF ALL WORKING HOUSEHOLDS RECEIVE TAX CREDITS



BRADFORD:
31% OF ALL WORKING HOUSEHOLDS RECEIVE TAX CREDITS

FIGURE 22. PROPORTION OF WORKING HOUSEHOLDS IN RECEIPT OF HMRC WORKING TAX AND CHILD TAX CREDITS



Source: HMRC. Note: data for 2016 and 2017 is provisional

THE NUMBER OF JOBS IN MIDDLE SKILLED OCCUPATIONS IS PROJECTED TO **FALL BY MORE THAN 30,000 (7%)** IN THE CITY REGION OVER THE NEXT DECADE

THE 'HOURGLASS' TREND THREATENS TO DISRUPT OPPORTUNITIES FOR PROGRESSION

Over recent decades many developed economies have seen growth in high skill and service-intensive roles combined with a reduction in middle-skill and labour-intensive roles. These are the consequences of the often-discussed 'hourglass' trend, driven by trade and technology.

Whilst the 'hourglass' trend has generated large numbers of high skilled jobs in the City Region and across the world's developed economies it is also leading to reduced demand for workers to fill middle skilled jobs.

Middle skilled jobs comprise, on the one hand, administrative and secretarial occupations such as book-keepers, clerks and secretaries and on the other skilled trades, a category which includes a highly diverse range of occupation such as welders, chefs and production and maintenance fitters.

In an increasingly global marketplace, efforts to drive efficiencies through new technology and the adoption of new business models have together focused on ways of minimising routine activity. Technology is being substituted for clerical roles as computerisation allows information to be accessed and manipulated more easily. At the same time the shift in the UK's industrial production towards high skilled and high value specialisms creates a reduced requirement for workers who can undertake routine tasks.

As a result, the number of jobs in middle skilled occupations is projected to fall by more than 30,000 (7%) in the City Region over the next decade (see Figure 3).[20]

Even though it is expected that there will be fewer jobs in these occupations, there will still be demand for workers, as a result of replacement demand. It is projected that there will be close to 180,000 job openings in the City Region for administrative and skilled trades roles over the coming decade.[21]

Nonetheless, the number of middle-skilled opportunities will continue to decline into the longer term and this is important because traditional middle skilled occupations are well supported by defined career pathways and have provided an opportunity for those without advanced skills to fulfil their potential in the workplace.

Moreover, national evidence suggests that the impact is less likely to affect those already in the middle-skilled workforce than those seeking to enter it. As demand declines employers are in a position to favour existing workers with experience and job-specific skills, meaning that the prospects for entry for the unemployed and new entrants to the labour market are reduced.[22]

AS DEMAND FOR MIDDLE-SKILLED WORKFORCE DECLINES EMPLOYERS ARE IN A POSITION TO FAVOUR EXISTING WORKERS WITH EXPERIENCE AND JOB-SPECIFIC SKILLS, MEANING THAT THE PROSPECTS FOR ENTRY FOR THE UNEMPLOYED AND NEW ENTRANTS TO THE LABOUR MARKET ARE REDUCED.

[20] Not all detailed occupations within the broad categories of administrative and secretarial and skilled trades will be affected in the same way. For example, the number of people employed in skilled construction and building trades is projected to grow over the next decade.
[21] Working Futures.
[22] UKCES, (2015). Growth Through People: Evidence and Analysis. UK Commission for Employment and Skills, Wath-upon-Dearne.

GREAT EDUCATION CONNECTED TO BUSINESSES

In order to prepare people effectively for the world of work the education, skills and careers system must have a close relationship with business. This relationship is key to ensuring that curricula are vocationally relevant, that provision of careers information, advice and guidance is grounded in the reality of labour market opportunities, that students have an understanding of the demands of the workplace and develop the skills and attributes businesses are looking for.

SUMMARY

A number of labour market indicators presented in this document suggest that employers cannot get the skills that they need, suggesting that there is scope for education and training providers to adjust their offer to meet skills demand more effectively.

Indicative analysis suggests that there may be disparities between the profile of education and training provision and the profile of labour market demand.

A number of national studies suggest that the career aspirations of young people are misaligned with the reality of labour market opportunities.

A significant minority of employers in the City Region offer work experience placements but few engage in work inspiration activities.

The accelerating rate of change in the labour market and the potential for disruptive developments means that the importance of effective information flows from business to education is more important than ever.

HOW WELL DOES THE CONTENT OF EDUCATION AND TRAINING PROVISION ALIGN WITH THE NEEDS OF THE LOCAL LABOUR MARKET?

We have seen elsewhere in this report that employers sometimes struggle to get the skills that they need, as reflected in instances of skills shortages and gaps. There are also situations where workers' skills and qualifications are in advance of those needed to do the job they hold. To explore this further we have undertaken the following indicative comparison of the profile of learning achievements with the profile of labour market demand.

In Figure 23 we have mapped the profile of further education and apprenticeship achievements against projections of where future job openings are expected to lie. This involves mapping subject categories to occupations.[23] It should be noted that there is a caveat around the transferability of skills. Many people find that study in a particular vocational area proves to be of value across a range of occupational settings.

THERE ARE DISPARITIES BETWEEN THE PROFILE OF FURTHER EDUCATION PROVISION AND LABOUR MARKET DEMAND

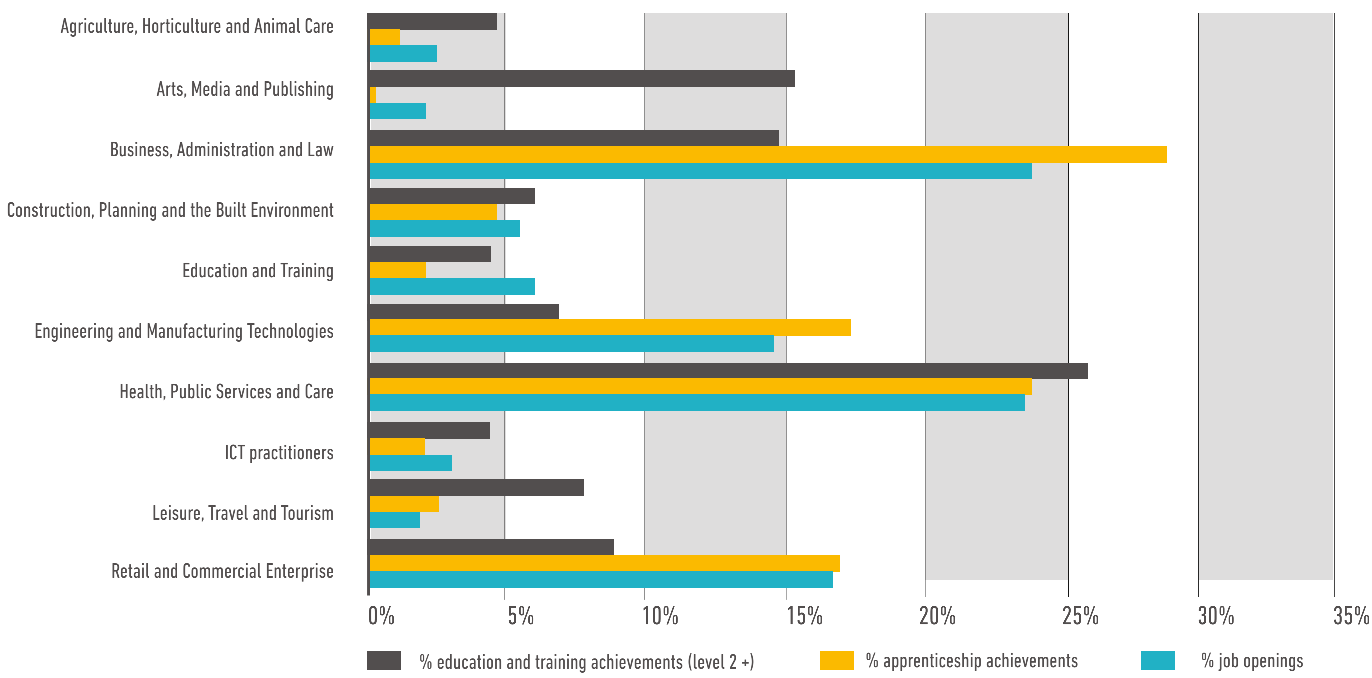
Generally, there is a strong match between the subject profile of apprenticeships and the profile of future job openings, with the exception of business, administration & law where the proportion of achievements outweighs job openings. One might expect a good match since apprentices, by definition, are in employment.

However, the profile of education and training achievements (mainstream further education) does not align in the same way. There are a number of areas where achievements outweigh job openings, most notably arts, media & publishing and leisure, travel & tourism.

Conversely, there are areas that are markedly under-represented in terms of further education achievements: business administration & law, engineering & manufacturing and retail & commercial enterprise.

With regard to two of the City Region's priority skill areas, construction, planning & the built environment and ICT practitioners, supply and demand are broadly in balance.

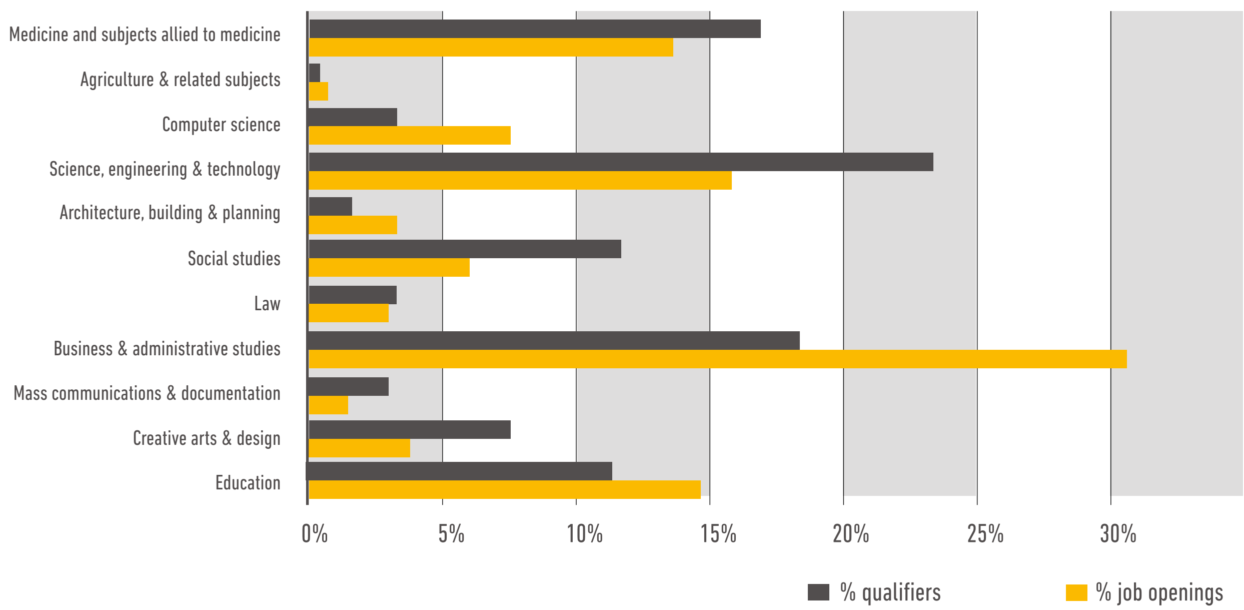
FIGURE 23: COMPARISON OF PROFILE OF LEARNING ACHIEVEMENTS IN FURTHER EDUCATION / SKILLS VERSUS PROJECTED JOB OPENINGS IN RELATED OCCUPATIONS, LEEDS CITY REGION



Source: LEP calculations based on Skills Funding Agency (SFA) data (2015/16) and Working Futures projections

[23] Those subjects that do not have a reasonably straightforward relationship with an occupational group have been excluded. Examples include academically-focused subjects such as history, philosophy and theology but also ICT user courses, which have a generic rather than job-specific focus.

FIGURE 24. COMPARISON OF PROFILE OF LEARNING ACHIEVEMENTS IN HIGHER EDUCATION VERSUS PROJECTED JOB OPENINGS IN RELATED OCCUPATIONS, LEEDS CITY REGION



Source: LEP calculations based on HESA data (2015/16) and Working Futures projections

THERE ARE ALSO APPARENT IMBALANCES WITH REGARD TO HIGHER EDUCATION

We have also applied a similar approach to higher education. Again there are caveats. Clearly, higher education institutions are serving the national labour market (or even an international one) but it is still useful to benchmark provision against the needs of the local labour market.

There are several areas in which supply is low relative to demand i.e. areas in which the proportion of total qualifiers from higher education is small relative to the proportion of job openings.

The key examples are computer science, architecture, building & planning and business & administrative studies.

A number of these areas align with high level STEM disciplines which are a source of longstanding skill shortages and also within the priority areas within the LEP's Employment and Skills Plan.

Conversely, there are subject areas in which supply, reflected in the proportion of qualifiers relative to the proportion of openings, appears to be high. This is the case for creative arts & design, mass communications & documentation and social studies.

Perhaps more surprisingly, this is also the case for science, engineering & technology – the proportion of people who qualify in this field outweighs demand for related roles in the labour market. This is a clear example where skills are highly transferable and can be applied across a range of settings, with demand from employers extending well beyond the specific occupational field. Recent analysis at the national level found that only a third of new graduates in core STEM subjects worked in either a core STEM occupation or a core STEM sector or both.[24]

THE DEBATE AROUND THE RESPONSIVENESS OF PROVISION IS OF KEY IMPORTANCE IN AN ENVIRONMENT WHERE PUBLIC FUNDING FOR FURTHER EDUCATION, IN PARTICULAR, IS HIGHLY CONSTRAINED AND WHERE INDIVIDUALS ARE MAKING SUBSTANTIAL PERSONAL INVESTMENTS IN THEIR EDUCATION.

Clearly, this kind of approach can only provide a broad, indication of the balance between supply and demand but it provides a basis for a debate around the responsiveness of provision. This debate is of key importance in an environment where public funding for further education, in particular, is highly constrained and where individuals are making substantial personal investments in their education.

[24] Bosworth, D., Lyonette, C., Wilson, R., Bayliss, M., Fathers, S. (2013). The supply of and demand for high-level STEM skills. Evidence Report 77, UK Commission for Employment and Skills, Wath-upon-Dearne.

CAREER ASPIRATIONS OF YOUNG PEOPLE ARE OFTEN OUT OF KILTER WITH REALITY OF LABOUR MARKET

Small minorities of employers are direct customers of institutions in the further and higher education sectors (see Figure 36). This means there is a limited opportunity for employers to transmit market signals to influence these types of provision. In the absence of these signals, demand from individual students has a substantial influence on the profile of vocational provision that is delivered.

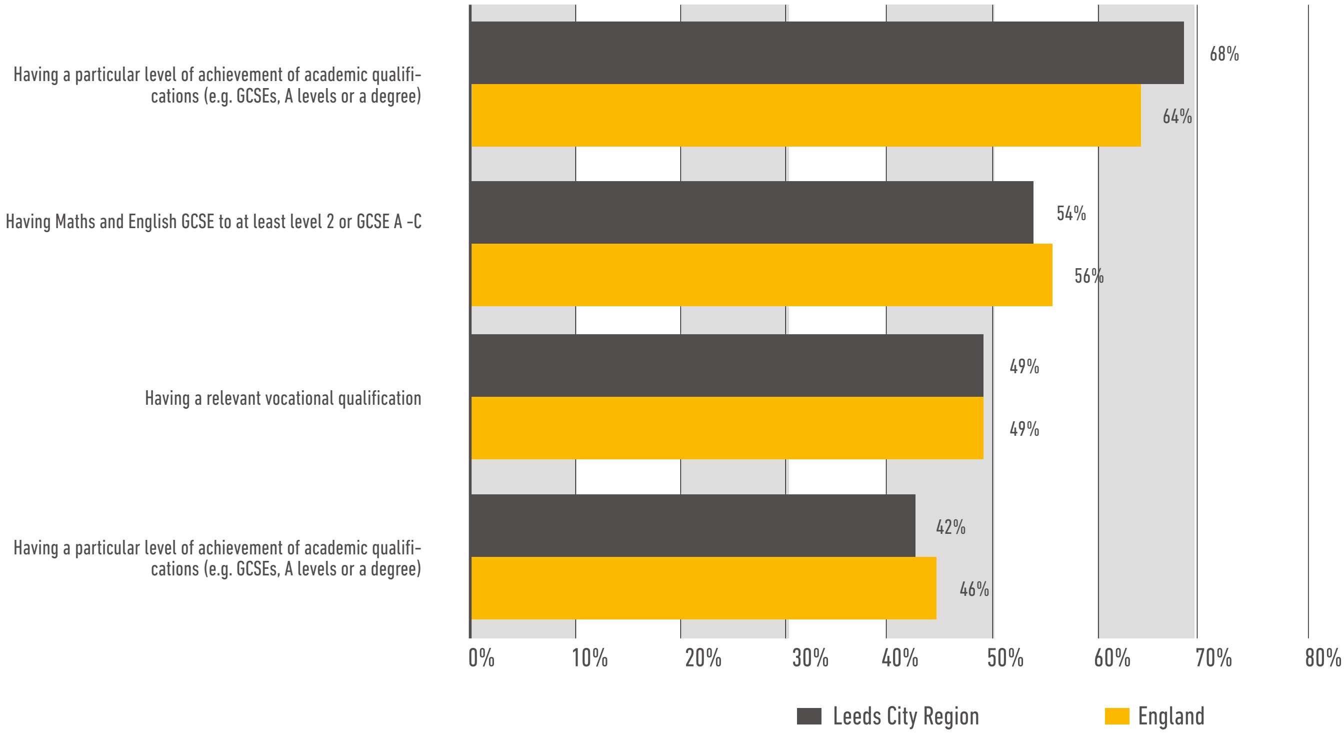
A series of national studies have shown that, at least so far as young people are concerned, perceptions of labour market opportunities are not grounded in reality.[25] The details of the findings from these studies vary but in general terms they indicate that the interest of a large proportion of young people is focused on a small range of occupations leading to lower sustainable employment chances, some of which are low-paid and characterised by high churn. At the same time there is a lack of awareness of other occupations that are well-paid and offer good prospects.

Work experience and work inspiration are key ways in which the world of business can engage with education. These activities play a key role in supporting an effective transition into the world of work for young people and other groups by helping individuals to understand and meet the requirements of employers. Work inspiration involves businesses providing advice and support to students about the workplace and their industry and enables individuals to broaden their perspectives and develop aspirations regarding future career paths.

THE INTERESTS OF A LARGE PROPORTION OF YOUNG PEOPLE IS FOCUSED ON A SMALL RANGE OF OCCUPATIONS LEADING TO LOWER SUSTAINABLE EMPLOYMENT CHANCES, SOME OF WHICH ARE LOW-PAID AND CHARACTERISED BY HIGH CHURN. AT THE SAME TIME THERE IS A LACK OF AWARENESS OF OTHER OCCUPATIONS THAT ARE WELL-PAID AND OFFER GOOD PROSPECTS.

[25] City and Guilds, 2015 and Mann et al, 2013.

FIGURE 25. FACTORS LOOKED FOR BY EMPLOYERS WHEN RECRUITING (PROPORTION RATING AS CRITICAL OR SIGNIFICANT)



Source: Employer Perspectives Survey, 2016

RELEVANT WORK EXPERIENCE IS KEY TO EMPLOYERS' RECRUITMENT DECISIONS

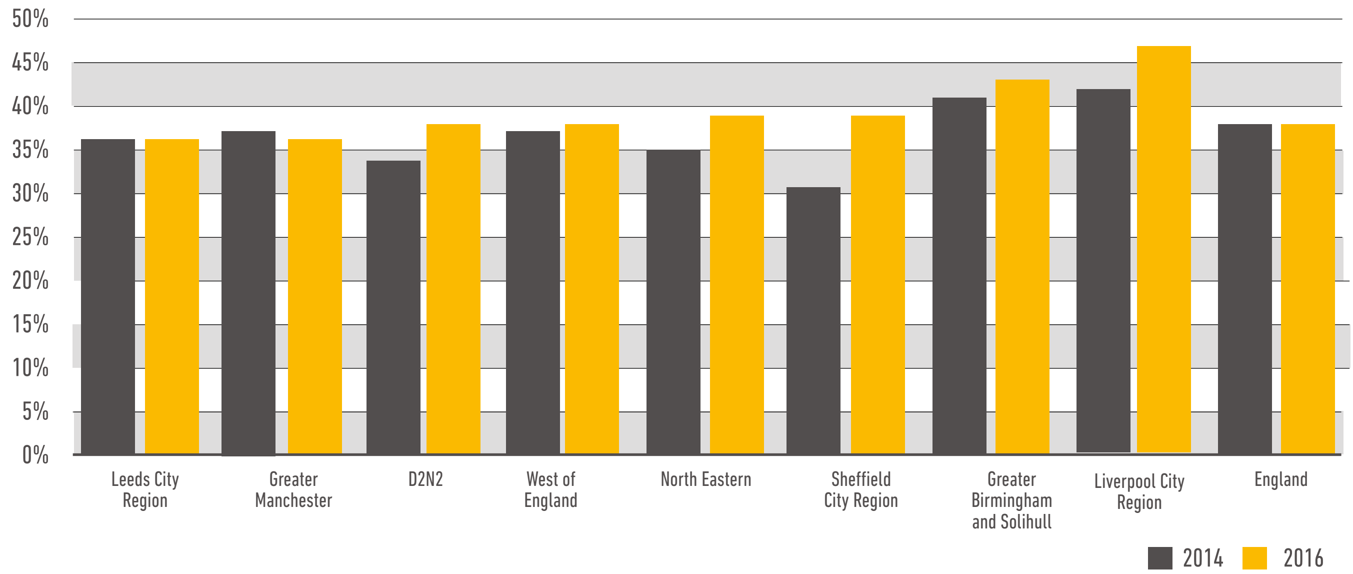
The Employer Perspectives Survey measures the relative importance to employers of a number of factors in their recruitment decisions: academic qualifications (Maths and English GCSE A*-C as well as more broad academic qualifications), vocational qualifications (VQs), and relevant work experience.

The results show that a greater proportion of employers, both locally and nationally, reported that they valued relevant work experience more than any of the other factors when assessing potential new recruits: more than two-thirds of employers in the City Region (68%) rated relevant work experience either critical or significant.

68% OF EMPLOYERS
IN THE CITY REGION RATED RELEVANT WORK EXPERIENCE EITHER CRITICAL OR SIGNIFICANT

ALTHOUGH MOST EMPLOYERS CONSIDER THAT RELEVANT WORK EXPERIENCE IS AN IMPORTANT FACTOR IN RECRUITMENT DECISIONS, A MINORITY OFFER IT THEMSELVES.

FIGURE 26. PROPORTION OF EMPLOYERS WHO HAVE HAD ANYONE ON WORK EXPERIENCE IN PREVIOUS 12 MONTHS



Source: Employer Perspectives Survey 2014, 2016. Base: All establishments. Note: Work placements include adult placements, work trials and internships, as well as placements for those in education

JUST OVER A THIRD OF EMPLOYERS PROVIDE WORK EXPERIENCE PLACEMENTS

The Employer Perspectives Survey examines the extent to which employers at a local level engage in work experience and work inspiration activities.

Although most employers consider that relevant work experience is an important factor in recruitment decisions, a minority offer it themselves.

The survey finds that 36% of employers in the Leeds City Region offer work experience opportunities, the same proportion as was found by the previous iteration of the survey in 2014. This is slightly below the England average of 38% and slightly lower than a number of core cities, some of which have seen small increases over this period. It is well below Liverpool City Region and Greater Birmingham and Solihull.

Regional data for Yorkshire and the Humber indicates that the key barriers to offering placements are structural (establishment has no suitable roles, placements not suitable due to size of establishment), a lack of time / resource to manage the process and in some cases a lack of awareness.

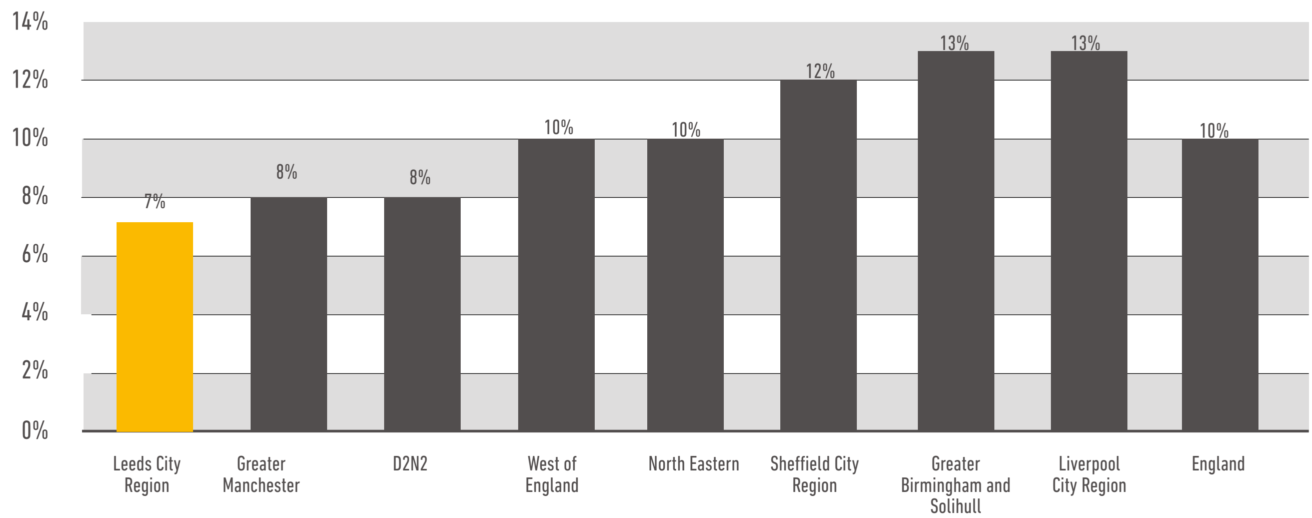
36% OF EMPLOYERS IN THE CITY REGION OFFER WORK EXPERIENCE IN **2014**

36% OF EMPLOYERS IN THE CITY REGION OFFER WORK EXPERIENCE IN **2016**

VS

38% OF EMPLOYERS NATIONALLY OFFER WORK EXPERIENCE IN **2016**

FIGURE 27. PROPORTION OF EMPLOYERS WHO HAVE OFFERED WORK INSPIRATION IN LAST 12 MONTHS[27]



Source: Employer Perspectives Survey 2016. Base: All establishments. Note: Work inspiration activities include careers talks, site visits, mentoring, mock interviews, enterprise competitions and input to design of coursework

A SMALL MINORITY OF EMPLOYERS ENGAGE IN WORK INSPIRATION ACTIVITIES

Only 7% of employers in the City Region had provided work inspiration activities[26] in the 12 months preceding the survey.

National data from the Employer Perspectives Survey indicates that involvement increases with size of business (more than 40% of large establishments offer work inspiration) and that such activities are most common in the public administration and education sectors and least common in construction, hospitality and wholesale / retail. There is also a large crossover between employers offering work inspiration and work experience opportunities.

THE IMPORTANCE OF CLOSE ENGAGEMENT BETWEEN THE WORLDS OF WORK AND EDUCATION IS GROWING AS THE PACE OF CHANGE IN THE LABOUR MARKET INCREASES

It is difficult to predict how work will evolve in the future and so it is critical that constant signals are relayed between employers and the education sector around vocational requirements. As technological advances shift to a new level in the form of increases in computing power, the Internet of Things, Big Data and Artificial Intelligence, the impact on skill requirements is far-reaching.[28] Some analysts argue that the impact of automation will extend beyond routine tasks to cognitive tasks. According to one study, about 35% of current jobs in the UK are at high risk of automation over the next 20 years whilst the way in which other jobs are carried out could also be transformed.[29]

ABOUT 35% OF CURRENT JOBS IN THE UK ARE AT HIGH RISK OF AUTOMATION OVER THE NEXT 20 YEARS.

[26] In this context work inspiration describes a bundle of activities where employers are involved in preparing students for work, from carrying out mock interviews to helping design coursework.
[27] The results for this question from the 2016 survey are not comparable with those from 2014 due to differences in the way the question was asked.
[28] Brynolfsson, E. and McAfee, A. (2014), The Second Machine Age: Work, Progress and Prosperity in a Time of Brilliant Technologies, W W Norton & Company, New York, NY.
[29] Deloitte (2014), Agiletown: the relentless march of technology and London's response, Deloitte LLP, London.

BUILDING WORKFORCE SKILLS AND ATTRACTING TALENT

To ensure that workforce development activity makes the maximum contribution possible to the performance of the local economy the Employment and Skills Plan sets out aspirations to improve the relevance of education and training provision to business needs, to increase the proportion of businesses investing in the skills of their workers and to develop the leadership and innovation skills needed for economic growth.

SUMMARY

Workforce development has a key role to play in addressing the deficit in the local skills base and contributing to productivity growth.

The employed workforce of the City Region has a relatively weak qualification profile, reflecting the position across the wider adult population. Since these individuals are already in the labour force, workplace training represents the main way in which their skills can be enhanced to meet the changing needs of the economy.

In aggregate, local employers dedicate a huge level of resources to training their workers but lag behind the national average on most indicators of training activity / investment, whilst a significant proportion under-invest relative to their own needs. Cost and time are the chief barriers to increased investment.

The likelihood of receiving job-related training varies according to the characteristics of the individual. For example, people who are already highly qualified are more likely than average to receive training. This suggests that in some circumstances the disadvantaged are less likely to receive training. In other circumstances access to training for the disadvantaged is likely to be largely limited to induction and mandatory training.

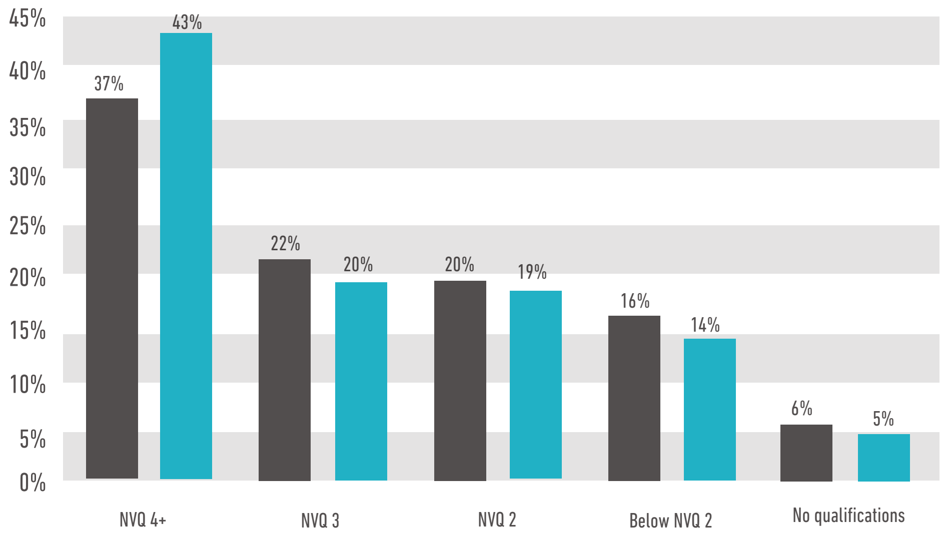
There is concerning evidence to suggest that job-related training activity is in decline, whilst the investment employers do make has a limited bearing on the inclusive growth agenda.

Leeds City Region has a significant reliance on EU migrant workers. The UK's decision to leave the EU means employers could face significant problems in accessing the labour and skills that they need in future. In some cases employers will need to respond by investing in workforce development.

There is strong evidence to show that investment in skills can make workers more productive. It is critical that employers support the development of their staff to meet specific business priorities in order to boost firm-level productivity and competitiveness and to drive growth and resilience within the City Region economy.

QUALITY OF LABOUR IS A KEY DETERMINANT OF PRODUCTIVITY. IMPROVEMENTS IN THE SKILLS COMPOSITION OF THE WORKFORCE CONTRIBUTE TO PRODUCTIVITY GROWTH ALONGSIDE OTHER FACTORS SUCH AS CAPITAL INPUTS.

FIGURE 28. QUALIFICATION PROFILE OF PEOPLE IN EMPLOYMENT



Source: Annual Population Survey, Jan – Dec 2016

IT IS LIKELY THAT THE SKILLS PROFILE OF THE CITY REGION'S WORKFORCE CONSTRAINS ITS PRODUCTIVITY PERFORMANCE

As previously noted, quality of labour is a key determinant of productivity. Improvements in the skills composition of the workforce contribute to productivity growth alongside other factors such as capital inputs. The proxy indicator generally used to measure quality of labour is the highest qualification held by workers.

The chart demonstrates that the relatively weak qualification profile of the City Region's adult population is largely reflected in that of its employed workforce. Although a greater proportion of people in employment are qualified at level 4 than across the wider population (37% versus 31% for the wider population) there is still a notable gap of six points with the national average at this level. In addition, more than a fifth of those in employment are either qualified below level 2 or hold no formal qualifications at all. This is an important issue since level 2 is widely considered to be the threshold for basic employability. The City Region is relatively strong at intermediate level, with proportions qualified at levels 2 and 3 that are slightly above the national average. In view of the strong projected growth in higher level employment in the City Region it seems clear that there is a need to address the deficit at level four.

Overall the qualification deficit among the City Region's employed workforce provides a strong rationale for employer investment in workforce development. As the City Region increasingly shifts towards a knowledge economy, the required skills can only be partially delivered through the education system, partly because most of the adult population is already at work and partly because many of the new skills needed can only be acquired in a work setting as they are new skills needed for innovation-driven growth.

THE QUALIFICATION DEFICIT AMONG CITY REGION'S EMPLOYED WORKFORCE PROVIDES A STRONG RATIONALE FOR EMPLOYER INVESTMENT IN WORKFORCE DEVELOPMENT.

THE WIDESPREAD PRESENCE OF SKILLS GAPS SUGGESTS THAT EMPLOYERS' INVESTMENT IN WORKFORCE DEVELOPMENT IS NOT MEETING ALL REQUIREMENTS

As noted above, skills gaps occur when existing employees lack the skills and proficiency required to meet business objectives.

Skills gaps are relatively widespread within the economy. According to the 2015 Employer Skills Survey around 17% of employers in the City Region reported at least one gap (compared with a national average of 14%) with the equivalent of 63,000 or 5% of workers lacking full proficiency.

Although a high proportion of gaps are due to workers being new in post many are due to issues around management capability, workplace quality and lack of training. For example, employers say that more than a fifth of gap are due to a lack motivation among staff, around a quarter are linked to staff not receiving appropriate training and more than one tenth are due to problems in retaining staff.

MORE THAN A THIRD OF ESTABLISHMENTS PROVIDE NO TRAINING AND TWO-FIFTHS OF STAFF RECEIVE NO TRAINING

Based on an extrapolation of spend per person trained taken from the Employer Skills Survey (£2,600) it is estimated that employers in the City Region invest close to £2bn per annum on workforce development. This is a sizeable investment which exceeds the estimated level of resources dedicated to higher education in the City Region.

A review of the City Region's training performance based on key indicators from the Employer Skills Survey shows that fewer than two-thirds (64%) of employers in the City Region provide any kind of training to their staff, slightly below the England average of 66%. At same time 59% of staff receive training, somewhat below the national average of 63%.

With regard to training to formal, nationally-recognised qualifications the proportions are much smaller at a third of all establishments and 15% of staff.

The mean volume of training received by each trainee is similar to the national average at just under seven days per annum but is lower than the national average with regard to the mean number of training days per member of staff, reflecting the lower participation rate in the City Region.

17%

OF EMPLOYERS IN THE CITY REGION REPORTED AT LEAST ONE SKILLS GAP

VS

14%

OF EMPLOYERS NATIONALLY

IT IS ESTIMATED THAT EMPLOYERS IN THE CITY REGION INVEST CLOSE TO £2BN PER ANNUM ON WORKFORCE DEVELOPMENT.

59%

OF STAFF IN THE CITY REGION RECEIVE TRAINING

VS

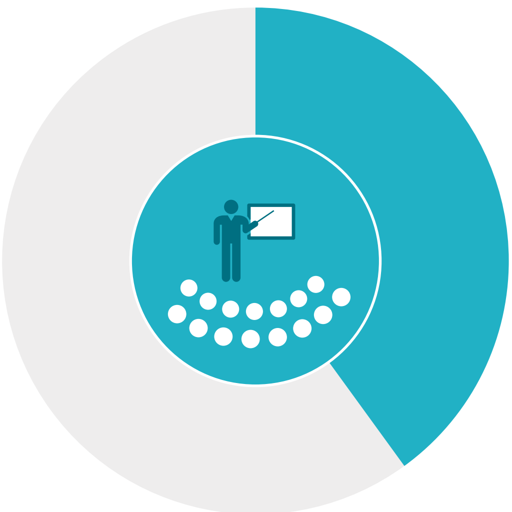
63%

OF STAFF NATIONALLY

TABLE 3. KEY INDICATORS OF WORKFORCE DEVELOPMENT

Indicator	Leeds City Region	England
Whether establishment has funded or arranged training for staff over past 12 months		
Any training (% of establishments)	64%	66%
Any off-the-job training (% of establishments)	49%	48%
Any on-the-job training (% of establishments)	51%	52%
Number of staff trained over last 12 months as % of total staff	59%	63%
Whether any staff trained towards a nationally recognised qualification in past 12 months (% of establishments)	33%	31%
Number of staff trained towards a nationally recognised qualification in past 12 months as % of total staff	15%	13%
Average training days per trainee	6.9	6.8
Average training days per member of staff	4.0	4.3
Whether establishment has a training plan	42%	42%
Whether establishment has budget for training expenditure	32%	31%

Source: Employer Skills Survey 2015



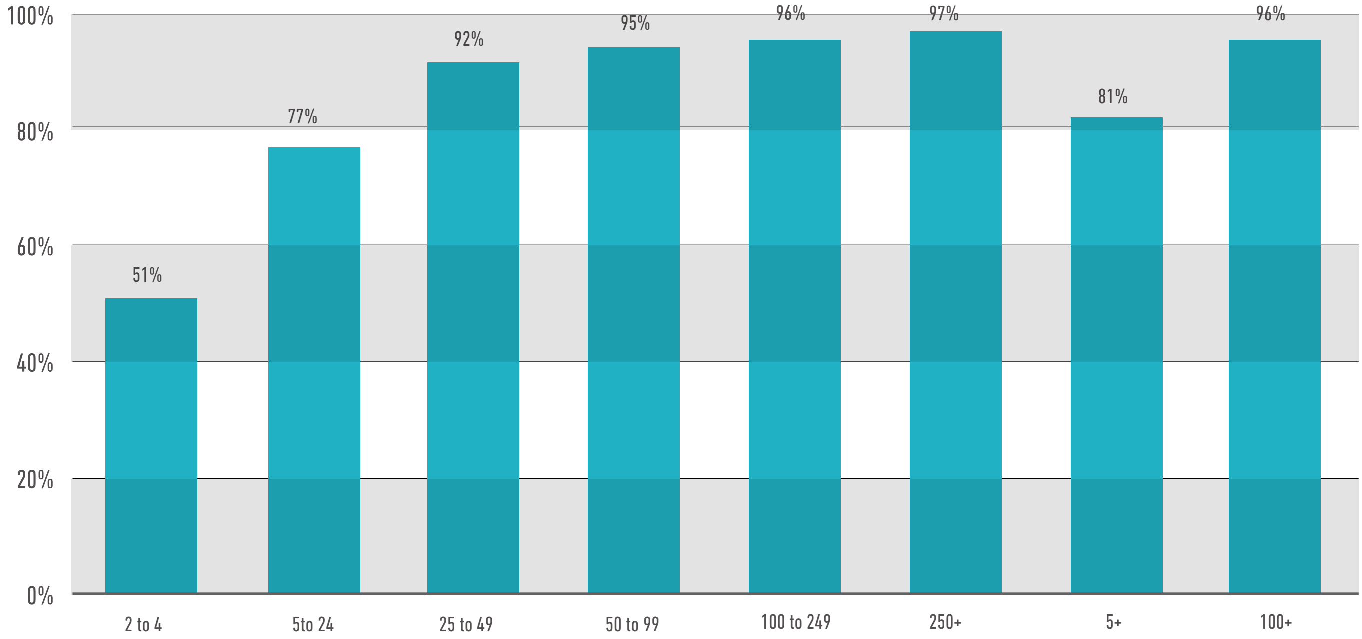
TWO FIFTHS OF BUSINESSES HAVE A TRAINING PLAN

It is notable that a minority of establishments have structured mechanisms in place to support workforce development. Only a third have a formal budget to cover training expenditure and two-fifths have a training plan (both similar to the national average). The latter is particularly important in ensuring that investment in skills is properly aligned with wider business need.

The Employment and Skills Plan sets out a commitment to achieving high levels of training across all parts of the business population. However, analysis shows that some segments have particularly low participation in workforce development.

ONLY A THIRD OF CITY REGION BUSINESSES HAVE A FORMAL BUDGET TO COVER TRAINING EXPENDITURE

FIGURE 29. PROPORTION OF EMPLOYERS FUNDING OR ARRANGING TRAINING FOR STAFF OVER PAST 12 MONTHS BY ESTABLISHMENT SIZE, ENGLAND



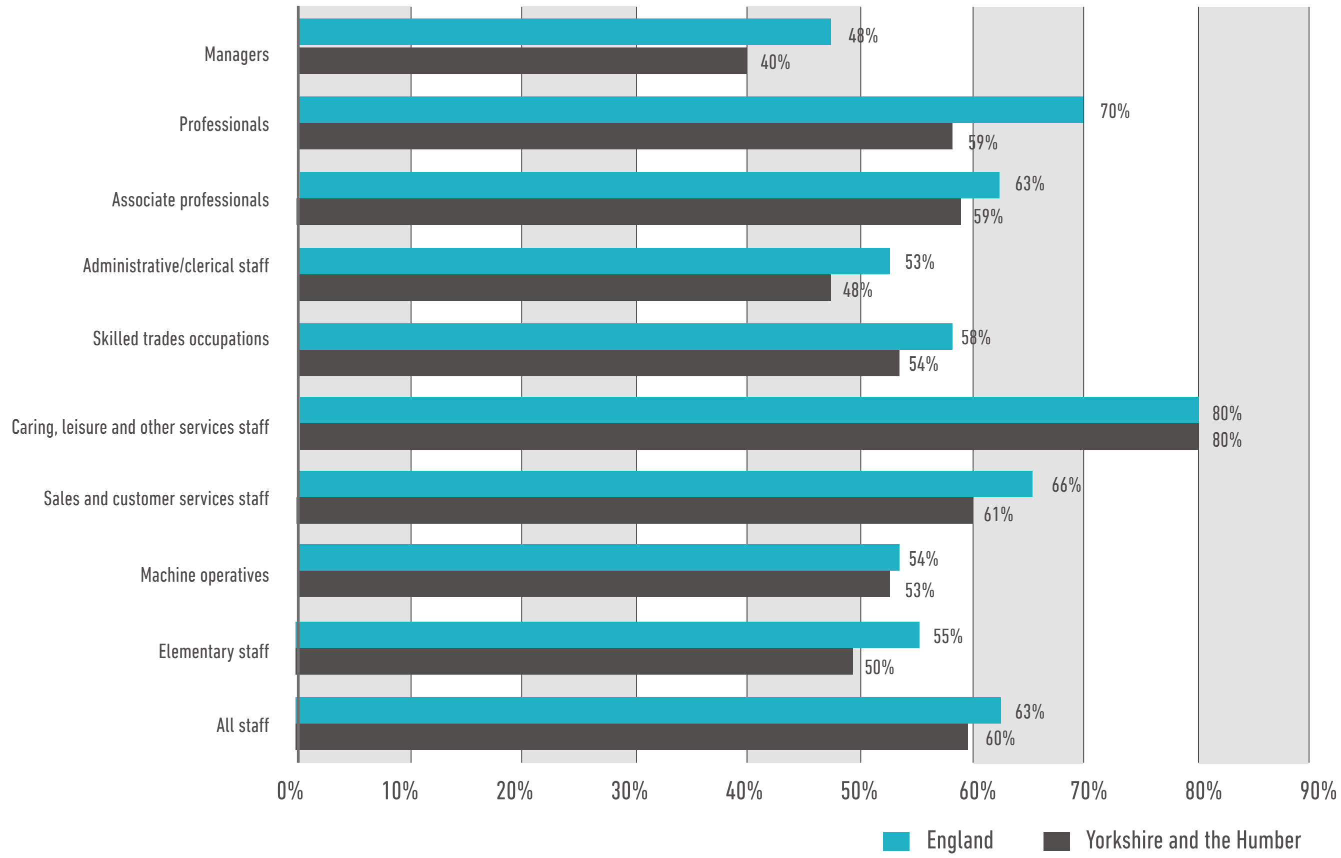
Source: Employer Skills Survey 2015

THE SMALLEST ORGANISATIONS ARE LEAST LIKELY TO INVEST IN TRAINING

National data from the Employer Skills Survey shows that most of the organisations who do not arrange or fund training are smaller firms. Above a certain size threshold virtually all firms conduct some form of training. It is highly likely that a similar pattern prevails in the City Region.

Whereas only half of organisations employing between two and four people had funded or arranged training for staff in the previous year, more than four-fifths of employers with five or more staff had done so. Effectively all employers with 100 or more staff had supported training activity.

FIGURE 30. PROPORTION OF STAFF IN EACH OCCUPATION RECEIVING TRAINING



Source: Employer Skills Survey 2015. Base: All employment

ACCORDING TO EMPLOYERS MANAGERS ARE THE OCCUPATION LEAST LIKELY TO RECEIVE TRAINING

Data relating to training patterns by occupation are not available for the City Region but are available for Yorkshire and the Humber.

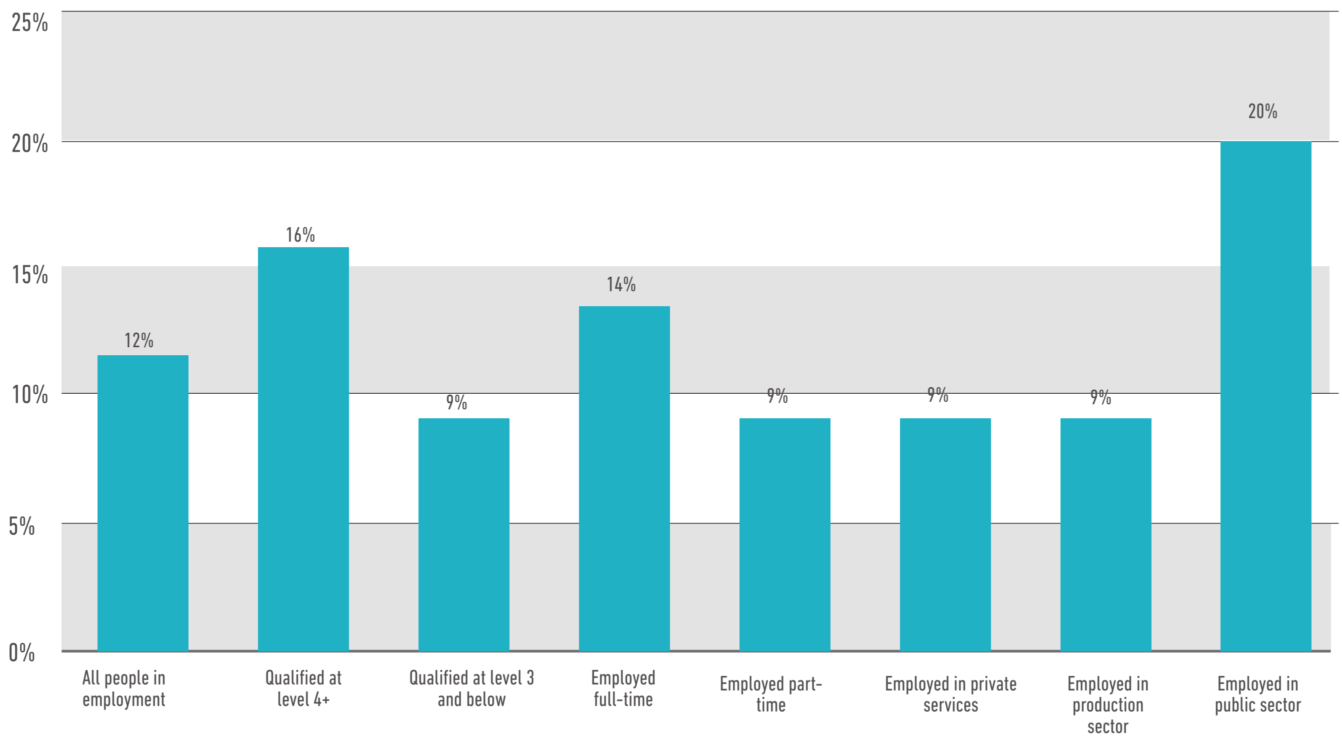
The analysis shows that managers in the region are less likely than other occupations to receive training arranged or funded by their employer. Only 40% of managers received training compared with an average for all staff of 60%. When viewed in combination with the evidence relating to a high incidence of skills gaps among managers, this raises significant concerns, particularly since managers have an important role to play around ensuring that the wider workforce hold appropriate skills.

In contrast, four-fifths of staff working in caring, leisure & other services occupations received training. This may well reflect mandatory training requirements within the care sector.

Overall, there is no clear pattern with regard to skill level of occupation. Staff in higher skilled professional and associate professional occupations are more likely to receive training than most middle-skilled and lower-skilled occupations but are less likely to do so than sales & customer service and caring, leisure & other services staff. It should be noted that this analysis does not indicate what kind of training each occupation receives. In some occupations, such as sales / customer service and elementary service roles, levels of staff turnover are known to be high, inflating demand for induction and health and safety training.

MANAGERS IN THE REGION ARE LESS LIKELY THAN OTHER OCCUPATIONS TO RECEIVE TRAINING ARRANGED OR FUNDED BY THEIR EMPLOYER [...]THIS RAISES SIGNIFICANT CONCERNS, PARTICULARLY SINCE MANAGERS HAVE AN IMPORTANT ROLE TO PLAY TO ENSURE THAT THE WIDER WORKFORCE HOLD APPROPRIATE SKILLS.

FIGURE 31. PROPORTION OF WORKERS RECEIVING JOB-RELATED TRAINING IN PREVIOUS 4 WEEKS BY CHARACTERISTIC



Source: Annual Population Survey, Jan – Dec 2016

SURVEY EVIDENCE FROM INDIVIDUALS SUGGESTS THE WELL-QUALIFIED, FULL-TIME WORKERS AND THOSE EMPLOYED IN THE PUBLIC SECTOR ARE MOST LIKELY TO RECEIVE TRAINING

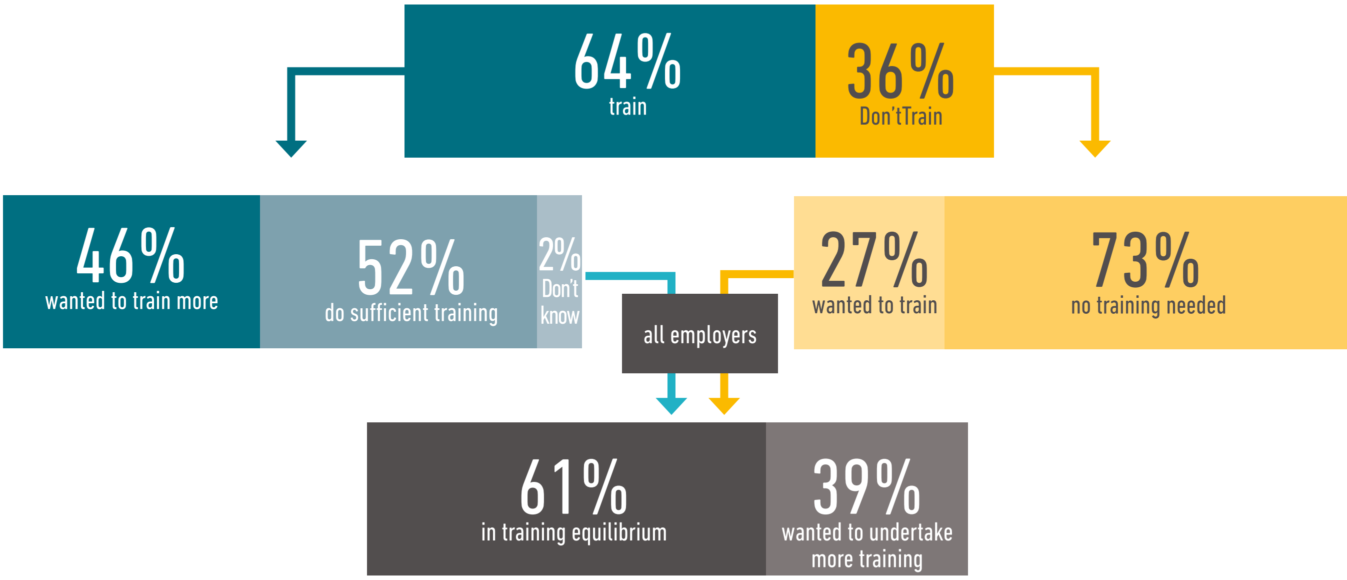
Analysis of the Annual Population Survey (a household survey) indicates that the likelihood of participating in job-related training varies according to the characteristics of the individual, including level of qualification held, employment status and industry sector in which the individual works.

Workers qualified at tertiary level are somewhat more likely to receive training than the average, whereas part-time workers are less likely than full-time workers to undertake training. In sectoral terms, public sector workers are more than twice as likely as people employed in private sector services or the production sector to receive training.[30]

THE LIKELIHOOD OF PARTICIPATING IN JOB-RELATED TRAINING VARIES ACCORDING TO THE CHARACTERISTICS OF THE INDIVIDUAL, INCLUDING LEVEL OF QUALIFICATION HELD, EMPLOYMENT STATUS AND INDUSTRY SECTOR IN WHICH THE INDIVIDUAL WORKS.

[30] Includes utilities and manufacturing activities.

FIGURE 32. TRAINING EQUILIBRIUM SUMMARY, LEEDS CITY REGION



Source: Employer Skills Survey 2015. Base: all establishments in Leeds City Region (4,049)

TWO-FIFTHS OF ORGANISATIONS UNDER-INVEST IN TRAINING

Although the City Region underperforms on a number of indicators of training investment, the key question is whether employers are investing sufficiently to meet their own business needs? The data suggest that a significant proportion believe they are not.

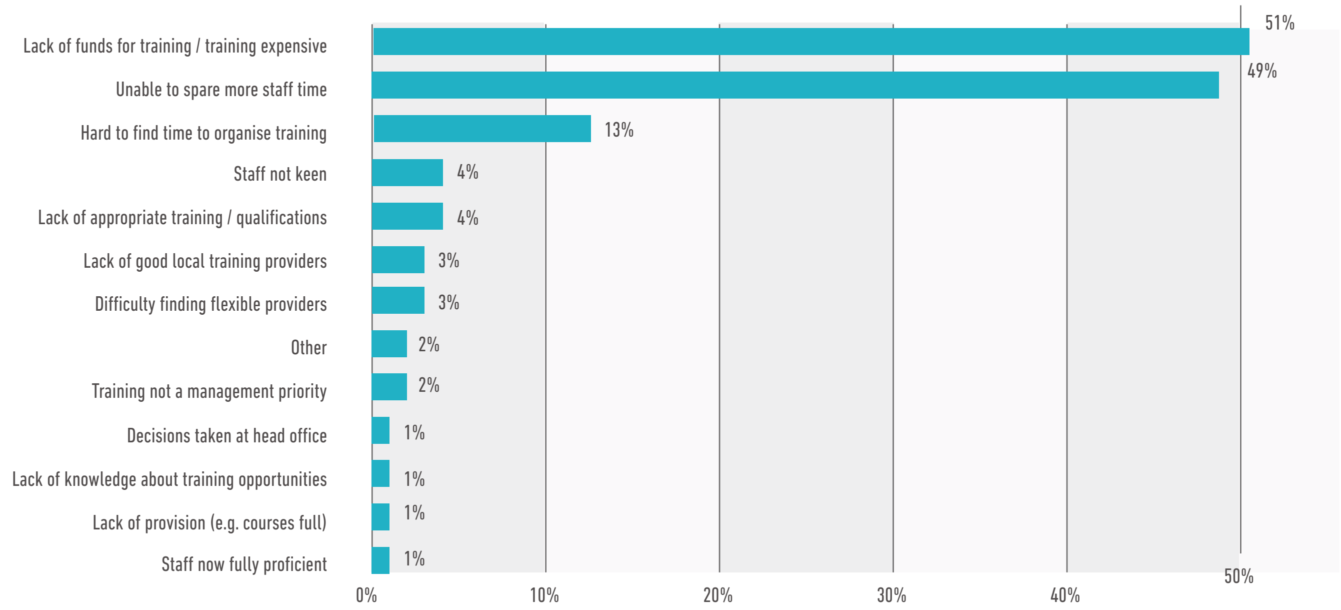
We have seen that more than a third of employers do no training; of these, a majority said that no training was needed but a significant minority (over a quarter) said that they would have liked to have undertaken some training.

Among the 64% of employers who did invest in training, almost half would have liked to have done more.

Overall, around two-fifths of employers are not in training equilibrium, meaning that they are doing insufficient training to meet the needs of their organisation. We can interpret this as an acknowledgement by many employers that they are under-investing in this area.

A THIRD OF EMPLOYERS DO NO TRAINING; OF THESE, A MAJORITY SAID THAT NO TRAINING WAS NEEDED BUT A SIGNIFICANT MINORITY (OVER A QUARTER) SAID THAT THEY WOULD HAVE LIKED TO HAVE UNDERTAKEN SOME TRAINING.

FIGURE 33. BARRIERS TO PROVIDING MORE TRAINING, LEEDS CITY REGION



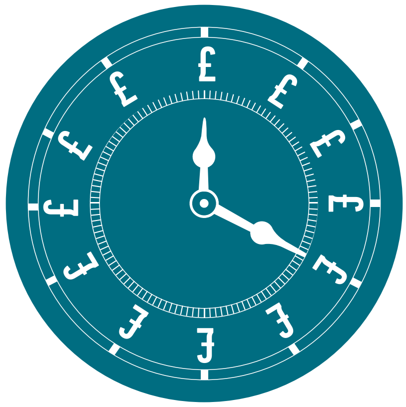
Source: Employer Skills Survey 2015. Base: All establishments who would have provided more training in the past 12 months if they could, Leeds City Region (2015: 1,436). Note: total of percentages exceeds 100% because of multiple responses

COST AND TIME ARE THE MAIN BARRIERS TO INCREASED TRAINING INVESTMENT

If some employers are under-investing this raises the question of why, and what actions can be taken to address this problem?

Among employers who would have liked to have provided more training if they could, the key barriers to providing more training were a lack of funds / cost of training and a lack of time both among the staff who would receive training and a lack of time to organise training within the firm. A lack of appropriate training and a lack of good training providers were also cited but by much smaller proportions of businesses. Meanwhile, among employers who did not arrange or fund training in the previous year the overwhelming reason cited is that there is no business need that justifies doing so (Figure 33).

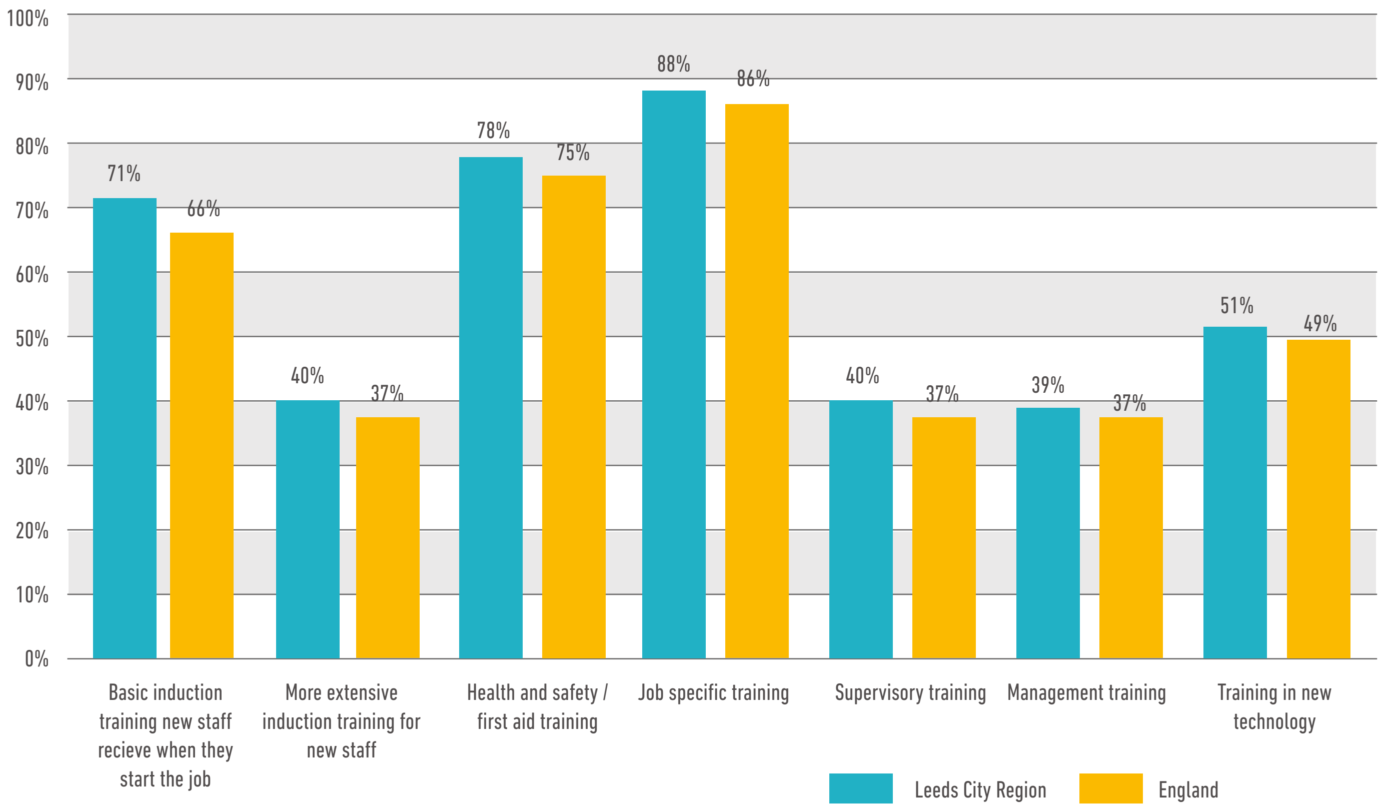
In order to address these barriers and encourage more employers to make a systematic investment in the skills of their workers, there is a need to demonstrate the benefits of such an investment (including through publicly co-funded pump-priming investment) and to help businesses to put in place mechanisms that help to diagnose skills needs arising out of wider business developments. Support of this kind is available in the City Region and we need to ensure that businesses take up this offer.



THE KEY BARRIERS TO PROVIDING MORE TRAINING ARE:

- A LACK OF FUNDS / THE COST OF TRAINING
- A LACK OF TIME FOR THE STAFF WHO WOULD RECEIVE THE TRAINING
- A LACK OF TIME FOR THE FIRM TO ORGANISE THE TRAINING

FIGURE 34. TYPES OF TRAINING FUNDED OR ARRANGED FOR EMPLOYEES (PROMPTED)



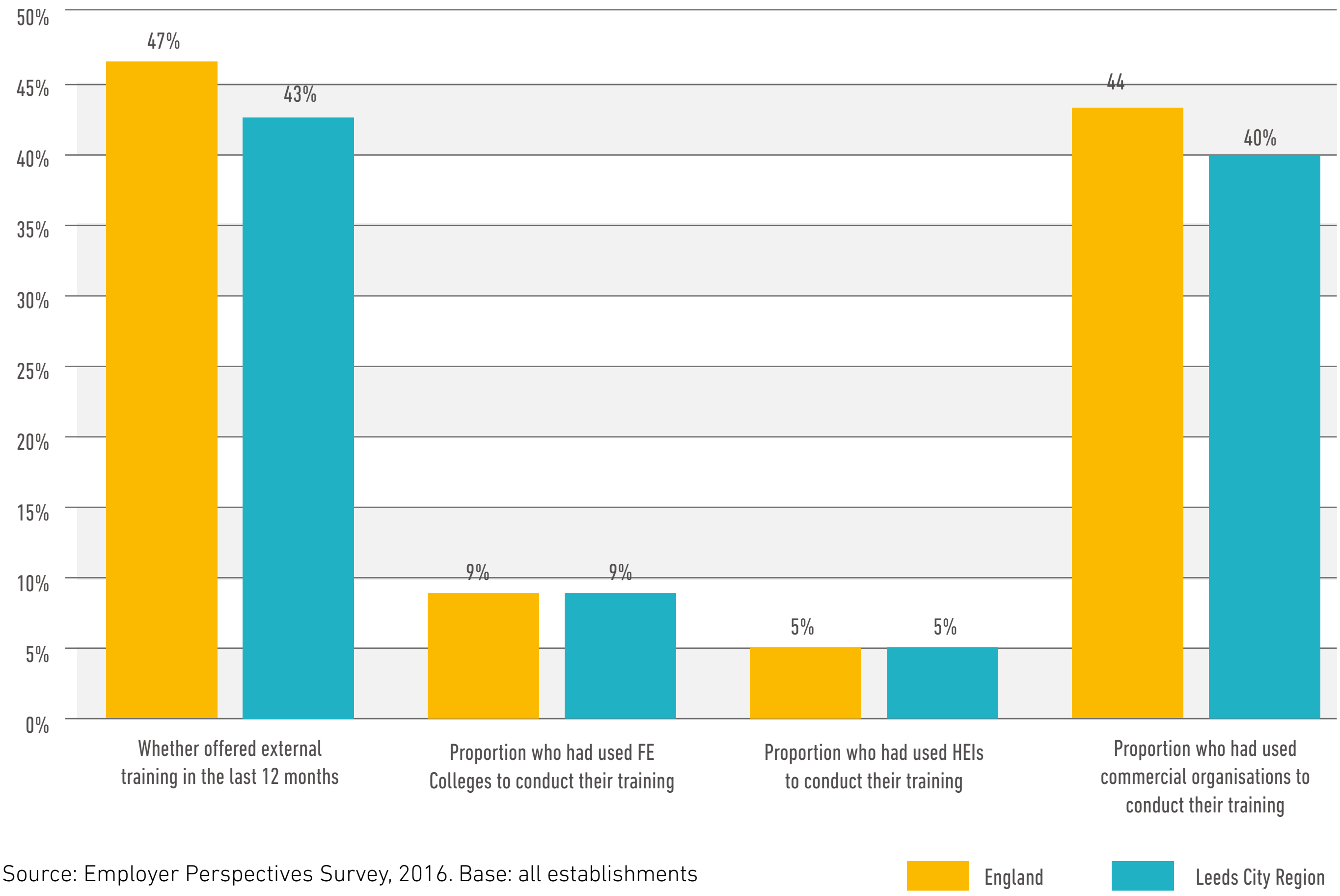
Source: Employer Skills Survey, 2015

BUSINESSES WHICH PROVIDE TRAINING ARE MOST LIKELY TO FOCUS ON INDUCTION AND JOB-SPECIFIC TRAINING

Although close to two thirds of employers provide some kind of training it is clear that for many this is limited to initial induction training and job-specific training.

For example, only two-fifths of establishments that engage in training conduct management training whilst barely half undertake training in new technology.

FIGURE 35. PROPORTION OF EMPLOYERS USING DIFFERENT SOURCES OF SKILLS SUPPORT IN THE LAST 12 MONTHS



Source: Employer Perspectives Survey, 2016. Base: all establishments

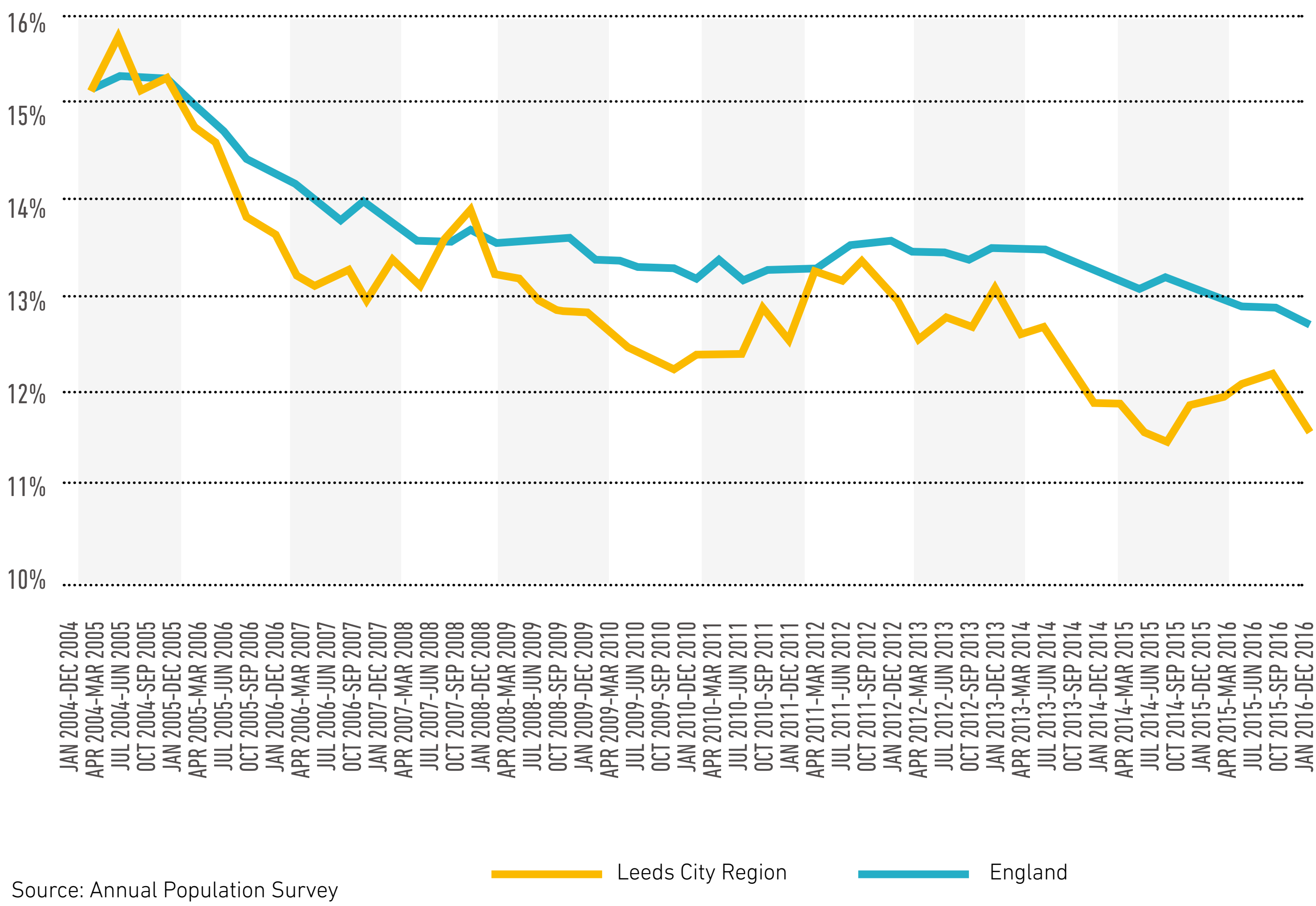
FEW EMPLOYERS SOURCE SKILLS SUPPORT FROM FURTHER EDUCATION AND HIGHER EDUCATION INSTITUTIONS

Slightly under half (43%) of employers in the City Region use external providers to meet their training needs, slightly below the national average. The vast majority of businesses that use external provision rely on commercial providers to deliver this training.

A very small minority of employers use providers from the further and higher education sectors to meet their skills needs, mirroring the respective national averages in both cases. 9% use further education colleges to conduct skills training and the figure falls to 5% for higher education institutes. Both proportions are similar to the equivalent figures from the 2014 iteration of the survey.

It is unrealistic to expect the further education and higher education sectors fully to meet the diverse and often highly specialised skill requirements of employers. However, the small proportions who use further education and higher education support both locally and nationally suggest that there is progress to be made to increase the relevance of publicly funded education and training to employer needs.

FIGURE 36. PROPORTION OF WORKERS RECEIVING JOB-RELATED TRAINING IN LAST 4 WEEKS



Source: Annual Population Survey

ACCORDING TO SOME MEASURES INVESTMENT IN TRAINING IS IN STEADY DECLINE REFLECTING A WIDER NATIONAL TREND

Data from the Annual Population Survey indicates that the overall proportion of workers receiving job-related training (within a given four week period) is likely to be in longer-term decline, after peaking in the early part of the last decade, both in the City Region and at national level.

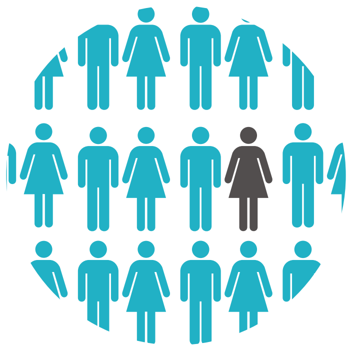
The rate of decline was sharpest in the period leading up to the recession, followed by a flattening out of the trend for several years before signs of renewed decline more recently. This reflects the pattern seen nationally, although the proportion receiving training in the City Region is below the national average.

Of particular concern, the decline in training activity was most pronounced among the youngest workers, aged 16-24. Prior to the recession the proportion of 16-24 year olds receiving training over a 4 week period peaked at 14%, well above the peak for 25-64 year olds of around 11%. By 2016, the training rate for younger workers had fallen to less than 9%.

There are a range of competing explanations for this decline in training activity:[31]

- That the higher education levels of the labour force are being substituted for some training needs
- That new forms of learning, such as e-learning, are being substituted for traditional approaches leading to greater efficiency and reductions in training time / incidence, without necessarily leading to a reduction in the quality of training
- That a shift to a low skills trajectory / low skills equilibrium has led to a reduction in the requirement for workplace training
- That the increase in the use of flexible employment modes seen in recent years militates against employer investment in worker skills.

68,000 WORKERS IN THE CITY REGION WHO EU MIGRANTS



ONE IN EIGHT WORKERS IN MANUFACUTING IN THE CITY REGION ARE ESTIMATED TO BE EU MIGRANTS

THE UK'S DECISION TO LEAVE THE EU MAY STIMULATE TRAINING NEEDS AMONG SOME EMPLOYERS.

Analysis of official statistics shows that the Leeds City Region has a significant reliance on EU migrant workers.[32] Around 68,000 EU migrants are employed in the City Region, equivalent to 5% of total employment in the area. However, this rises to one in eight workers in manufacturing and is considerably higher in specific activities like food manufacture and clothing manufacture.

EU migrants are concentrated in routine and lower skilled jobs. More than one quarter of total workers in elementary trades and one fifth of process, plant and machine operatives, are EU migrants.

Recent research by the LEP has found that a significant proportion of firms in the City Region would consider investment in training as a response, should access to EU migrant labour and skills be disrupted. This would be a corollary of seeking to increase recruitment of indigenous workers, investing in automation / capital equipment or making other changes to the firm's business model. Businesses in sectors with the greatest exposure to this issue, most notably agriculture and manufacturing, are the most likely to consider this course of action.

[31] Green, F., Felstead, A., Gallie, D., Inanc, H., and Jewson, N. (2013). What has been happening to the training of workers in Britain? LLAKES Research Paper 43, Centre for Learning and Life Chances in Knowledge Economies and Societies, London.
[32] Annual Population Survey, January to December 2015.

CONCLUSIONS

The following points highlight the key conclusions from this review of the evidence against the Employment and Skills Plan priorities.

Action is needed on both the demand and supply side to maximise the huge opportunity presented by high level skills for individuals and the wider economy of the City Region. We need to increase the supply of individuals with economically valuable higher level skills to address shortages and promote investment but there is also scope to increase demand for these skills by helping firms to move up the value chain and by attracting high value firms into the City Region.

With the second largest concentration of HE provision in England the City Region has strong capacity to develop higher level skills but better retention of those skills (and attracting skilled individuals from further afield) relies on the creation of more well-paid, high skilled jobs.

There is a need to address the widespread management skills gaps as part of the response to the City Region's productivity deficit but also to enhance the effectiveness of wider workforce development. The evidence suggests that relatively few managers currently receive training and many employers do not prioritise management skills as an issue.

The under-utilisation of higher level skills is a significant concern. This does not point to a general oversupply of these skills but a need to focus on economically valuable skills that are needed by employers in order to address the skill shortages that are also present. Enhanced careers information, advice and guidance is key to matching supply with demand.

Work-based routes to higher level skills, such as higher apprenticeships, are a key way of ensuring that skills development is directly relevant to employer needs. These routes currently operate on a small scale but the apprenticeship levy presents a major opportunity to broaden access to the higher apprenticeship option.

The City Region is making positive progress on apprenticeship take-up, while trends in the mix of provision are also positive, characterised by an increase in apprenticeships in priority subjects and advanced / higher levels. Apprenticeship outcomes are generally strong, making it all the more important that achievement rates are maximised.

In spite of a marked improvement in labour market conditions the City Region still faces a large number of people who are jobless or underemployed. In tackling this there is a need to address the structural mismatch between the skills of the jobless and types of skills in strong demand in the labour market.

We need to improve further the engagement between employers and the education and skills sectors in order to address skills mismatches and disparities between the profile of education and training provision and the needs of the labour market. There is scope to increase employers' participation in work experience and work aspiration activities to improve the engagement of young people with the world of work.

Many employers in the City Region under-invest in workforce development relative to the needs of their business and there is evidence that participation in job-related training is in decline. This is a concern since raising the skills levels of people already in the workforce is critical to improving the City Region's overall skills position

In a growing economy, the City Region still has a large number of people who remain excluded from the labour market or whose income from work is not sufficient for a decent standard of living. There remains a major challenge around creating more high quality jobs and connecting people to them as part of an inclusive growth agenda.

Widening access to skills presents a major challenge in taking forward the inclusive growth agenda. We need to increase access to opportunities for disadvantaged groups and communities in higher education, apprenticeships and workplace training not just to foster inclusion but also to address supply-side deficiencies that constrain the development of the economy. This involves addressing the attainment gap that is present at all stages of education for children from deprived backgrounds.

Low pay is a major contributor to poverty – it is no longer sufficient to get people into work for them to escape poverty. A key issue here is productivity. The amount that employers can pay their workers is determined by the level of productivity of the firm. This can be addressed through a people powered approach to productivity – driving higher pay for workers and higher profits for business. This will involve a focus on sectors that employ large numbers of people and are founded on large numbers of low-paid jobs, including hospitality, retail and social care.

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