

State of Skills in Devon – Workforce Skills Research Programme

Year 3 Annual Report – 2015/16

July 2016

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State of Skills in Devon – Workforce Skills Research Programme

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June 2016

SERIO

A Plymouth University Centre of Expertise

Research and Innovation
Plymouth University
9, Research Way
Plymouth Science Park
Plymouth
PL6 8BT

t 01752 588942
f 01752 588987
e serio@plymouth.ac.uk
w www.serio.ac.uk

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1. Executive Summary

1.1 Introduction

The 'Workforce Skills Research Programme' spanned a three-year period from February 2013 to March 2016 and was led by SERIO based at Plymouth University. The overall aim of the Programme was to produce a skills evidence base, supporting the Council's Employment and Skills Action Plan; and to identify the issues and challenges facing businesses in relation to skills. This report is intended to summarise the key findings from the third year of the Workforce Skills Research Programme (2015 – 2016), and to provide a retrospective summary of the key research and policy developments that have taken place across the last three years of the study.

NB: *It is recommended that this report is read alongside the various research outputs that have already been submitted through this Programme, as detailed in Annex 1.*

1.2 Understanding the Environment

Regular reviews of research reports and policy announcements were made throughout the third year of the Programme. With declining levels of unemployment, the low level of productivity growth in the UK economy is now seen as one of the key challenges although, at 12.2%, youth unemployment remains a concern. According to Working Futures, future jobs growth both in the UK and in the Heart of the South West (HotSW) LEP is expected to be concentrated in highly skilled occupations, and it is therefore reassuring that record application rates to universities (at a national level) were reported in January 2016.

Considerable change is currently taking place in the Further Education (FE) sector where the government has ordered a series of Area Based Reviews to look at options for rationalisation and curriculum reform. This work was undertaken alongside a review of technical and professional qualifications led by Lord Sainsbury. The resulting Post-16 Skills Plan indicates that employers will sit at the heart of reform to technical education and the setting of standards, whilst also making recommendations for a more streamlined system with a common framework of 15 routes across all technical education.

Meanwhile, more details have been released about the new Apprenticeship Levy, which will apply to employers with a payroll of more than £3 million. Looking forward, the HotSW LEP has submitted a 'prospectus for productivity', as part of its attempts to secure a devolution deal. The prospectus includes specific targets to increase apprenticeship starts by 400% and to create 163,000 new jobs.

1.3 Analysis of the Evidence Base

The contractors developed a Labour Market Monitoring Framework against which the health of Devon's labour market could be assessed. This was updated at regular intervals throughout the Programme and presented through an interactive Dashboard of Indicators. As with the Year Two report, the Year Three analysis indicated both an increase in the proportion of 16-64 year olds in Devon that are economically active and qualified to NVQ level 4 and above. Meanwhile Devon's unemployment rate fell by -1.1 percentage points from 4.3% in 2014 to 3.2% in 2015, and is almost back to 2008 levels (3.1%).

Encouragingly the report also found that the fall in apprenticeship starts and achievements between 2011/12 to 2013/14 was reversed in 2014/15, with the former increasing 7.9% and the latter by 10.7%. However, business births actually fell by -3.8% in the 12 months to 2014 and the number of active enterprises (at 30,985) remains below 2009 levels (31,360).

1.4 The Issues and Challenges Facing Businesses

The Programme explored the issues and challenges facing businesses through a large-scale annual telephone survey of 381 of the county's businesses. The third, and final, wave of the survey was reported upon in October 2015. Where possible, survey data was benchmarked against results from the UK Commission's 2015 Employer Skills Survey and their 2014 Employer Perspective's Survey.

The proportion of Devon businesses reporting a hard-to-fill vacancy rose by 13 percentage points from 2013 to 2015, and remains above the national figure. The survey also found a decline in the proportion of businesses employing career starters, although this may reflect an overall decline in the number of vacancies. Encouragingly there was an increase in the proportion of employers who felt careers starters were 'very well' or 'well' prepared from 2013 to 2015.

The proportion of Devon businesses reporting that they had an employee or employees that were not fully proficient at their job (a 'skills gap') fell by from 11% in 2013 to 6% in 2015, and compares favourably to a national level of 14%. Perhaps in light of this it's not surprising that the proportion of businesses arranging staff training and development in Devon (58%) was lower than the level experienced nationally (66%). However, it is of concern that only 28% of Devon businesses had a training plan, and just 22% a training budget, in contrast to 42% and 31% of UK businesses respectively.

1.5 Summarising the Workforce Skills Programme (2013-16)

The last three years of the Workforce Skills Programme have witnessed considerable change in terms of the policy and economic environment both at a local and national level. The study sought to provide a retrospective look at these developments and to consider the implications for the five Employment and Skills Action Plan priority areas (influencing and leadership; support for businesses; support for Devon's young people; support for the under and unemployed; and funding for skills). The authors also set out a number of possible recommendations for post-programme activity for DCC to consider.

NB: *Both the implications and recommendations are expanded upon in Section 6.*

Priority Area 1: Influencing and Leadership

Arguably, the most important policy change to take place concerning influencing and leadership has been the growth in the competencies of LEPs and the renewed focus in government policy on the devolution of decision-making powers to local areas. DCC has played a key role in exploiting these developments through its involvement in the Plymouth and South West Peninsula City Deal, the Heart of the South West (HotSW) LEP Growth Deal and, more recently, the proposals for a HotSW Devolution Deal.

Forthcoming developments, including the proposed Devolution Deal and Area Based Reviews, will need to be informed by a sound evidence base. This underlies the continued importance of regular monitoring of policy developments, and the collation and analysis of labour market data as demonstrated by the Labour Market Monitoring Framework and Dashboard of Indicators developed through the Programme. The datasets used by the aforementioned tools have undergone considerable change since they were first conceived in 2013. As such it is recommended that:

- **A critical review is undertaken of the core indicators used in the Labour Market Monitoring Framework** to ensure their continued utility to DCC's skills policy.

Priority Area 2: Support for Businesses

A key focus of government policy throughout the programme period has been to involve employers more fully in the provision of training. In light of the Action Plan's focus on improving business awareness of apprenticeship opportunities it is encouraging to note that knowledge of the government's apprenticeship reforms amongst Devon businesses increased from 34% in 2014 to 45% in 2015. Technology and ICT was consistently identified as a key skills challenge facing Devon businesses in the three waves of the Workforce Skills Survey. Employers identifying these issues typically reported a shortage of basic computer skills, although some also highlighted a need for more advanced skills in social media and online marketing.

The Area Based Review process and roll-out of superfast broadband through Connecting Devon and Somerset both provide opportunities for DCC to further support local businesses in addressing skills needs. As such it is recommended that:

- DCC work with its FE and local authority partners, as well as with local employer representatives, to use the forthcoming Area Review **to consider how the curriculum might be better aligned with DCC's bedrock and high growth sectors.**
- Initiatives to **further promote and signpost businesses toward support for digital skills development** are considered (as outlined in the 2014 report), linked to national initiatives as appropriate. Where applicable this work should be undertaken alongside the activity of Connecting Devon and Somerset.

Priority Area 3: Support for Devon's Young People

As noted in the Year One report, youth unemployment was widely recognised as a key skills challenge for both Devon and the UK as a whole. Whilst the number of 18-24 year olds claiming Jobseekers Allowance fell by -78% between March 2013 and March 2016, 18-24 year olds still make up a disproportionately high number of claimants.

Throughout the programme period DCC undertook a number of initiatives to support young people, including leading on the Youth Deal elements of the City Deal and launching the Enterprise in Schools Grant. Although the Workforce Skills Survey reported a fall in the proportion of employers recruiting career starters, there was a rise in the proportion who felt that career starters were 'very well' or 'well' prepared for work, suggesting that attempts to make educational institutions more responsive to employer needs may already be having some impact.

In light of the continuing need to address youth unemployment and the opportunities posed by Enterprise Advisors and Area Based Reviews to improve enterprise education, it is recommended that DCC:

- **Undertake a review of good practice in other areas of the country.** This could look at, for example, how the first Area Reviews propose to improve business engagement in Colleges, and how Enterprise Advisor pilots have been implemented in areas like Cornwall.
- **Continue to support the development of enterprise education schemes in the county through initiatives such as the Enterprise in Schools Grant.** Support should be reviewed on a regular basis both in order to identify possible areas for improvement, and to explore how the relationships developed with local businesses could be further enhanced and developed.

Priority Area 4: Support for the Under and Unemployed

The period covered by the Workforce Skills Programme has seen unemployment in Devon fall by -1.0 percentage points between 2012 and 2015. However, there are signs that under-employment (the proportion of those with a job but who are under-utilised) remains a critical issue, and partly explains the lack of overall wage growth in the economy. Whilst it is difficult to gauge levels of under-employment in Devon, it is notable that the proportion of those employed on a part-time basis has risen over the programme period from 28.7% in 2012 to 30.1% in 2015. Meanwhile, the Workforce Skills Survey found that the proportion of employers who felt they had employees with skills that are not currently being used had risen from 16% in 2013 to 22% in 2015.

With unemployment falling and raising productivity recognised as a key priority both nationally and locally, under-employment is likely to become an increasing priority over the next few years. As such it is recommended that DCC:

- Consider **how the proposed new devolution deal could address issues of under-employment.**
- Look to undertake **further research to explore levels and types of underemployment within the county in more detail.** This could collect both employee and employer feedback, and identify levels of skills under-utilisation as well as well as the requirement for extra hours amongst employees.

One of the key measures in the Employment and Skills Action Plan was the promotion of Apprenticeships to the unemployed via Jobcentres. In light of recent announcements concerning FE and HE funding it is recommended that DCC:

- Ensure that developments in relation to FE and HE funding, including advanced learning loans, and HE loans for mature students **are communicated to unemployed people who may be interested in retraining.**

Priority Area 5: Funding for Skills

NB: As cited in this report, at the time of writing it was unclear what impact withdrawal from the EU would have on the UK's continued access to European funding. On a local level, the June 2016 HotSW newsletter advised partners that in this interim stage it's 'business as usual', and to continue with planned activity related to the programme.

The three years of the Workforce Skills Programme has seen some critical changes to the skills funding environment including with regard to FE, HE and European funding. Of particular note have been changes to apprenticeship funding, including the introduction of incentive payments for the recruitment of 16 to 18 year olds, and more recently the announcement of an Apprenticeship Levy on large employers.

At a local level the proposed HotSW Devolution Deal should, if successful, provide the local authorities with more powers to align skills funding within the region to better reflect local priorities. In terms of employer funding, the Workforce Skills Survey reported a decline from 2013 to 2015 in the proportion of Devon based employers that had funded or arranged staff development activities or had a training plan or budget in place. This suggests that more could be done to publicise training opportunities and convince employers of their value.

As noted there have been a significant number of changes to skills funding over the programme period combined with policy developments, particularly in the area of apprenticeships. As such it is recommended that DCC:

- Continue to **monitor funding opportunities related to skills development** and ensure that these are communicated to businesses and representative organisations.
- **Closely watch development of the Apprenticeship Levy and ensure that businesses are equipped with straightforward information** about the opportunities available.

2. Introduction

2.1 Workforce Skills Research Programme

Devon County Council (DCC) commissioned a 'Workforce Skills Research Programme' spanning a three-year period from February 2013 to March 2016. The research was led by SERIO, a provider of social, economic and market research based at Plymouth University. The overall aim of the programme was to produce a skills evidence base, supporting the Council's Employment and Skills Action Plan, to identify the issues and challenges facing businesses in relation to skills.

The key objectives of the commission were to provide:

- A robust evidence base, which identifies the skills needs of Devon's workforce and businesses;
- Labour market intelligence that runs alongside DCC's 'Employment and Skills Action Plan 2013-16', which could be used to monitor actions;
- An analysis of levels of both supply and demand for skills in Devon;
- Bespoke analysis, when required, to assist with funding applications;
- Relevant and timely information that could be communicated to DCC's partners and stakeholders to influence skills funding and provision.

And to deliver:

- Analysis and findings in a way that is succinct, clear and pertinent to senior decision makers at DCC.

2.2 Employment and Skills Action Plan (2013-16)

The Employment and Skills Action Plan detailed DCC's approach to ensuring that Devon's workforce was fully equipped with the skills that are needed to achieve lasting sustainable growth. In common with the Workforce Skills Research Programme, it also spanned a three-year period from 2013 to 2016. The Action Plan was a core component of the DCC Strategy for Growth, which identified skills as a key driver of productivity. The Action Plan contained five priority areas, which are identified in Table 1.

As shown, the Workforce Skills Research Programme was broadly aligned to all five priority areas of the Action Plan through, for example, the provision and analysis of labour market monitoring data (see Section 4). The primary research activity conducted through the Programme was most closely aligned to Priority Area 1: *Influencing and Leadership*, and Priority Area 2: *Support for Businesses*.

Table 1: Employment and Skills Action Plan, Priority Areas

Priority Area	Overview	Actions Linked to the Workforce Skills Research Programme
1. Influencing and Leadership	<ul style="list-style-type: none"> ▪ Ensuring that crucial issues for skills within Devon are communicated with decision makers and funders, that lobbying takes place to increase the understanding of the needs of the Devon workforce, to channel funds and communicate key messages. 	<ul style="list-style-type: none"> ▪ Conduct a programme of ongoing research and monitoring in relation to Devon's workforce skills needs. ▪ Monitor the Action Plan to ensure that DCC are aware of the issues and challenges facing businesses and the workforce in relation to skills. ▪ Conduct regular reviews of policy that impacts on Devon and the Employment and Skills Action Plan. ▪ Develop a data monitoring tool to allow partners and stakeholders to have simple access to key Devon skills and employment statistics. ▪ Provision of monitoring data – economic activity rate (16-64); qualifications (NVQ) by age (16-64); earnings by residence (gross median).
2. Support for Businesses	<ul style="list-style-type: none"> ▪ Establishing the skills requirements of businesses within Devon, and to effectively communicate them, lobby training providers and funders, and provide appropriate solutions. 	<ul style="list-style-type: none"> ▪ Contract a programme of focussed research to enable a better understanding of DCC's business skills needs. ▪ To be able to articulate business needs to providers and funding agencies, and to maintain robust intelligence in this area. ▪ Provision of monitoring data – employment by broad industry groups; enterprise start-up and survival rates; and employment in high-growth sectors.
3. Support for Devon's Young People	<ul style="list-style-type: none"> ▪ Led through the available national research and local intelligence, this priority is based on ensuring that young people are better prepared for work; addressing issues around youth unemployment; and support to ensure that the apprenticeships programme is adopted more widely across Devon. 	<ul style="list-style-type: none"> ▪ Provision of monitoring data – proportion of young people not in education, employment or training (NEET), apprenticeship starts and achievements; and workplace learning starts and achievements.
4. Support for the Under and Unemployed	<ul style="list-style-type: none"> ▪ In the wake of Welfare Reform, this brings a focus on how appropriate the skills are of the unemployed population and what action is needed in order to support them into employment. More generally, there is still support required to understand the skills that exist within the unemployed population and the requirements of businesses; and to move those people back into appropriate jobs. 	<ul style="list-style-type: none"> ▪ Provision of monitoring data – unemployment rate (16-64); claimant count with rates and proportions; vacancies – unfilled by duration and occupation.
5. Funding for Skills	<ul style="list-style-type: none"> ▪ DCC have the knowledge and understanding of a wide range of funding opportunities to support skills projects and activities. These can be harnessed to enable appropriate organisations to access the funding and support Devon's workforce. 	<ul style="list-style-type: none"> ▪ Provision of intelligence on strategies and policies that will impact upon funding for skills (see Section 3).

Source: Devon County Council, Employment and Skills Action Plan

2.3 An Evolving Programme

The Workforce Skills Research Programme was based around a number of core research components that were repeated in each year of study. This enabled a longitudinal approach to mapping and assessment, allowing key areas of enquiry to be monitored and reviewed. In addition to this, an element of flexible funding was built in to each year of activity, providing the overall research programme with capacity respond to national policy, research, and local labour market conditions; and to deliver bespoke analysis where required. Table 2 provides an overview of the activity that took place in Year 3.

2.4 Report Overview and Structure

This report represents the third and last Annual Report delivered through the Workforce Skills Research Programme. In common with the two preceding reports, it is intended to summarise the key findings from the Workforce Skills Research Programme, and should be read alongside the various research outputs also submitted as part of this activity. The remainder of the report is structured as follows:

- **Section 3:** presents an overview of the key policy announcements from the third year of the programme, to inform an **understanding of the environment**;
- **Section 4:** provides a high-level **analysis of the evidence base**, informed by the core indicators from the labour market monitoring framework and dashboard of indicators. Where appropriate, this includes a comparison of findings against both Years 1 and 2 of the Programme and national and regional benchmarks;
- **Section 5:** summarises the **issues and challenges facing businesses**, based on data from the third annual workforce skills survey, and benchmarked against UKCES data;
- **Section 6:** concludes the report by **summarising the Workforce Skills Programme (2013-16)**. This provides a retrospective examination of key developments during the three years of the Workforce Skills Programme and the implications of these for the Employment and Skills Action Plan. It also includes a set of recommendations that DCC may wish to consider for post programme activity.

Table 2: Overview of the Workforce Skills Research Programme – Year 3: April 2015 – March 2016

Research Component	Overview of Component
1. Labour Market Monitoring Framework	Continued monitoring of the core indicator set from Years 1 and 2 against which the health of Devon's labour market can be mapped and assessed. The Framework was originally designed to reflect and run alongside the Employment and Skills Action Plan and has been updated at regular intervals since the start of the Programme (see Section 4).
2. Dashboard of Indicators	Using the data from the Labour Market Monitoring Framework an interactive dashboard of indicators was developed to present key findings and analysis in a way that is succinct, clear and pertinent to stakeholders and decision makers. Similarly to the Monitoring Framework, this has also been updated at regular intervals throughout the programme (see Section 4).
3. Workforce Skills Survey	Completion of the third annual Workforce Skills survey - a large-scale business skills telephone survey conducted with a sample of businesses that reflects Devon's sectoral composition (see Section 5).
4. Skills Mapping	Reflecting the findings from the Workforce Skills Survey this component reviewed the skills required by employers responding to the survey, and determined which organisations they have used to supply these (see 'Key Findings from the Workforce Skills Survey' November 2015 Report).
5. Bespoke Research: Evaluation of Women and Broadband Project	Resource from the third year of the Workforce Skills research Project was used to support an evaluation of the Women and Broadband Project. Connecting Devon and Somerset, who are rolling out superfast broadband in Devon and Somerset, successfully bid for Phase 2 funding from the Women and Broadband Challenge Fund. The Fund was first launched in 2014 by the Government Equality Office, working with the Department of Culture, Media and Sport, to support women to take advantage of the opportunities presented by the roll out of superfast broadband (NB: See May 2016 SERIO report: ' <i>Evaluation of Women and Broadband</i> ').

3. Understanding the Environment

3.1 Introduction

In April 2013 DCC produced a policy summary, setting the scene for the skills landscape in terms of the strategies and policies that will underpin the Employment and Skills Action Plan. Building on this document, the contractors conducted regular reviews of research reports and policy announcements throughout the Workforce Skills Research Programme. This section provides a high-level overview of the reports and announcements, released in the period covered by the third year of the Programme (April 2015 – March 2016) that were deemed to be of direct relevance to the Employment and Skills Action Plan.

NB: *On the 23rd June 2016 the UK elected to leave the European Union, with 52% of people backing a Brexit. At the time of writing, it was unclear what the impact of withdrawal from the EU would be for Devon's economy, with questions around, for example, continued access to the 2014-2020 European Structural and Investment Funds (ESIF); labour supply, including the rights of EU workers currently based in the county; and the availability of finance for SMEs. It is suggested that this should provide a focus for future research and analysis.*

Summary of Key Points:

- **Key Skills Challenges:** The rate of youth unemployment continues to decline nationally, falling from 14.3% in the period December to February 2015 to 12.2% a year later, although remains higher than average unemployment. Meanwhile, lower than expected productivity growth remains one of the key challenges for the UK economy.
- **Supply and Demand:** According to the UKCES Working Futures, jobs growth both nationally and in the HotSW LEP is expected to be concentrated in highly skilled occupations, whilst employment in public administration and manufacturing is expected to fall. On the supply side, the latest figures from UCAS point to record application rates to universities in January 2016, whilst apprenticeship data presents a reversal in the previous trend of Under 19 framework starts falling.
- **Support for Devon's Young People:** Following on from the 2011 Wolf Review of Vocational Education, the government commissioned Lord Sainsbury to undertake a review of technical and professional qualifications. The resulting Post-16 Skills Plan indicates that employers will sit at the heart of reform to technical education and the setting of standards, whilst also making recommendations for a more streamlined system with a common framework of 15 routes across all technical education. This work is being undertaken alongside a series of Area-Based Reviews which consider how post-16 provision can be restructured to improve efficiency. The Devon, Cornwall and Somerset review is scheduled to be undertaken in November 2016. Meanwhile the Plymouth and South West Peninsula City Deal have announced two new projects to support young people: a Personal Mentor Network and a Manufacturers Challenge.
- **Funding for Skills:** The government released further information regarding the new Apprenticeship Levy which is scheduled to be introduced in April 2017. The levy will be imposed on employers with a payroll of £3m or more and the money raised will be drawn down as vouchers via the Digital Apprenticeship Service. In March 2016 the Skills Funding Agency announced that the Adult Education Budget will be kept at £1.5bn for the next four years providing some certainty for the FE sector following several years of cuts. On a local level, March 2016 saw the submission of the HotSW LEP's 'prospectus for productivity' as part of the devolution deal, while in April 2016 two European Social Fund calls were announced to support the development of higher level skills.
- **Forward Look:** Looking beyond Year 3 of the Workforce Skills Research Programme, much of the focus for local skills policy-making will be on whether the devolution deal submission is successful. Nationally, it will be important to see how the new Apprenticeship Levy and the Digital Apprenticeship Service affects SMEs, which make up the overwhelming majority of the county's businesses. It will also be important to establish the parameters of a post-Brexit Britain (when known) and what this means for learning, skills, and employment.

Key Skills Challenges

Youth Unemployment

The Year 1 Workforce Skills Research Programme report outlined research commissioned by the government which highlighted a structural decline in the labour market situation for young people making the transition from education to employment. The finding was supported in the context of Devon by the Workforce Skills Survey.

- According to the most recent national statistics the unemployment rate for those aged 18-24 was 12.2% in December-February 2016, down 2.1 percentage points from 14.3% the year before. However, despite this decline, it remains considerably above the overall unemployment rate for those aged 16 and above (5.1%)¹.

Low Productivity Growth

As noted in the 2016 Budget, the UK has experienced lower productivity growth since the financial crisis, alongside other G7 countries, and this has been seen as a key impediment to increased economic growth. While productivity growth appeared to increase in mid-2015, most of the progress was negated by lower productivity growth in the fourth quarter which prompted the Office for Budget Responsibility's to revise down forecasts for UK GDP growth in its March 2016 Economic and Fiscal Outlook. As argued by the CBI, the low levels of productivity growth are likely to reflect high levels of labour availability due to people working longer and high net immigration, combined with low levels of investment as the cost of capital has increased².

In July 2015 the government launched an action plan – 'Fixing the Foundations' to support productivity growth, however this was criticised for lacking clear goals and original ideas by a report produced by the Business Innovation and Skills select committee³.

STEM Skills

The Year 2 Workforce Skills report noted concerns among employers regarding the number of employees with science, technology, engineering and maths (STEM) skills.

- In light of current concerns about productivity the government announced in the 2016 Budget that a review will be carried out by Professor Sir Adrian Smith to consider how to improve the study of maths for 16-18 year olds. The review will report in 2016 and will consider whether more or all students should continue maths studies until they are 18.

¹ Office for National Statistics: 17 June 2015 – 'UK Labour Market, June 2015'

² LSE Business Review. (2015). *The UK's productivity challenge takes different shapes across sectors*. [online] Available at: <http://blogs.lse.ac.uk/businessreview/2015/12/03/the-uks-productivity-challenge-takes-different-shapes-across-sectors/> [Accessed 9 May 2016].

³ See: Publications.parliament.uk. (2016). *House of Commons - The Government's Productivity Plan - Business, Innovation and Skills Committee*. [online] Available at: <http://www.publications.parliament.uk/pa/cm201516/cmselect/cmbis/466/46602.htm> [Accessed 9 May 2016].

Supply and Demand

A common theme across both the Year 1 and 2 Workforce Skills reports was the increased demand for more highly skilled workers, particularly in science, technology, engineering and maths (STEM) occupations. The reports also noted local developments, including the development of Hinkley C and the establishment of the University Technical Colleges (UTCs).

Projected Labour Demand

In April 2016 the UK Commission for Employment and Skills produced a new Working Futures report covering the period 2014-2024 which outlined labour market projections nationally across key industries until 2024. Some of the key findings include:

- Nationally, the number of jobs is expected to rise by 1.8 million over the next decade. The labour force is also expected to increase from 32.5 million in 2014 to 34.25 million by 2024 reflecting increases in the wider population. While the ageing population means that overall labour market participation rates are anticipated to fall over the same period, this is expected to be slight (61.9% to 61.4%).
- The share of total employment in public administration, health and education is expected to decline at a national level between 2014 and 2024 due to financial retrenchment, while manufacturing employment is also projected to decline both in relative and absolute terms during this period. The main increases in employment are expected to continue to be within the private part of the service sector.
- Overall employment in highly skilled occupations is expected to rise. In contrast job losses are projected overall for administrative and secretarial occupations, skilled trade occupations and process, plant and machine operatives.

In December 2015 UKCES produced a series of LEP level reports, including one for the HotSW LEP which includes sub-regional breakdowns of data from the previous Working Futures Report – covering the period 2012-2022⁴. The key points to note from the HotSW report are:

- In alignment with national trends, both public administration and manufacturing are expected to see a net decline of 4,000 jobs between 2012 and 2022 in the LEP area. The leading sources of employment growth (in absolute terms) are projected to be health and social work (+15,000 jobs), construction (+11,000) and professional services (+9,000).
- Job growth is expected to be concentrated in higher level occupations with 56,000 additional jobs forecasted in managerial, professional and associate professional roles. The proportion of jobs held by those qualified to NVQ Level 4 and above is expected to increase from 38% in 2012 to 47% by 2022, while workers without at least a Level 2 qualification are expected to fall from 18% to 12%.

⁴ UKES (2015) 'Heart of the South West: LMI' [online] Available at: www.gov.uk/ukces [Accessed 9 May 2016].

- It is estimated that replacement demand (i.e. job openings created by those leaving the labour force temporarily or permanently) will contribute to 323,000 openings between 2012 and 2022 – seven times the estimated number of openings created by net employment growth (46,000).

Higher Education Provision

- Data from UCAS indicates that overall application rates at the January 2016 deadline were the highest levels recorded, reaching 37% in England. The application rate from English 18 year olds in 2016 increased by 1.1 percentage points compared with 2015.
- As articulated by UCAS, overall young demand for higher education can be measured through cohort rates that report the proportion of the cohort of young people that have applied either aged 18 or, a year later, aged 19. They give a fuller picture of young demand that is not affected by changes in the decision of the age of first applying to higher education. Cohort application rates for those aged 18 in 2015 in England increased to 45%, although they fell among 20 to 39 year olds for the second year running. This may reflect a reluctance amongst those in this age range to get take on the high levels of debt under the new fees system.

Apprenticeship Provision

- According to Skills Funding Agency statistics the government is currently on track to hit its target to create 3 million new apprenticeships by 2020. Data for the first quarter of 2015/16 indicates that 153,100 new starts were created, a 4% increase on the previous year's provisional figures.
- Data for the year 2014/15, shows that apprenticeship starts for those aged under-19 rose by 2.5% nationally from 181,300 to 185,800, reversing the trend noted by the Year 1 report. This data also shows that apprenticeship starts increased in Devon between 2013/14 and 2014/15, after falling in previous years (see Section Four).

Support for Devon's Young People

The Year 1 annual report cited the Wolf Review of Vocational Education (2011) which recommended an overhaul of vocational education, including the direct involvement of employers in the assessment and awarding process. The Year 2 annual report made a further update and noted that from September 2016 onwards the new Tech Level qualifications must stipulate the direct involvement of employers. In addition the report outlined key changes to apprenticeship provision, including the development of trailblazers, and the government's target to create 3 million new apprentices by 2020.

Qualification Reform

- Following on from the 2011 Wolf Review of Vocational Education, the government are continuing to look for ways to 'simplify' what they see as an 'over-complex' technical and professional qualification environment. In November 2015 the government announced that a new independent panel, led by former Science and Innovation Minister Lord Sainsbury, would advise them on this issue.

- The resulting Post-16 Skills Plan, published in July 2016, indicates that employers will sit at the heart of reform to technical education, and the setting of standards. As articulated in the Plan, the Sainsbury panel recommended a more streamlined system with a common framework of 15 routes across all technical education. These routes will group occupations together to reflect where there are shared training requirements. The new employer led institute for Apprenticeships will regulate quality across apprenticeships and its remit will be expanded to cover all technical education.

Further Education Provision

- In order to support its vision for a further education (FE) sector with fewer, larger and more resilient providers and a greater degree of specialisation, the government has commissioned a series of Area-Based Reviews. The reviews, which will be led by Commissioners working together with local authorities, LEPs and Regional School Commissioners, will consider how post-16 provision can be re-structured to improve efficiency. The reviews will also consider the establishment of Institutes of Technology which will focus on providing higher level skills in demand from employers.
- Each review will include an options analysis which will consider: rationalisation of curriculum; opportunities for greater specialisation; mergers; looser forms of collaboration; and closures of institutions. As an example, the pilot review completed in North East Norfolk and North Suffolk resulted in a commitment by three of the institutions concerned to develop a partnership which will protect the individual identity of each college. It is understood that local authorities and LEPs will be responsible for funding any changes resulting from the reviews.
- The Area-Based Reviews are being delivered in a series of waves. Wave 1, which consisted of such areas as Greater Manchester and Birmingham and Solihull commenced between September and November 2015. At the time of writing, it is proposed that FE provision in Devon will be reviewed as part of a wider area, also consisting of Somerset, Cornwall and the Isles of Scilly. This is scheduled to be part of Wave 5 of the Area-Based Reviews with an indicative timescale of November 2016⁵.

Primary and Secondary Provision

- The government confirmed, in the Queens Speech (May 2016), that it will be introducing an “Education for All Bill” to bring about widespread changes to schooling across England. While the government has backtracked from its previous proposal to force all schools to adopt academy status, the bill will ensure that schools in local authorities which are performing poorly, and those that no longer viably support their remaining schools, are converted to academies. In addition the bill will introduce a new national funding formula to ensure that schools with the same kinds of pupils receive the same funding.

⁵ Gov.uk. (2016). *Reviewing post-16 education and training institutions: indicative area reviews* - GOV.UK. [online] Available at: <https://www.gov.uk/government/publications/reviewing-post-16-education-and-training-institutions-list-of-area-reviews/reviewing-post-16-education-and-training-institutions-indicative-information-for-wave-3-to-5-area-reviews#wave-3> [Accessed 9 May. 2016].

- In January 2016 the Secretary of State for Education, Nicky Morgan, announced that there would be legislation “at the earliest opportunity” to require schools to ensure non-academic routes received “equal airtime” with academic routes. This would include a legal requirement for schools to collaborate with colleges, universities, technical and other training providers.

Higher Education Provision

- The Higher Education and Research Bill, announced, during the Queens Speech, will usher in considerable changes to HE. Among the most relevant to DCC will be a requirement on universities to publish detailed information about application, offer and progression rates, broken down by ethnicity, gender and socio-economic background. This could provide DCC with a means of gauging the extent to which its three local universities are succeeding in promoting wider participation and increased social mobility.

Job Creation – Plymouth and South West Peninsula City Deal

As reported previously, the Plymouth and South West Peninsula City Deal Wage Progression Pilot (now branded as ‘Dream It, Live It’) went live in November 2014. In addition to this two new projects have also been announced:

- The Personal Mentor Network is a pilot scheme aimed at 18 to 24 year olds that have been on the Work Programme for at least three months. It operates in the most critical areas of the peninsula.
- The Manufacturers Challenge will enable manufacturing and engineering companies to work together with schools, colleges and youth groups to inspire young people to choose careers and apprenticeships in engineering.

Funding for Skills

Funding Apprenticeships

The Year 2 Report outlined a variety of changes to apprenticeship provision including the Summer 2015 announcement to create 3 million new apprentices by 2020, the introduction of additional incentive payments for recruiting apprentices aged 16 to 18, and the decision to establish a new apprenticeship levy on larger employers. Since the last report the government has confirmed that the levy will be introduced in April 2017 and has provided further clarity regarding some of the details:

- Only employers with a payroll of £3m or more will pay the apprenticeship levy, which will be set at 0.5% of their payroll (for smaller employers the levy is offset by a £15,000 tax allowance). The £3m payroll threshold is an alternative to placing the levy on businesses with over 250 employees and means that some larger businesses with low payrolls will not be affected. However the CBI has expressed concern that some businesses with between 100 to 250 employees will exceed the payroll threshold and will therefore need to pay the levy⁶.

⁶ Financial Times. (2016). *Autumn Statement: apprenticeship levy will hit wages, OBR warns - FT.com*. [online] Available at: <http://www.ft.com/cms/s/0/0fe3905e-9367-11e5-94e6-c5413829caa5.html#axzz476ZQma00> [Accessed 12 May. 2016].

- The money raised by the levy will be drawn down as digital vouchers via the Digital Apprenticeship Service (DAS) and employers who do pay the levy will receive a 10% government top-up to their monthly contributions to spend on apprenticeship training.
- It is still unclear how the levy will affect non-levy paying businesses and whether they will be able to use any surplus raised through the levy. The suggestion is that the government will continue to fund these businesses according to the new funding structure (outlined in previous reports) where there is £1 of employer contribution for every £2 from government. However, this has not been confirmed and the government are due to release further details of the funding for non-levy paying employers in June 2016.
- Only 0.2% of Devon's 36,125 VAT/PAYE registered enterprises have over 250 employees, while a further 0.4% have between 100 and 249 employees. Consequently the number of employers in the county who may be affected by the apprenticeship levy (assuming they meet the payroll threshold) is comparatively small, although they are likely to account for a considerable proportion of the county's employment.

National Skills Funding – Further Education

The Year 2 report noted that the government had announced a 17% reduction in funding for adult skills through the SFA for 2015-16, amounting to a 24% reduction in non-apprenticeship adult skills funding. However, in March 2016 the SFA announced that the new Adult Education Budget will be kept for the next four years at £1.5bn. This move has ended the cycle of annual cuts and has been welcomed in the FE sector, including the Association of Colleges, for providing a degree of certainty and stability for providers.

In the 2015 Autumn Statement the government announced that it would expand tuition fee loans to 19-23 year olds at NVQ levels 3 and 4, and 19+ year olds at levels 5 and 6. This measure, which is estimated to benefit an estimated 40,000 students a year, may lead to an increased number of people returning to education to learn more advanced skills.

National Skills Funding – Higher Education

The government also used the 2015 Autumn Statement to make a number of announcements concerning higher education funding. These changes include: lifting the age cap on new loans to postgraduate students so they are available to all those under 60 (from 2016-17)⁷; introducing new part-time maintenance loans from 2018-19 onwards; and extending tuition fee loans to students wishing to do a second degree in a STEM subject from 2017-18.

The provision of part-time loans may help address the fall in applications amongst mature students (noted above), while the provision of tuition fee loans to STEM subjects might help contribute to ameliorating the shortage of employees with high level STEM skills noted in the Year 2 report.

⁷ The establishment of postgraduate loans (of up to £10,000) was first announced in December 2014 though at the time it was specified that these would only be available to the under 30s.

European Skills Funding

NB: As cited in Section 3.1, at the time of writing it was unclear what impact withdrawal from the EU would have on the UK's continued access to European funding. On a local level, the June 2016 HotSW newsletter advised partners that in this interim stage it's 'business as usual', and to continue with planned activity related to the programme.

As cited in the Year 1 report, the HotSW LEP area was awarded a notional allowance of €118.3 million of EU Structural Investment Funds (ESIF). This includes €73 million for Devon, Plymouth and Torbay⁸. As outlined in the Year 2 report, the first ERDF calls were launched in August 2015, while the European Social Fund (ESF) element will focus on three thematic objectives: promoting sustainable and quality employment and supporting labour mobility; promoting social inclusion, combating poverty and discrimination; and investing in education, training and vocational training for skills and lifelong learning.

- Two ESF calls were announced in April 2016. The 'Developing Higher-Level Skills' call will provide £1.8 million for the 'transition' area of Devon, Plymouth and Torbay to help boost the proportion of 16-64 year olds educated to NVQ Level 4 and above. Meanwhile the 'Improving the Labour Market Relevance of Higher Level Skills' call will provide £620,000 to Devon, Plymouth and Torbay to support high-level skills and higher-value employment in smart specialisation area of economic activity through improving the labour market relevance of education and training systems.

Devolution Deal

In October 2015 twenty partners across the Heart of the South West area outlined their case for a devolution deal to government through a 'Devolution Statement of Intent'. Since this point, the LEP and the local authorities from across Devon and Somerset have been working on a 'prospectus for productivity' which was submitted to the government in March 2016. The prospectus aims to improve productivity, support better paid jobs, provide more homes and improve road, rail and broadband links across the region.

The prospectus includes a set of specific targets to be achieved by 2030 including: a £4 billion uplift to the economy; 163,000 new jobs; higher wage levels which are above the national average; apprenticeship starts up by 400 per cent; every young person in education, employment or training; 100 per cent superfast broadband coverage; and a UK centre of excellence for skills development.

Forward Look

Looking beyond Year 3 of the Workforce Skills Research Programme, it remains to be seen how the devolution deal, should it be successful, will impact on skills provision within Devon. At a national level there are a number of forthcoming changes to skills provision at FE level which will have an impact:

- As outlined above, it is currently unclear as to exactly how SMEs, which make up by far the majority of employers, will be affected by the introduction of the Apprenticeship Levy in April 2017. Consequently it will be important to follow new announcements in this area.

⁸ BIS Press Release: 27th June 2013 - European Regional Development Fund and European Social Fund: allocations 2014 to 2020

- In the SFA statement on 2016-17 funding allocations (see above) it was announced that over the next few years the basis of the funding allocation methodology will change to support the government's plans to devolve adult education. In addition, apprenticeship allocations from April 2017 may be subject to change as new starts begin to come through the Digital Apprenticeship Service. The SFA have emphasised the need for providers to factor both developments into their forward planning.

In terms of HE, it will be important to see how the changes announced in the July 2015 budget (reported in the Year 2 report), as well the changes noted in this report, will affect the uptake of HE courses in Devon. The timescales for these changes are as follows:

- 2016-17 - the abolition of maintenance grants; and the introduction of postgraduate loans worth £10,000, available to those under 60;
- 2017-18 - new powers for institutions offering 'high teaching quality' to increase tuition fees alongside inflation; and the extension of tuition fee loans to students wishing to do a second degree in a STEM subject from 2017-18;
- 2018-19 – the introduction of new part-time maintenance loans.

In March 2015 the government announced it would be developing a set of new 'degree apprenticeships'. These apprenticeships, which will be offered in such areas as Chartered Surveying and Nuclear, will combine academic study from a traditional university degree with practical industry experience. UCAS will be starting to promote degree apprenticeships and will be accepting applications from September 2016 onwards.

4. Analysis of the Evidence Base – Headline Findings

4.1 Introduction

Achieving an internationally competitive skills base is a key component of economic growth. As part of the Workforce Skills Research Programme, the contractors developed a Labour Market Monitoring Framework – a statistical database encompassing fifteen core indicators against which the health of Devon’s labour market could be assessed. This has been updated at regular intervals throughout each year of the Programme.

The indicator set reflects and runs alongside four of the five skills priority areas from the Employment and Skills Action Plan: influencing and leadership; support for business; support for Devon’s young people; and support for the unemployed⁹. Data for Devon was also presented alongside national and regional benchmarks and data from Norfolk and Cumbria, which were identified as appropriate comparator areas by DCC through a CIPFA Nearest Neighbour Analysis¹⁰.

In addition to the Labour Market Monitoring Framework, an interactive Dashboard of Indicators was produced with an aim to make the data accessible to stakeholders and decision makers. This is an interactive tool containing a red, amber, green status to denote the direction of travel between two given dates; and an analysis of key trends against each of the four skills priority areas.

NB: *The final iteration of the Labour Market Monitoring Framework and Dashboard of Indicators was produced for DCC in May 2016. In addition to drawing together the core indicator set, the Dashboard also presents summary statistical bulletins for each of the four skills priority areas from the Employment and Skills Action Plan: support for young people; support for business; influencing and leadership; and support for the unemployed.*

In order to avoid repetition with this existing output, this section is intentionally limited to just the headline findings from the available evidence and should be reviewed alongside both the May 2016 Labour Market Monitoring Framework and Dashboard of Indicators.

⁹ Planned activity around the fifth priority area, funding for skills, relates to harnessing knowledge and understanding of funding opportunities to support skills projects and activities. As such, it was not appropriate to monitor this activity through the use of indicators.

¹⁰ The CIPFA Nearest Neighbours Model was developed to aid local authorities in comparative and benchmarking exercises, and adopts a scientific approach to measuring the similarity between authorities.

Summary of Key Points:

- Influencing and Leadership:** The economic activity rate for those of working age in Devon was 80.8% in 2015, an increase of 0.5 percentage points from 2014 and higher than the rate for any of the other comparator areas except Cumbria. Recent trends have seen a decline in the proportion of economically active female and part-time workers in contrast to a rise in male and full-time workers. In terms of skills, 40.5% of the working age population in Devon were qualified to NVQ level 4 or above – an increase of 4.1 percentage points from 12 months previously.
- Support for Businesses:** While the number of business births in Devon increased by 25% in the five years from 2009 to 2014, births actually fell by -3.8% in the 12 months to 2014. In addition, the number of active enterprises (at 30,985) remains below 2009 levels (31,360). Although wholesale experienced the biggest decline in employment between 2010 and 2013 this situation was reversed in 2014 where employment grew by 29.8% to 15,546. However, while this was the highest increase of any industry employment still remained below 2010 levels (15,668).
- Support for Devon's Young People:** While both apprenticeship framework starts and achievements fell year-on-year from 2011/12 to 2013/14, this trend was reversed in 2014/15. Apprenticeship starts rose by 7.9% and achievements increased by 10.7% since 2013/14.
- Support for the Under and Unemployed:** Devon's unemployment rate fell by -1.1 percentage points from 4.3% in 2014 to 3.2% in 2015, and is almost back to 2008 levels (3.1%). Female unemployment, which had increased by +1.9 percentage points from 2013 to 2015, fell by -1.2 percentage points, although these figures should be treated with caution. The proportion of JSA claimants in Devon, declined only marginally from 0.9% of the working age population in March 2015 to 0.8% in March 2016. Meanwhile the Claimant Count (which includes JSA and Universal Credit claimants) increased slightly from 0.9% in March 2015 to 1.0% in March 2016, although again caution should be taken given the experimental nature of the data.

4.2 Influencing and Leadership

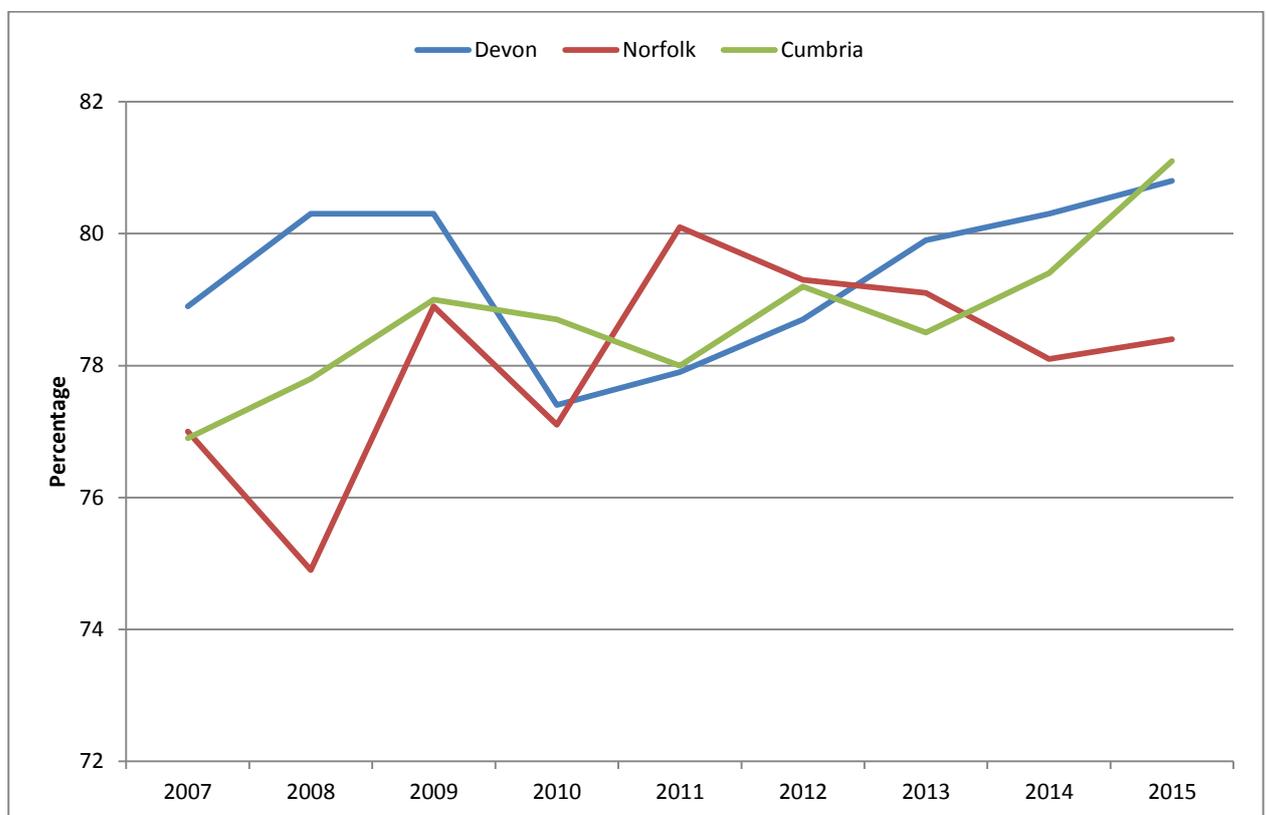
Economic Activity

Economic Activity refers to those aged 16-64 who are economically active, expressed as a percentage of all people. Data is drawn from the Annual Population Survey.

- In December 2015 the working age economic activity rate (16-64) in Devon was 80.8% - an increase of +0.5 percentage points from 12 months previously. The 2015 rate was +2.1 percentage points above the 2012 figure and is higher than all the previous years covered in the dashboard (2007 – 2014). An increase in the economic activity rate was also reported in each of the other comparator areas, but Devon's rate remains higher than the rate in Norfolk (78.4%) as well as national (78.0%) and regional (80.7%) levels. However Cumbria reported the highest economic activity rate overall at 81.1% in December 2015.
- The decline in the economic activity rate for Devon-based males between 2013 - 14 (highlighted in the previous report) was reversed, with the rate rising by +3.1 percentage points from 82.7% in 2014 to 85.8% in 2015. Conversely, the economic activity rate for females, which had been increasing year-on-year since 2010, fell by -2.0 percentage points from 78.1% in 2014 to 76.1% in 2015.

- Full-time employees accounted for 69.6% of 16-64 employment in Devon in 2015, an increase of +2.9 percentage points from 12 months previously. This marked a reversal on previous trends which saw full-time employment fall from its post-recession peak of 71.1% in 2012 to 66.7% in 2014. In contrast the percentage in part-time employment fell by -2.4 percentage points from 32.5% in 2014 to 30.1% in 2015.
- The recent trend in the replacement of part-time with full-time employment is likely to be related to the relative increase in male economic activity rates (noted above), as a higher proportion of employed males (87.7%) are in full-time employment than employed females (50.3%). Conversely the decline in the proportion of employees that are part-time may be linked to the recent decline in the female economic activity rate.

Chart 1: Working Age Economic Activity Rate (2007 - 2015)



Source: Annual Population Survey

Qualification Levels

A skilled and well qualified workforce is a fundamental requirement for a competitive and prosperous economy, and provides a proxy for the 'quality' of the available labour supply. Data is drawn from the Annual Population Survey.

- Level 2 is widely accepted as the minimum benchmark for entry level employment requiring basic skills. In 2015 80.8% of those aged 16-64 in Devon had NVQ2+, an increase of +3.7 percentage points on the 2014 level (77.1%). This remains higher than the level experienced in the comparator areas of Norfolk (67.8%) and Cumbria (74.2%), and the South West (77.6%) and England as a whole (73.4%).

- In terms of higher level skills, the proportion of residents aged 16-64 that were qualified to NVQ4+ in Devon rose from 36.4% in 2014 to 40.5% – an increase of +4.1 percentage points. Again this is higher than the comparator areas of Norfolk (28.5%), Cumbria (31.0%), as well as the level for the South West (37.4%) and England as a whole (36.7%).
- As outlined in the previous report, the proportion of those with no qualifications in Devon fell by -5.5 percentage points from a high of 10.5% in 2008 to 5.0% in 2014. The proportion fell by a further -0.4 percentage points to 4.6% in 2015, although this finding should be treated with caution as it is within the survey's confidence intervals (+/- 1.3%). Current levels continue to compare favourably to the proportion found in the comparator areas of Norfolk (8.9%) and Cumbria (6.9%), and both nationally (8.4%), and regionally (5.5%).

Table 3: Qualification Levels for Devon and Comparator Areas (2008 and 2015)

	Level 2+						Level 4+					
	2008		2015		Difference (2008-2015)		2008		2015		Difference (2008-2015)	
	Freq.	%	Freq.	%	Freq.	% Points	Freq.	%	Freq.	%	Freq.	% Points
Devon	298,100	66.5	363,800	80.8	65,700	14.3	122,400	27.3	182,400	40.5	60,000	13.2
Norfolk	306,000	58.6	352,300	67.8	46,300	9.2	109,700	21	147,800	28.5	38,100	7.5
Cumbria	199,400	64.4	223,900	74.2	24,500	9.8	73,800	23.9	93,500	31.0	19,700	7.1
South West	2,176,200	67	2,544,700	77.6	368,500	10.6	904,300	27.8	1,225,800	37.4	321,500	9.6
England	21,046,200	63.4	25,057,000	73.4	4,010,800	10.0	9,372,500	28.3	12,533,700	36.7	3,161,200	8.4

Source: Annual Population Survey

Average Earnings (by Residence)

Average earnings by residence is based on median earning for employees living in the area who are on adult rates of pay and whose pay was not affected by absence. The figures are residence-based and refer to gross pay before tax, national insurance and other deductions and are derived from the Annual Survey of Hours and Earnings.

- Median annual pay in Devon has increased by £1,659 (9.1%) over the last 5 years from £18,301 in 2010 to £19,960 in 2015. Over this time period Devon not only outperformed Cumbria (6.2% increase) and Norfolk (6.8%) but also the regional and national pay level increases (6.4% and 5.3% respectively). However while 2015 marked the first year since 2007 when median levels of annual pay surpassed that of Norfolk (£19,702), pay remained below Cumbria (£20,317) as well as the national (£22,716) and regional (£21,283) median pay values.
- A similar picture can also be found in relation to weekly pay. Despite seeing the highest increase in weekly pay over the past 5 years (at 7.4%), Devon continued to have a lower median figure in 2015 (£369.70) than Cumbria (£381.20), the South West (£400.00) and England as a whole (£430.20). However median weekly pay is now marginally higher than in the remaining comparator area of Norfolk (£360.10).
- Mirroring the situation found across regional, national and comparator areas, median annual pay for males in Devon continues to outstrip that of females. In 2015, median annual pay for Devon males was £24,661, in comparison to just £14,591 for females. Moreover, the gap has increased since the recession with male median annual pay rising by 8.1% from 2010 to 2015 compared to a 5.5% rise in female median annual pay. While male annual pay growth also outstripped female pay growth in Norfolk and the South West as a whole, female pay rose at a faster rate in Cumbria and at a national level.
- Median weekly pay for females in Devon fell from £275.40 in 2014 to £272.30 in 2015 (by -1.1%), mirroring similar falls in Norfolk (-0.6%) and Cumbria (-0.3%). While some caution should be taken when interpreting these findings given the potential for sampling error (the confidence interval for Devon is +/- 4.2%), it is notable that female median weekly pay in 2014 was only marginally higher (at £275.40) than it was in 2010 (£275.30). In contrast male pay rose by 6.0% over this period.

Table 4: Median Residential Annual Pay (2008 and 2015)

	Annual Pay (2008)	Annual Pay (2015)	Difference (2008–2015)	
			Freq.	%
Devon	£17,663	£19,960	£2,297	13.0%
Norfolk	£17,781	£19,702	£1,921	10.8%
Cumbria	£18,430	£20,317	£1,887	10.2%
South West	£19,605	£21,283	£1,678	8.6%
England	£21,172	£22,716	£1,544	7.3%

Source: ASHE

Table 5: Median Residential Male and Female Annual Pay and Weekly Earnings (2015)

	Annual Pay (2015)		Weekly Pay (2015)	
	Males	Females	Males	Females
Devon	£24,661	£14,591	£459.60	£272.30
Norfolk	£25,801	£14,549	£468.10	£272.60
Cumbria	£26,865	£14,870	£498.30	£292.40
South West	£26,590	£16,030	£492.80	£307.60
England	£28,000	£17,500	£523.80	£340.40

Source: ASHE

4.3 Support for Businesses

Employment by Sector

Employment by sector statistics presents employment by broad industry groups as defined under UK Standard Industrial Classifications (SIC) 2007. The employment data is drawn from the Business Register Employment Survey (BRES). For the smallest units, either PAYE jobs or employment imputed from Value Added Tax (VAT) turnover is used.

- In 2014, the highest proportion of employment in Devon continued to be in the broad industry group of health, which encompassed 51,009 workers, compared to 50,498 in 2013. While overall employment in health increased since 2013, the proportion of total employment within the health sector actually declined by -0.5 percentage points from 16.1% in 2013 to 15.6% in 2014, due to increases in employment in other industries. In terms of the other comparator areas health continued to make up the highest proportion of employment in Norfolk (14.7%) and the second highest in Cumbria (14.0%) behind manufacturing (16.3%).
- While the previous report noted that wholesale had experienced the largest decline in employment since 2010, this situation was reversed in 2014, with employment in the sector rising by 29.8% in the previous 12 months to 15,546 - the highest increase of any industry. However, industry employment still remains slightly lower than the 2010 figure (15,668). The decline in manufacturing employment in Devon, noted in the previous report, was partially reversed with an additional 885 jobs being created between 2013 and 2014. However the industry's share of total employment remained broadly stable at 8.0%.
- After wholesale, 'business, administration and support services' was the industry with the highest increase in employment between 2013 and 2014 at 26.9%. In contrast the largest decrease was in 'mining, quarrying and utilities' (-11.4%), albeit from an already low level, followed by retail (-5.9%). Professional, Scientific and Technical employment increased by 15.1% between 2013 and 2014 to 20,198 and now accounts for 6.2% of total employment. However it remains marginally below its 2010 level (20,688).

Enterprise Start-up and Survival Rates

Business demography statistics provide an indication of the registered business trends with regard to births, deaths and survival – in other words, the churn of the economy. Enterprises that are PAYE registered are tracked until they de-register. Survival rates are calculated as a proportion of PAYE registrations in a given year that have not deregistered within a certain period of time. Data is drawn from the ONS Business Demography data set.

- In the five years from 2009 to 2014, the count of new enterprises formed per year in Devon rose from 2,440 to 3,050 - an increase of 25%. However this increase is largely due to the change from 2012 to 2013 (an increase of 24.3%) - the total number of business births fell in the last 12 months by -3.8%. The 5 year increase in Devon of 25% is set against a much larger increase of 44.3% in Cumbria and 40.9% at the regional level, although in Norfolk the increase was only 15.8%.
- Analysis of the annual count of deaths of enterprises in Devon revealed a reduction of 21.3% in the number of businesses failing, from 3,280 in 2009 to 2,580 in 2014. This trend of falling annual enterprise deaths was also seen in each of the comparator areas. Notably, whilst enterprise deaths declined in Devon (-3.0%), Cumbria (-5.8%), and Norfolk (-2.7%) between 2013 and 2014, they rose at both national (3.7%) and regional levels (0.8%).
- Although, from a five year perspective, the above two measures have been positive for Devon, the count of active enterprises in the county is still down over the five year period, with numbers falling by -1.2%, from 31,360 in 2009 to 30,985 in 2014. This overall decrease was mirrored in the comparator areas of Cumbria and Norfolk, where the count of active enterprises fell by -0.8% and -1.4% respectively. In contrast the number of active enterprises rose by 4.3% at the regional level and 9.6% nationally over the six year period.

Whilst business births and deaths are an indicator of business growth, business survival rates demonstrate the relative decline in economic growth. Although higher survival rates are preferred by potential businesses as they indicate a higher return on the initial investment, high levels of business churn (business entry and exit) have been shown to lead to improvements in productivity and economic growth as highly productive or innovative businesses replace less efficient ones.

- A review of one year survival rates indicates a reversal in the downward trend noted in the previous update. Survival rates rose from 92.5% in 2013 to 93.5% in 2014 (an increase of 1.0 percentage point), almost recovering to the 2012 rate of 93.6%. The one year survival rate in Devon was equal to that of England as a whole (93.5%) but lower than the South West (93.8%), Cumbria (94.7%) and Norfolk (94.0%).

Employment in High Growth Sectors

Employment in high growth sectors data is drawn from the Business Register and Employment Survey which covers UK businesses registered for VAT and/or PAYE and are classified to SIC 2007. The 'high growth sectors' refer to those that were identified as having the potential to create significant employment growth in Devon through the Devon County Council Sector Research (2013), and were identified as business services, construction and property, creative media, and distribution and logistics.

- In 2014, employment in the high growth sector of business services represented 4.3% of total employment in Devon. Whilst employment in the sector had been declining year-on-year since 2010, 2014 saw a reversal of this trend. Employment in this sector increased by 34% from 10,440 in 2013 to 14,020 in 2014 (29.5% above the 2012 figure) and now exceeds its 2010 peak (12,562). This trend was mirrored in Cumbria where employment in the sector also grew by 34% between 2013 and 2014.

- The high growth sector of construction and property experienced an increase in employment of 15% from 12,137 in 2013 to 13,968 in 2014 (15.3% above 2012), after three consecutive years of minimal fluctuation. However, employment in the sector is still 15% below the level it was in 2010 (16,462). Construction and property employment remained below 2010 levels in Norfolk (by -24%), and declined between 2013 and 2014 by -13%. In contrast, construction employment in 2014 in Cumbria was 22% higher than 2010 levels. Similarly national and regional employment also exceeded 2010 levels by 12% and 22% respectively.
- Over the period 2013 to 2014 the number of people employed in the high growth sector of creative media in Devon increased from 383 to 585 - an increase of 53%. However, despite this increase, the sector represents just 0.2% of total employment in the area, with the level of employment still 19.6% below what it was in 2012. The sector has also seen growth in Norfolk (11%) and at regional (61%) and national level (14%), while employment in Cumbria fell by -37% over the same period.
- Devon's distribution and logistics sector saw a decrease in employment of -35% from 10,435 in 2010 to 6,804 in 2012. Since this point employment has increased by 12% to 7,613 in 2014 (11.9% above 2012), but remains 27% below the 2010 level. These figures mirror the regional trend with employment falling by -21% between 2010-12 and rising by 5% between 2012 and 2014. With regards to the other comparator areas, distribution and logistics employment fell in Cumbria (-7%) and Norfolk (-11%) between 2012 and 2014, and remains below 2010 levels in both areas. In contrast, sector employment grew by 4% nationally over the same period and is now above the 2010 level.

Table 6: Employment in Devon's High Growth Sectors (2010-2014)

	2010		2014		Difference (2010-2014)	
	Freq.	% of Total Employment	Freq.	% of Total Employment	Freq.	%
Business Services	12,562	3.9%	14,020	4.3%	1,458	11.6%
Construction and Property	16,462	5.1%	13,968	4.3%	-2,494	-15.2%
Creative Media	342	0.1%	585	0.2%	243	71.1%
Distribution and Logistics	10,435	3.2%	7,613	2.3%	-2,822	-27.0%

Source: BRES

4.4 Support for Devon's Young People

Not in Education, Employment or Training (NEET)

The NEET data used in the Framework and Dashboard refers to the number of 16-18 year olds that are not in education, employment or training (NEET), as a proportion of all 16-18 year olds known in the chosen geography. The data is drawn from the DfE Local Authority NEET Figures.

- In December 2014, 4.2% (1,040 individuals) of young people aged 16-18 in Devon were classed as NEET. This represents a decline of 1.3 percentage points from the 2013 level (5.5%), set against a regional decrease of 0.7 percentage points.
- The proportion of NEET young people in Devon in 2014 is now below the level experienced by both Cumbria (4.3%) and the South West region (4.5%).

While at the time of reporting NEET statistics remain to be updated with figures for 2015, it is likely that the proportion of 16-18 year olds classified as NEET has declined further on account of the rise in the age of participation in education or training to 18 by 2015.

Apprenticeships

Apprenticeships are defined as paid jobs that incorporate on- and off-the-job training leading to nationally recognised qualifications. The data is sourced from the Individualised Learner Record.

- The decline in apprenticeship starts since 2011/12, noted in the previous report, was reversed. In 2014/15 there were 6,850 apprenticeship starts in Devon, an increase of 7.9%. However the number of starts remains considerably below the level it was in 2011/12 (7,830).
- Similarly the decline in apprenticeship achievements since 2011/12 was also reversed. In 2014/15 4,360 people achieved the apprenticeship framework requirements in Devon – an increase of 10.7% from 2013/14 (3,940) and 4.6% above the figure in 2011/12 (4,170). Apprenticeship achievements also rose since 2011/12 in Cumbria (+8.0%), Norfolk (6.5%) and for the South West (+0.7%) and England as a whole (+1.1%).

4.5 Support for the Under and Unemployed

Unemployment Rate (16-64)

Unemployment rates refer to the proportion of the economically active population that are unemployed: defined as those without a job who have been actively seeking work within the last four weeks and are who available to start within the next two weeks. Unemployment data is sourced from the Annual Population Survey.

- In 2015 the unemployment rate in Devon was 3.2% of the economically active population aged 16-64 (Table 7), the lowest it has been since 2008 (3.1%). This represents a decrease of -1.1 percentage points from 4.3% in 2014 and is -2.9 percentage points below its post-recession peak in 2011 of 6.1%.
- Devon continues to enjoy a lower unemployment rate than the comparator economies of Cumbria (3.8%) and Norfolk (4.2%), as well as both the region (4.0%) and nation as a whole (5.3%).
- The +1.9 percentage point rise in the female unemployment rate noted in the Year 2 Annual Report was reversed with the rate falling by -1.2 percentage points from 5.2% in 2014 to 4.0% in 2015. It should be noted, however, that this decline was within the survey confidence interval of +/- 1.9%. Similarly whilst the male unemployment rate continued to fall from 3.5% in 2014 to 2.5% in 2015, a low sample size means the estimate for 2015 is deemed to be 'unreliable'.

Table 7: Devon’s Working Age Unemployment Rate (2008-2015)

	2008		2014		Difference (2008-2015)	
	Freq.	Unemployment Rate (%)	Freq.	Unemployment Rate (%)	Freq.	% Points
All 16-64	11,300	3.1	11,800	3.2	500	0.1
Males 16-64	7,400	3.9	4,700*	2.5*	-2,700	-1.4
Females 16-64	3,900	2.3	7,000	4.0	3,100	1.7

Source: Annual Population Survey

* Estimate is deemed 'unreliable' due to the small survey sample size.

Job Seeker’s Allowance (JSA) Statistics

NB: JSA data is published monthly. Previous iterations of the Workforce Skills Annual Reports used JSA figures for May as the reference month for each year. At the time of reporting data for May 2016 was not available and so March was used as the reference month.

These statistics show number of people claiming JSA and is used as a key indicator of labour market activity. In previous years JSA statistics were synonymous with the 'Claimant Count', however recently the government have amended the Claimant Count to include those on Universal Credit. The new 'Claimant Count' data is still classed as experimental, does not include specific estimates for residents aged 16-64, and includes some Universal Credit claimants who are not obliged to seek work (i.e. who are economically inactive). Consequently JSA statistics have been used here:

JSA rates are expressed as a percentage of the resident working age population (16-64), and data is sourced from the ONS.

- In March 2016 there were 3,718 JSA claimants in Devon of working age, representing 0.8% of the working age population. This is 0.2 percentage points below the regional level of 1.0% and 0.7 percentage points below the national level of 1.5%. The level of JSA claimants in Devon also compares favourably with the comparator areas of Norfolk (1.2%) and Cumbria (0.9%).
- In contrast to previous years the proportion of JSA claimants in Devon fell only slightly over the last 12 months from 0.9% in March 2015. Overall the claimant count has fallen by -1.7 percentage points from its recessionary high of 2.5% in March 2009.
- There were mixed findings in terms of the proportion of long-term claimants. Whilst the proportion of Devon-based claimants that had been claiming for over 12 months fell from 15.8% in March 2015 to 14.0% (520) in March 2016, the proportion claiming for over 6 months rose from 25.5% in March 2015 to 29.8% (1,105) in March 2016.
- Of the 3,718 Devon-based claimants of working age in March 2016, 2,326 (62.6%) were male, compared to 1,392 (37.4%) who were female. This broadly echoes regional and national trends, where males accounted for 63.1% and 62.6% respectively of all claimants in March 2016.
- Young people aged 18-24 accounted for just under a fifth (16.3%) of all Devon-based claimants in March 2016; a reduction of -7.9 percentage points from 12 months previously. This is broadly in line with the national (16.1%) and regional figures (16.3%).

Claimant Count Data (JSA plus Universal Credit)

At the time of writing it was possible to claim Universal Credit in a number of Jobcentre areas in Devon, including Exeter and Barnstaple. As mentioned above, the new claimant count data, which includes JSA claimants, alongside those receiving Universal Credit is currently classed as 'experimental statistics' and will include some claimants who do not need to look for work. However, while the data should be treated with caution it does give an indication of whether the recent decline in JSA claimants reflects a general decline in unemployment related claims, or simply whether it is a reflection of people moving from JSA to Universal Credit.

The data is expressed as a percentage of the resident working age population (16-64) and shows that:

- The claimant count rate in March 2016 in Devon was 1.0% - a lower proportion than both Cumbria (1.6%), Norfolk (1.4) and below the national (1.8%) and regional (1.2%) levels.
- The claimant count in Devon rose slightly over the last 12 months by +0.1 percentage points from 0.9% in March 2015. However, this followed a fall of 1.2 percentage points in the claimant count from its level in March 2013 (2.1%).
- Of the 4,375 people in Devon on the claimant count, 64% (2,800) were male, while 1,575 (36%) were female.

5. The Issues and Challenges Facing Businesses

5.1 Introduction

This section summarises the key findings from the Year 3 Workforce Skills Survey including the skills needs of Devon businesses, approaches to recruitment and investment in training and skills, and the impact of skills gaps on growth. Key findings have been benchmarked against results from the UK Commission's 2015 Employer Skills Survey (ESS)¹¹ and their 2014 Employer Perspective's Survey (EPS)¹².

The UK data is presented wherever available throughout this section of the report and a traffic light system is used to indicate how the experiences of Devon businesses compare with national survey findings. Where there is little or no difference (+/-5%) an amber rating has been assigned. As this is the final of the three Workforce Skills reports more emphasis is placed on outlining changes over time. Consequently an additional column has been introduced to indicate the change between the 2013 and 2015 survey, which also uses a traffic light system.

NB: Please refer to 'Key Findings from the Third Workforce Skills Survey' (October 2015) for a full summary of the 2015 survey, and detailed comparison with the 2013 and 2014 surveys.

Summary of Key Points:

- **Recruitment:** The proportion of Devon businesses reporting a hard-to-fill vacancy rose by 13 percentage points from 2013 to 2015, which may be a reflection of reduced unemployment. As in the previous two years, the proportion of such businesses was higher in Devon than nationally. The survey also found lower levels of employment for those in their first job since leaving education in 2015 than in 2013, despite an associated increase in employer satisfaction with career leavers between the survey periods.
- **Retention:** Nine percent of businesses were found to have experienced retention difficulties– only slightly lower than the position in 2013 (10%). Whilst comparable UK data is not available, 8% of UK establishments reported having specific jobs where they had difficulties retaining staff. Difficulties in retention were most commonly attributed to competition from other employers followed by limited opportunities for career progression.
- **Skills Gaps:** As in the previous two years, a lower proportion of Devon (6%) than UK (14%) businesses reported having an employee or employees that were not fully proficient at their job (a 'skills gap'). Furthermore, the proportion of Devon employers reporting skills gaps was -5 percentage points below the 2013 level. Whilst (in line with the previous two years) the largest share of skills gaps were reported in skilled trades occupations, the proportion of employers reporting issues with these occupations fell from 45% in 2013 to 27% in 2015.
- **Skills Under-Use:** A higher proportion of Devon employers in 2015 (22%) reported having employees with skills that are not currently being used in their job than in 2013 (16%). While comparable UK data is not available some 39% of establishments reported having at least one employee with skills and qualifications which are more advanced than those required.
- **Training and Development Provision:** The proportion of Devon businesses arranging staff training or development activities fell from 65% in 2013 to 58% in 2015 – this latest figure compares with 66% nationally. Just 28% of Devon businesses had a training plan, whilst 22% had a training budget, in contrast to 42% and 31% of UK businesses respectively.

¹¹ UKCES (2016) UK Commission's Employer Skills Survey 2015: UK Results

¹² UKCES (2014) UK Commission's Employer Perspectives Survey 2014 : UK Results

5.2 Recruitment

As in previous surveys, a higher proportion of businesses based in Devon experienced a hard-to-fill vacancy than UK businesses as a whole. The 2015 Workforce Skills Survey found that of the 162 Devon-based businesses that had vacancies in the previous 12 months, just under half (47%) had experienced difficulties filling them compared to 40% at a UK national level (Table 8).

Looking across the three years of the survey, hard-to-fill vacancies in Devon rose by 13 percentage points between 2013 and 2015. A similar increase in hard-to-fill vacancies (11 percentage points) was also seen at a UK level, which may be a reflection of falling unemployment and the economic recovery reducing the availability of labour.

Devon was also found to have a higher proportion of businesses perceiving recruitment issues to be on account of a lack of suitably skilled applicants – 50% compared to 37% nationally. The latest Devon position was unchanged from 2014, when it was also 50%, but marks a decline of 19 percentage points from 2013. However the proportion citing a lack of experienced applicants increased from 27% in 2013 to 41% in 2015.

Table 8: Proportion of UK and Devon Businesses Experiencing a Hard-to-Fill Vacancy

Area	UKCES	Workforce Skills Survey (Devon)	How Devon Compares (% point difference)	Direction of Travel for Devon (2013 – 15: % point difference)
Hard-to-Fill Vacancies	40% of establishments with a vacancy experienced difficulty filling it (2013 – 29%) (ESS).	47% of businesses that had vacancies in the last 12 months experienced difficulty in filling them (2013 – 34%).	7% points	13% points
	Businesses operating in the agriculture, manufacturing, construction, electricity, gas and water, and transport, storage and communications experienced more difficulty filling vacancies (ESS).	Businesses operating in the following sectors experienced the most difficulties in filling vacancies: transport and storage; information and communication; health; and professional, scientific and technical.	N/A	N/A
	37% reported that a low number of applicants with the required skills was a cause of the difficulty filling a vacancy (2013 – 40%) (ESS).	50% reported that a lack of suitably skilled applicants was a reason for the difficulty in filling vacancies (2013 – 69%).	13% points	-19% points

Echoing the position from the 2013 State of Skills in Devon Annual Report, a minority of Devon-based businesses were employing someone in their first job since leaving education – although the proportion doing so was higher than at a national level (Table 9).

Trend analysis between the 2013 and 2015 Workforce Skills surveys revealed a year-on-year decline in the employment of career starters. In particular, the proportion of Devon-based businesses employing FE leavers fell from 31% in 2013 to 24% in 2014, declining further to the current level of 18% from the 2015 survey (an overall drop of -13% percentage points).

Businesses that had not employed anyone in their first job since leaving school, further education, or university were asked to identify their reasons why. As in previous years this primarily consisted of reasons that would be applicable to all applicant types, as opposed to just career starters. Not being in a period of recruitment was the most commonly identified explanatory factor for not employing school leavers (cited by 38%), FE leavers (41%) and graduates (40%).

Despite the decline in the recruitment of career leavers there was some evidence that employers felt they were better prepared for the workplace than in previous years. The proportion of businesses employing school leavers who perceived them to be either 'very well prepared' or 'well prepared' rose by 9 percentage points from 60% in 2013 to 69% in 2015, while those who felt the same for graduates increased from 81% in 2013 to 88% in 2015 (an increase of 7% points). The one exception was FE leavers whom 76% deemed to be well prepared for work compared to 87% in 2013 (Table 9).

Table 9: Proportion of UK and Devon Businesses Employing Career Starters

Area	UKCES	Workforce Skills Survey (Devon)	How Devon Compares (Percentage point difference)	Direction of Travel for Devon (2013 – 15: Percentage point difference)
Employing Career Starters	Employment of career starters:			
	10% had employed a 16 year old school leaver; 11% a 17-18 year old school leaver (EPS).	21% had employed a school leaver (2013 – 32%).	11% points/ 10% points	-11% points
	11% a 17-18 year old college leaver (EPS).	18% a FE leaver (2013 – 31%).	N/A ¹³	-13% points
	14% a university or other HEI graduate (EPS).	13% a recent graduate (2013 – 22%).	-1% points	-9% points
	Perceptions of preparedness amongst those employing education leavers:			
	81% perceived University or HE leavers to be very well or well prepared (EPS).	88% perceived university leavers to be very well, or well prepared (2013 – 81%).	7% points	7% points
	71% of FE leavers (EPS).	76% FE leavers (2013 – 87%).	5% points	-11% points
60% of 17-18 year old school leavers; 53% of 16 year old school leavers (EPS).	69% school leavers (2013 – 60%).	9% points/ 16% points	9% points	

In terms of apprenticeships, just over a fifth of Devon businesses had employed an apprentice in the three years prior to survey completion (20%), while 25% planned to offer apprenticeships in the next three years. Businesses in the broad industry groups of health; construction; and professional, scientific and technical were most likely to offer apprenticeships in the future.

¹³ Whilst similar, the Employer Perspectives Survey reports on FE leavers aged 17-18, which is in contrast to the broader definition of 'FE leaver' in terms of age, as used in the Workforce Skills Survey. As such, findings from the UKCES are presented for contextual purposes.

Table 10: Proportion of UK and Devon Businesses Employing Apprentices

Area	UKCES	Workforce Skills Survey (Devon)	How Devon Compares (Percentage point difference)	Direction of Travel for Devon (2013 – 15: Percentage point difference)
Employing Apprentices	10% of businesses had an apprentice at the time of the survey (EPS).	20% had employed an apprentice in the past three years.	N/A ¹⁴	-4% points

5.3 Retention

Reflecting on issues and challenges with regard to retention, the 2015 Workforce Skills Survey found that 34 (9%) businesses experienced difficulties in retaining employees – an increase of +5 percentage points from 2014, albeit slightly below the figure for 2013 (10%).

Difficulties in retention were most commonly attributed to competition from other employers (10/ 29%), followed by limited opportunities for career progression (8/ 24%). Other difficulties cited by businesses reflected the terms and conditions of the post, such as shift work, unsociable hours, or being based in a more remote location of the county with limited public transport.

Table 11: Proportion of UK and Devon Businesses Experiencing Difficulties Retaining Employees

Area	UKCES	Workforce Skills Survey (Devon)	How Devon Compares (Percentage point difference)	Direction of Travel for Devon (2013 – 15: Percentage point difference)
Employee Retention	8% of establishments reported that there were specific jobs in which they had difficulties retaining staff (ESS).	9% of businesses experienced difficulties in retaining employees (2013 – 10%).	N/A	-1% point

5.4 Skills Gaps and their Impact

The Workforce Skills Survey explored the prevalence of skills gaps amongst Devon businesses and their impact on growth. A skills gap exists where an employee is not fully proficient, i.e. is not able to do their job to the required level.

As in previous years, a lower proportion of Devon (6%) than UK (14%) businesses reported a skills gap. The proportion of business reporting skills gaps in Devon was in line with the level from 2014 (5%), but markedly lower than in 2013 (11%).

¹⁴ The UKCES data is not directly comparable with the Workforce Skills Survey results and is therefore presented here for contextual purposes only.

Again, in line with previous years, the highest proportion of skills gaps were reported in skilled trade occupations (the occupational group that also experienced the most problems with recruitment and retention). However, the proportion of businesses reporting difficulties on this area fell from 45% in 2013 to 27% in 2015. Echoing national trends, a notable proportion of Devon respondents (23%) reported skills gaps in sales and customer service occupations.

Table 12. Proportion of UK and Devon Businesses Experiencing Skills Gaps

Area	UKCES	Workforce Skills Survey (Devon)	How Devon Compares (Percentage point difference)	Direction of Travel for Devon (2013 – 15: Percentage point difference)
Skills Gaps	14% of employers reported having a skills gap (where an employee is not fully proficient at their job) (ESS).	6% of businesses reported a skills gap (where an employee is not fully proficient at their job) (2013 - 11%).	-8% points	-5% points
	Machine operatives (7.0%); elementary roles (6.9%); and sales and customer service (6.6%) had the highest proportion of staff with skills gaps (ESS).	Skilled trades occupations had the highest proportion of skills gaps (27%), as was also the case in 2013 (45%).	N/A	-18% points

5.5 Skills Under-Use

A higher proportion of businesses in Devon (22%) reported having staff members with skills that are not currently being used in their job than in both 2013 (16%) and 2014 (14%). This is particularly notable given that, as outlined above, the proportion of hard-to-fill vacancies increased since 2013 with a lack of skilled applicants remaining the most commonly cited explanatory factor for such difficulties.

While the wording of the question is slightly different, the proportion of UK businesses reporting having employees with qualifications and skills that are more advanced than required was higher still at 39%. Although this may indicate a better 'skills match' between business needs and staff in Devon, it could also be indicative of the greater difficulties faced by Devon businesses in sourcing applicants with more advanced skills. As such, and reflecting the assigned rating from 2013, an amber rating has been given.

Table 13. Proportion of UK and Devon Businesses Experiencing Skills Under-Use

Area	UKCES	Workforce Skills Survey (Devon)	How Devon Compares (Percentage point difference)	Direction of Travel for Devon (2013 – 15: Percentage point difference)
Skills Not Being Used	39% of establishments had at least one employee with both qualifications and skills that are more advanced than required for their current job role (ESS).	22% of businesses had employees with skills that are not currently being used in their job (2013 – 16%).	See above	6% points

5.6 Training and Development Provision

Just under three in five county-based businesses (58%) were found to have arranged training or staff development activities for their employees in the 12 months preceding the survey (Table 14). This compares to 66% of businesses nationally, and represents a reduction of -7 percentage points from the 2013 Workforce Skills Survey findings (65%).

In common with the findings from 2014, training and staff development activities over the last 12 months were found to be most prevalent in the broad industry groups of health, education, and public administration and defence. In contrast, businesses in the broad industry groups of production; and agriculture, forestry and fishing registered the lowest levels of investment in training and staff development activities over the same period.

These findings echoed, in part, the national picture with employers in education, public administration, and health and social work being the most likely to provide training. Conversely, employers from the broad industry group of agriculture were the least likely to.

Table 14. Proportion of UK and Devon Businesses Funding or Arranging Staff Development Activities

Area	UKCES	Workforce Skills Survey (Devon)	How Devon Compares (Percentage point difference)	Direction of Travel for Devon (2013 – 15: Percentage point difference)
Training Demand	66% of workplaces had funded or arranged on-the-job or off-the-job training for at least one of their employees in the 12 months preceding the survey (ESS).	58% of business had funded or arranged staff development activities for their employees in the 12 months prior to survey (2013 – 65%).	-8% points	-7% points

Businesses responding to the survey were asked to reflect on their investment in training and skills. As shown in Table 15, just 28% of Devon businesses had a training plan, whilst 22% had a training budget. This compares to 42% and 31% respectively at a national level.

Table 15. Proportion of UK and Devon Businesses with a Training Plan and Budget

Area	UKCES	Workforce Skills Survey (Devon)	How Devon Compares (Percentage point difference)	Direction of Travel for Devon (2013 – 15: Percentage point difference)
Training Plan and Budget	42% of workplaces had a training plan in place (ESS).	28% of businesses had a training plan in place (2013 – 46%)	-14% points	-18% points
	31% had a budget for training expenditure (ESS).	22% had a training budget (2013 – 35%)	-9% points	-13% points

6. Summarising the Workforce Skills Programme (2013-16)

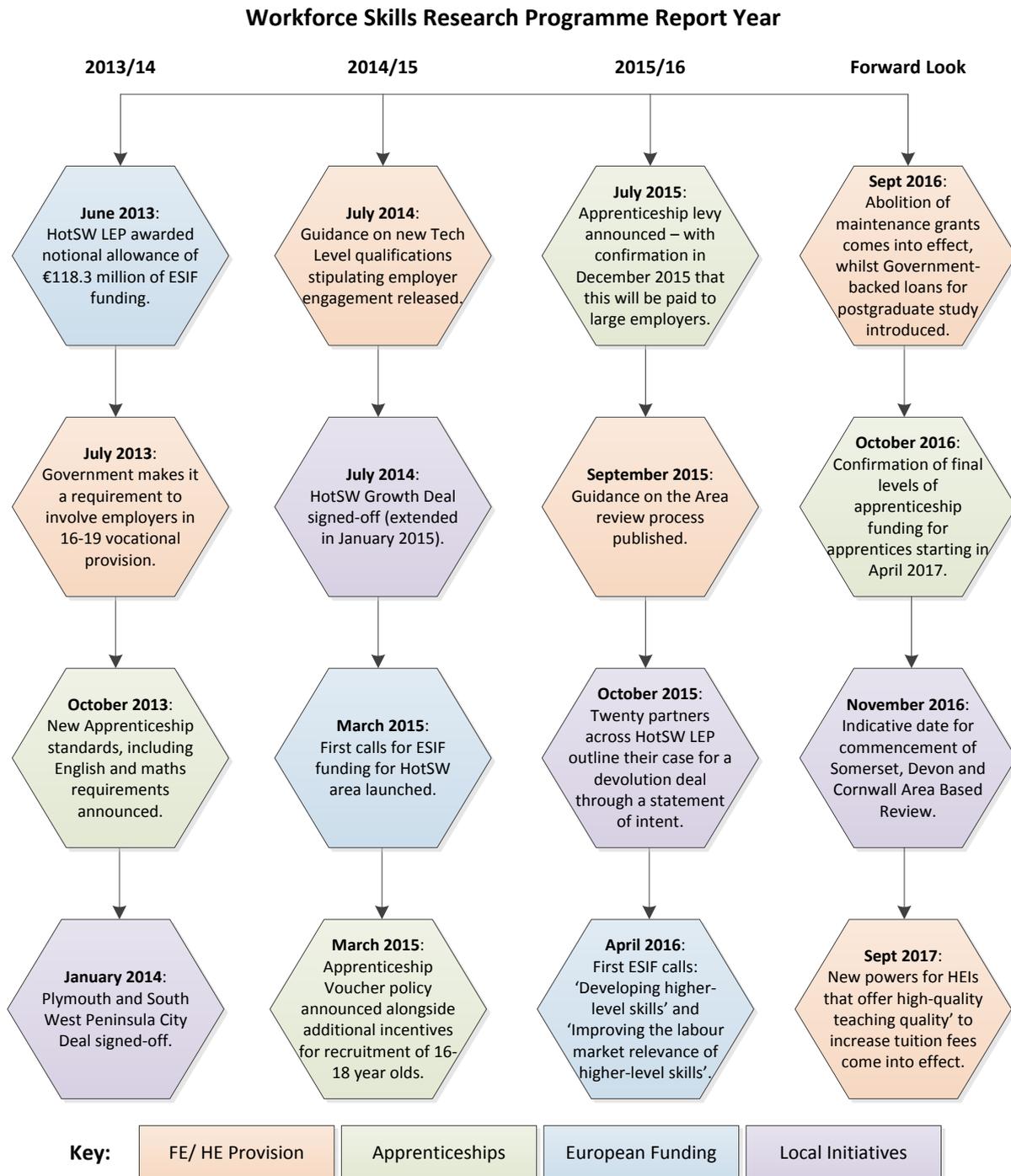
6.1 Introduction

The last three years of the Workforce Skills Research Programme has witnessed considerable change in terms of the policy and economic environment both at a local and national level. This section provides a retrospective look at these developments, drawing on the outputs from the programme, and considers the implications for the Employment and Skills Action Plan (see Section 2).

6.2 Overview of Key Policy Developments

Chart 2 provides an overview of some of the key changes that have occurred in each reporting year of the Workforce Skills Research Programme. These are presented in relation to four key policy themes: FE/ HE provision; apprenticeships; European funding; and local initiatives. In addition to this retrospective look, Chart 1 also outlines a number of developments (anticipated at the time of writing), that are likely to impact on learning, skills, and employment

Chart 2: Key Policy Announcements (2013-2016)



6.3 Review of Action Plan Priority Areas (2013-16)

The following subsection maintains a specific focus on developments related to each of the five priority areas from DCC’s Employment and Skills Action Plan (influencing and leadership; support for businesses; support for Devon’s young people; support for the under and unemployed; and funding for skills). These are discussed uniformly, with analysis based around: changes in the policy context; changes to the economic environment; local activity; forward look; and recommended focus for post-programme activity.

6.3.1 Influencing and Leadership

Overview: *Ensuring that crucial issues for skills within Devon are communicated with decision makers and funders, that lobbying takes place to increase the understanding of the needs of the Devon workforce, to channel funds and communicate key messages.*

Changes in the Policy Context

Arguably the most important policy change concerning the Action Plan theme of influencing and leadership since 2013 has been the growth in the competencies of LEPs and the renewed focus in government policy on the devolution of decision-making powers to local areas. This is exemplified by a number of national initiatives including: city deals; local growth deals; and more recently devolution deals.

During the first year of the programme (March 2014), the Heart of the South West LEP submitted its Strategic Economic Plan, after which the government agreed on a local growth deal, which included a total £195.5m¹⁵ of allocated funding for the area. Alongside this the first year also saw the announcement of the Plymouth and South West Peninsula City Deal. While this did not transfer any general powers to local level it did provide funding for local initiatives including two 'Youth Deal' projects relating specifically to supporting young people.

A more recent development has been the establishment of devolution deals with individual local authorities. At the time of writing 12 devolution deals had been completed across the UK¹⁶, while the HotSW LEP had submitted a productivity prospectus as part of its own devolution bid.

Changes to Economic Environment

The three year period covered by the Workforce Skills programme saw a gradual recovery in the UK labour market with employment hitting a record high of 74.2% in January to March 2016¹⁷. In Devon this recovery can be seen in the rise in the economic activity rate from 78.7% in 2012 to 80.8% in 2015. However, and as noted in Section 3, challenges still remain nationally due to lower than expected growth in both productivity and wages.

As noted in the Employment and Skills Action Plan, Devon's labour market in 2012 was characterised by a qualification profile similar to the national average, but with much lower associated wage levels. Since this point, the proportion of 16-64 year old residents in Devon with NVQ4 or above has risen considerably, exceeding the national average in 2015 by 3.8 percentage points, compared to just 0.7 percentage points in 2012. On balance, however, whilst the gap in workplace annual median earnings between Devon and national levels narrowed from £3,260 in 2012 to £2,818 in 2015, it remains considerable.

¹⁵ This is a combination of the £130.3m of original investment made by the government in July 2014 and the £65.2m of additional investment announced by the government in January 2015.

¹⁶ See: www.local.gov.uk/devolution-deals

¹⁷ ONS, UK Labour Market: May 2016

Local Activity

DCC has played an important role in the development of the new policy environment at a local level. For example, the council established a Service Level Agreement with the HotSW LEP to assume responsibility for employment and skills issues, whilst also taking a lead role in the implementation of the Youth Deal part of the City Deal. More recently DCC has played a key part in developing the employment and skills elements of the HotSW Devolution Deal proposal by leading on an Employment and Skills Evidence Audit which drew on some of the learning points from the Workforce Skills Programme. The new proposals on devolution recognise the changes in the economic context by making productivity a key focus of any deal (see Section 3).

Forward Look

DCC will continue to be a leading partner in the development of the HotSW Devolution Deal. In addition there will also be an important role in coordinating local responses to the sheer range of government initiatives, which include Area Based Reviews as well as the new Careers and Enterprise Company.

As part of this ongoing support for influencing and leadership, some of the key activities from the Employment and Skills Action Plan will continue to be relevant. Specifically, this includes regular monitoring of policy developments, the collection and analysis of labour market data, and the communication and dissemination of relevant and timely information.

Recommended Focus for Post-Programme Activity

The datasets selected for the Workforce Skills Programme have undergone considerable change since they were first conceived in 2013. We would therefore recommend that:

- A **critical review is undertaken of the core indicators used in the Labour Market Monitoring Framework** to ensure their continued utility to DCC's skills policy.

6.3.2 Support for Businesses

Overview: *Establishing the skills requirements of businesses within Devon, and to effectively communicate them, lobby training providers and funders, and provide appropriate solutions.*

Changes in the Policy Context

During the period of the Workforce Skills Programme the general direction of government policy in FE has been to implement the recommendations of the Wolf Review of Vocational Education (March 2011). This involves attempting to make the sector more responsive to employer needs and to bring employers into the learning and skills decision-making process. In July 2013 the government announced that employers will need to be involved in the delivery of 16-19 vocational education from September 2016 onwards, whilst stipulating more recently that Area Based Reviews will need to consider how colleges can become more responsive to employers.

Similar developments have also taken place in the context of apprenticeship provision. As outlined in the July 2015 Apprenticeship briefing, issued as part of the Workforce Skills Research Programme, the government has been working with employers (or “trailblazers”) to develop a series of apprenticeship standards for particular occupations. In addition, the government revealed in summer 2015 that apprenticeships would be funded through an Apprenticeship Voucher scheme which will give employers purchasing power in relation to training providers.

Changes to the Economic Environment

As outlined in Section 5, the proportion of businesses reporting a hard-to-fill vacancy in Devon increased over the period of the programme, although this may partly reflect the fall in unemployment in the county. Conversely, the proportion of businesses reporting skills gaps declined, suggesting that a key issue is attracting suitably skilled or experienced employees rather than an absence of skills amongst the existing workforce. Perhaps in reflection of the fall in skills gaps, the Workforce Skills Survey reported a decline in training activity among employers, including falls in the proportion of employers conducting staff development, and having a training plan and dedicated training budget.

Technology and ICT were consistently identified as a key skills challenge facing Devon businesses in all three waves of the Workforce Skills Survey. In the main employers faced by these issues reported a shortage of basic computer skills, but some also highlighted a need for more advanced skills in social media and online marketing.

A key action in the Employment and Skills Action Plan concerned supporting Devon’s high growth sectors: business services; construction and property; distribution and logistics; and creative media. Data collected through the Labour Market Monitoring Framework demonstrates that business services grew by 29.5% from 2012 to 2014 while distribution and logistics and construction and property also increased (by 11.9% and 15.3% respectively). However the proportion of overall employment in the high growth sectors grew only marginally from 9.8% in 2012 to 11.1% in 2014, whilst overall employment in creative media actually declined by -19.6%.

The Employment and Skills Action Plan’s ‘bedrock’ sectors of public administration, education and health, retail and accommodation and food services, remain the three largest sectors in Devon, altogether accounting for 50.3% of total employment in 2014 (compared to 51.3% in 2012).

Local Activity

One of the key actions DCC has been undertaking to support businesses in the Employment and Skills Action Plan concerned the promotion of apprenticeships to businesses. While it is not possible to draw any causal connection, it is encouraging to note that knowledge of the government’s apprenticeship reforms increased from 34% in 2014 to 45% in 2015 according to the Workforce Skills Survey.

The picture in terms of overall apprenticeship employment, however, is more mixed. Apprenticeship starts fell from 7,200 in 2012/13 to 6,350 in 2013/14 before rising to 6,850 in 2013/15. Meanwhile the Workforce Skills Survey found that the proportion of businesses employing apprentices fell marginally from 24% in 2013 to 20% in 2015 although as the fall is within the survey confidence intervals (+/- 5%) this finding should be treated with caution.

Given that the primary reason employers gave for not employing apprentices was the absence of any suitable vacancies, coupled with the decrease in overall vacancies from 48% in 2013 to 43% in 2015, this is likely to reflect trends in the wider economy.

Forward Look

The forthcoming changes to apprenticeship funding, including the development of the levy and the announcement of new funding procedures for non-levy paying businesses, suggest that there will continue to be a need to update and inform businesses about apprenticeship opportunities. The findings also confirm that the Action Plan's identified 'bedrock' sectors are likely to continue to remain of critical importance. With this in mind it is notable that DCC are currently exploring specific measures to support the social care sub-sector.

If businesses are going to be able to fully exploit the HotSW Productivity Prospectus objective of 100% superfast broadband coverage in the area, they will need to have workforces which are suitably equipped with digital skills. In light of this a key theme for future support for employers should involve continued work with Connecting Devon and Somerset to promote and signpost businesses to support for digital skills development.

Recommended Focus for Post-Programme Activity

The Area Based Review process and roll-out of superfast broadband through Connecting Devon and Somerset both provide opportunities for DCC to further support local businesses in addressing skills needs. As such we would recommend that:

- DCC work with its FE and local authority partners, as well as with local employer representatives, to use the forthcoming Area Review **to consider how the curriculum might be better aligned with DCC's bedrock and high growth sectors.**
- Initiatives to **further promote and signpost businesses toward support for digital skills development** are considered (as outlined in the 2014 report), linked to national initiatives as appropriate. Where applicable this work should be undertaken alongside the activity of Connecting Devon and Somerset.

6.3.3 Support for Devon's Young People

Overview: *Led through the available national research and local intelligence, this priority is based on ensuring that young people are better prepared for work; addressing issues around youth unemployment; and support to ensure that the apprenticeships programme is adopted more widely across Devon.*

Changes in the Policy Context

A number of measures have been either announced or implemented during the period of the Workforce Skills Programme to both support young people and address youth unemployment. In December 2013 the government announced the abolition of employer national insurance contributions for employees under 21 earning up to £813 per week.

Later, in March 2015, it revealed that additional incentive payments would be made to employers to recruit apprentices aged between 16 and 18. At the same time the rise in the participation age from 16 to 18 has helped reduce the number of 16-18 year olds classified as NEET.

There has also been considerable change in the FE environment. In addition to taking action to involve employers, the government is increasingly looking to simplify the provision of FE. This has been exemplified through the development of Area Based Reviews and the Sainsbury Review of Technical and Professional Education.

The development of Area Based Reviews in particular could present both opportunities and challenges for Devon. On the one hand it could lead to increased collaboration between colleges and to help make the sector more responsive to local skills priorities and employer needs. However, it is also possible that the focus on rationalisation could lead to the loss of provision in some parts of the county. The Somerset, Devon and Cornwall Area Based Review is scheduled to take place in November 2016.

Changes to the Economic Context

As noted in the Year One report, youth unemployment was widely recognised as a key skills challenge for both Devon and the UK as a whole. Since this point there has been an easing of youth unemployment in line with the reduction in overall unemployment (see Section 3). Youth unemployment in Devon, as measured by the number of 18-24 year olds claiming Jobseekers Allowance, stood at 2,750 in March 2013 before falling to 605 in March 2016 (a reduction of -78%). However the 18-24 year olds still made up 16.3% of all claimants in March 2016 despite representing just 8.4% of the Devon population (based on 2014 figures).

Despite the reduction in youth unemployment, the Workforce Skills Survey reported a fall in the proportion of employers recruiting career starters from schools, colleges and universities between 2013 and 2015 (see Section 5). As with apprenticeships, this may also reflect the decline in the overall number of vacancies reported.

More encouragingly, the survey demonstrated a rise in the proportion of employers who felt that each group of careers starters (school, college and university leavers) were 'very well' or 'well' prepared for work, suggesting that attempts to make educational institutions more responsive to employer needs may already be having some impact.

Local Activity

DCC has undertaken a number of initiatives to support the employment of young people in the county. The council is currently playing a lead role in the Youth Deal part of the City Deal. As outlined in previous reports this includes a youth and employer scheme designed to reduce unemployment and a wage progression project to raise incomes for young people.

Another key local initiative, the Enterprise in Schools Grant scheme, has been used by DCC to support discreet projects relating to enterprise education and engagement between schools and businesses.

An independent evaluation of the grant scheme, published in September 2015, found that it had 'largely achieved its targets' which was considered to be strong performance given the scheme was in its pilot year (see the Year 2 report for a summary of the findings).

The Employment and Skills Action Plan placed considerable importance on the issue of graduate retention and as a consequence much of the first year of the Workforce Skills Programme was dedicated to research in this area. The resulting analysis found that some 30% of graduates were employed in the county six months after graduating, while 70% were lost through employment elsewhere. The research also found that the principle reason for this graduate 'skills flight' from the county was concern over local job prospects, highlighting the importance of addressing under-employment amongst graduates (see below).

Forward Look

Although levels of youth unemployment have eased since the commencement of the Workforce Skills programme, they remain high relative to the rest of the population. Furthermore, it is possible that young people will be particularly vulnerable to unemployment should the UK enter a downturn within the near future. Consequently, measures to address youth unemployment are likely to remain an important priority in any future Employment and Skills Plan.

The forthcoming Area Based Review could present an important opportunity for DCC to work with its neighbouring and district authorities and the FE sector, to help shape the educational environment to the needs of the economy.

While employer perceptions of work readiness amongst young people are improving more work may still need to be undertaken in this area, building on the Enterprise in Schools Grant initiative. With this in mind it will be important to keep a close eye on developments taking place in other areas of the country, such as the roll-out of Enterprise Advisors, who will be supporting enterprise education in schools. Currently a series of Enterprise Advisor pilots are taking place across six LEP areas, including Cornwall and the Isles of Scilly.

Recommended focus for Post-Programme Activity

In light of the continuing need to address youth unemployment and the opportunities posed by Enterprise Advisors and Area Based Reviews to improve enterprise education, it is recommended that DCC:

- **Undertake a review of good practice in other areas of the country.** This could look at, for example, how the first Area Reviews are working to improve business engagement in Colleges, and how Enterprise Advisor pilots have been implemented in areas like Cornwall.
- **Continue to support the development of enterprise education schemes in the county through initiatives such as the Enterprise in Schools Grant.** Support should be reviewed on a regular basis both in order to identify possible areas for improvement, and to explore how the relationships developed with local businesses could be further enhanced and developed.

6.3.4 Support for the Under and Unemployed

Overview: *In the wake of Welfare Reform, this brings a focus on how appropriate the skills are of the unemployed population and what action is needed in order to support them into employment. More generally, there is still support required to understand the skills that exist within the unemployed population and the requirements of businesses; and to move those people back into appropriate jobs.*

Changes in the Policy Context

Recent developments in unemployment provision have tended to focus on addressing either youth or long-term unemployment. In April 2014 the government's 'Help to Work' scheme commenced, which focused on trying to get those who have been claiming JSA for over three years (and so have completed the Work Programme) into work. The scheme has been using a combination of mandatory community work placements and intensive Jobcentre support.

More recently the government announced in the December 2015 Autumn Statement that the Work Programme (which supports people who have been unemployed for over a year) and Work Choice (which focus specifically on unemployed disabled people) will be merged into a new 'Work and Health Programme' although details are yet to be released.

Changes to the Economic Environment

The period covered by the Workforce Skills Research Programme has seen a general fall in the unemployment rate. The percentage of those aged 16-64 who were unemployed across England as a whole decreased by -2.7 percentage points from 2012 to 2015, whilst in Devon it fell by -1.0 percentage points. As previously cited, the unemployment rate in Devon in 2015 was 3.2% - the lowest it has been since 2008 (3.1%).

However, despite unemployment now standing below pre-recession levels nationally, there are signs that under-employment (the proportion of workers who have a job but are being underutilised) remains a critical issue, going some way to explain the lack of overall wage growth in the economy¹⁸.

Eurostat estimated that part-time employees who would like to work more hours made up 5.9% of total UK employment in 2014¹⁹. More recently, the Bell and Blanchflower "under-employment" index²⁰, found that at 6.2%, underemployment in the fourth quarter of 2015 was still considerably above pre-crash levels of 4.5%. The index also showed that under-employment is particularly high among women and young people.

¹⁸ The Work Foundation (2016) *Underemployment in the UK – the latest figures*. [online] Available at: <http://www.theworkfoundation.com/blog/2576/Underemployment-in-the-UK-the-latest-figures> [Accessed 09 May 2016].

¹⁹ Eurostat (2015) News Release – Labour Force survey 2014. [online] Available at: <http://ec.europa.eu/eurostat/documents/2995521/6800423/3-27042015-AP-EN.pdf/08a0ac51-c63d-44d0-ad29-248127fd01c3> [Accessed 28 April 2016]

²⁰ The Bell-Blanchflower underemployment index adds together (i) the hours that the unemployed would work if they could find a job and (ii) the change in hours that those already in work would prefer to form a total measure of surplus hours. This is then expressed as a percentage of the sum of hours worked and surplus hours to give the underemployment rate.

It is difficult to gauge levels of under-employment in Devon, in the absence of data on the preferred number of hours employees would want to work. However, it is notable that the proportion of those employed and working part-time has risen over the programme period from 28.7% in 2012 to 30.1% in 2015. Overall Devon has a higher proportion of part-time employees (at 30.1%) than England as a whole (25.4%) which has been recognised as a limitation on the county's productivity²¹.

In addition to workers requiring more hours, under-employment can also refer to the under-utilisation of an employee's skills or qualifications. The 2013 Workforce Skills Survey found that 16% of employers felt they had employees with skills that are not currently being used in their job. Notably, this rose to 22% in 2015.

Local Activity

DCC has been implementing a number of measures from the Employment and Skills Action Plan designed to address unemployment. This included the 'Free Friday's' initiative with local libraries as well as a Digital Skills project, undertaken in partnership with Cornwall Council, to address digital literacy. Another key area of work that the Council has initiated concerns specific interventions to support redundant employees when large employers close. In this context, the availability of re-training opportunities is of particular importance.

Forward Look

With unemployment falling, under-employment is likely to become an increasing concern over the next few years, although both issues should remain a priority in DCC's forward thinking. This also has direct relevance to HotSW's productivity agenda given that reduced under-employment and increased skills utilisation can boost GVA per capita. Arguably, the need to address under-employment also has considerable relevance to the graduate retention agenda.

Recommended Focus for Post-Programme Activity

In recognition of the relevance of under-employment issues to the wider productivity agenda, and the limited amount of county level data available (particularly on workers who would like more hours) it is recommended that DCC:

- Consider **how the proposed new devolution deal could address issues of under-employment.**
- Look to undertake **further research to explore levels and types of underemployment within the county in more detail.** This could collect both employee and employer feedback and identify levels of skills under-utilisation, as well as well as the requirement for extra hours amongst employees.

²¹ SQW (2015) An Analysis of Devon's Productivity Performance. [online] Available at: <http://www.devonomics.info/sites/default/files/documents/Devon%20-%20productivity%20v8%20final.pdf> [Accessed 28 April 2016]

One of the key objectives of the Employment and Skills Plan was the promotion of apprenticeships to the unemployed via Jobcentres. In light of recent announcements concerning FE and HE funding it is recommended that DCC:

- Ensure that **developments in relation to FE and HE funding**, including advanced learning loans and HE loans for mature students, **are communicated to unemployed individuals who may be interested in retraining.**

6.3.5 Funding for Skills

Overview: *DCC have the knowledge and understanding of a wide range of funding opportunities to support skills projects and activities. These can be harnessed to enable appropriate organisations to access the funding and support Devon's workforce.*

Changes in the Policy Context

The three years of the Workforce Skills Research Programme has seen some critical changes to the skills funding environment. The first year of the programme saw the confirmation of the funding allocations for the 2014-2020 round of EU structural funding. Further, the Year Two report confirmed that the ESF element would focus on three key thematic objectives: promoting sustainable and quality employment and supporting labour mobility; promoting social inclusion, combating poverty and discrimination; and investing in education, training and vocational training for skills and lifelong learning.

Some of the most notable changes that have taken place to national funding concern apprenticeships. However, the government's intention, announced in December 2013 and outlined in the Year 1 report, to route apprenticeship funding through employers as opposed to training providers has not been fully realised. Instead, apprenticeship funding will continue to be distributed via training providers but with employers gaining purchase power through the use of Apprenticeship Vouchers. The new Apprenticeship Levy may only affect a small minority of the county's employers, but it could support a large proportion of Apprenticeship recruitment and could therefore have implications for smaller employers depending on how it is implemented.

The programme period has been a time of uncertainty for the FE sector. In September 2013 funding for 16-19 year olds changed from funding per qualifications to funding per students, whilst in February 2015 the government announced what amounted to a 24% reduction in non-apprenticeship adult skills funding. However the recent decision to keep the Adult Education Budget at £1.5bn for the next four years (see Section 3) should serve to relieve some of the financial pressure.

Government changes to skills policy have not been limited to FE. In its 2013 Autumn Statement the government announced that the cap on student numbers would be lifted. While the change only came into effect in 2015, it is likely to further increase the number of students within the county and so further heighten the need to look at graduate retention. More recently, the government announced new financial support for postgraduate and mature students

Changes to the Economic Environment

In the context of public spending cuts it is often speculated that employers will need to play a greater role in the funding of future workforce skills training²². It is somewhat concerning, therefore, that the Workforce Skills Survey reported a decline from 2013 to 2015 in both the proportion of employers that had funded or arranged staff development activities (from 65% to 58%), and the proportion that have a training plan in place and a training budget (see Section 5).

Comparable figures from the UK Commission for Employment and Skills suggest that, in contrast to county figures, employer investment in training has remained broadly unchanged, with 66% of workplaces funding training in the last 12 months in both 2013 and 2015. However, it should be noted that the difference between the behaviour of Devon and national businesses may reflect the lower proportion of businesses in the county (6%) reporting skills gaps than in the country as a whole (14%).

Local Activity

As outlined above, DCC has been involved in a number of government initiatives aimed at either attracting additional skills funding to the county and/or devolving skills funding decisions, including the Plymouth and South West Peninsula City Deal, the HotSW Local Growth Deal, and most recently the proposed Devolution Deal. The recent ESF calls around developing higher level skills (see Section 3) should support DCC's objectives relating to supporting high-growth sectors, retaining graduates and addressing under-employment.

Forward Look

If successful, the proposed HotSW Devolution Deal should provide the local authorities within the HotSW with more powers to align skills funding within the region to better reflect local priorities. This would follow the experience of the Cornwall Devolution Deal, which was approved in July 2015, and which is currently working to align both EU and local skills budgets.

Recommended focus for Post-Programme Activity

As noted there have been a significant number of changes to skills funding over the programme period combined with policy developments, particularly in the area of apprenticeships. As such it is recommended that DCC:

- Continue to **monitor funding opportunities related to skills development** and ensure that these are communicated to businesses and representative organisations.
- **Closely watch development of the Apprenticeship Levy and ensure that businesses are equipped with straightforward information** about the opportunities available.

²² See AoC (2014) *What Does Skills Policy Look Like Now the Money Has Run Out?* AoC: London

Annex 1. Overview of Outputs (2013-16)

A1.1 Introduction

This section provides a summary of the main reporting outputs that have been submitted to Devon County Council by the appointed researchers, SERIO, as part of the Workforce Skills Research Programme. It is recommended that (where appropriate) these are drawn upon to add further clarity and granularity to the findings presented in this report.

NB: Reflecting the flexibility of the fund (see Section 2.3), the overall outputs from each of the three years of research activity are not uniform in focus or delivery timescale. Secondly, the tables below do not reflect the additional ad-hoc research support provided for DCC through the Programme, such as contribution toward the Devolution Employment and Skills Evidence Audit and analysis of JSA figures; and presentations at events, for instance the 2015 Apprenticeship Summit.

Table 16: Outputs from Year 1 (2013/14)

Date	Output	Overview
July 2013	<i>Labour Market Monitoring Framework and Dashboard of Indicators</i>	The LMMF represents a comprehensive database of core indicators, reflecting the priority areas from the Employment and Skills Action Plan, against which the health of Devon's labour market can be mapped and assessed. Using data from the LMMF an interactive dashboard of indicators was developed to present key findings and analysis in a way that is succinct, clear, and pertinent to stakeholders and decision makers.
September 2013	<i>Key Findings from the Workforce Skills Survey</i>	A summary of the findings from Year 1 of the Workforce Skills Survey, focussing on business experience of training, employee retention and skills qualifications, supply and demand of training, and issues related to recruitment such as the impact of hard-to-fill vacancies.
October 2013	<i>Quarterly Skills Briefing</i>	This briefing presented an overview of the key findings from the first Workforce Skills Survey, concluding with a number of cross cutting themes and suggested next steps for consideration.
January 2014	<i>Labour Market Monitoring Framework and Dashboard of Indicators</i>	A statistical update to both the LMMF and Dashboard.
April 2014	<i>State of Skills in Devon – Workforce Skills Research Programme Year 1 Annual Report (2013/14)</i>	Summary of outputs from Year 1 of the Workforce Skills Research Programme. Unique to this report is a statistical overview of Devon's graduate population and employment, business views on the employability skills of graduates, and student views on Devon as an employment destination.

Table 17: Outputs from Year 2 (2014/15)

Date	Output	Overview
June 2014	<i>Labour Market Monitoring Framework and Dashboard of Indicators</i>	A statistical update to both the LMMF and Dashboard.
October 2014	<i>Key Findings from the Second Workforce Skills Survey</i>	Similarly to the September 2013 report, this edition summarise the key findings from the Workforce Skills Survey and the skills mapping task. Whilst predominantly based on the findings from the 2014 Workforce Skills Survey, it also references key findings from the 2013 survey to provide a comparison and an assessment of distance travelled.

Date	Output	Overview
July 2015	<i>Labour Market Monitoring Framework and Dashboard of Indicators</i>	A statistical update to both the LMMF and Dashboard.
September 2015	<i>'Devon Enterprise in Schools Grant Evaluation'</i>	The flexible funding from Year 2 was used to conduct an evaluation of the EiSG – a competitive grant programme to fund enterprise education and the formation of strong links with businesses. This was underpinned by primary research with 29 operational level stakeholders and strategic partners, and 67 beneficiaries.
November 2015	<i>State of Skills in Devon – Workforce Skills Research Programme Year 2 Annual Report (2013/14)</i>	Summary of the key policy and strategy announcements, and primary research findings from Year 2 of the Workforce Skills Research Programme, presented under the five priority areas from the Employment and Skills Action Plan. The report includes a number of areas for further activity and follow-up have been recommended for consideration by DCC.

Table 18: Outputs from Year 3 (2015/16)

Date	Output	Overview
July 2015	<i>Quarterly Skills Briefing</i>	This briefing presents an overview of recent and forthcoming changes to government apprenticeship policy, including the delivery and funding of apprenticeships. In addition, it draws from the findings of the Workforce Skills Survey and uses them to set out the potential implications of these changes for businesses, training providers, and policy makers in Devon.
October 2015	<i>Key Findings from the Third Workforce Skills Survey</i>	Similarly to the two preceding Skills Survey reports (September 2013, and October 2014) this report summarise the key findings from the Workforce Skills Survey and the skills mapping task. Whilst predominantly based on the findings from the 2015 Workforce Skills Survey, it also references key findings from the 2013 and 2014 surveys to provide a comparison and an assessment of distance travelled.
December 2015	<i>Labour Market Monitoring Framework and Dashboard of Indicators</i>	A statistical update to both the LMMF and Dashboard.
May 2016	<i>Labour Market Monitoring Framework and Dashboard of Indicators</i>	A statistical update to both the LMMF and Dashboard.
May 2016	<i>Evaluation of Women and Broadband</i>	Resource from the third year of the Workforce Skills research Project was used to support an evaluation of the Women and Broadband Project. Connecting Devon and Somerset, who are rolling out superfast broadband in Devon and Somerset, successfully bid for Phase 2 funding from the Women and Broadband Challenge Fund. The evaluation reviewed the support provided, with a particular focus on: the intensive mentoring support delivered via the LOVE Digital Mentoring Project; and the Women Returners Digital Skills Pilot.
July 2016	<i>State of Skills in Devon – Workforce Skills Research Programme Year 2 Annual Report (2013/14)</i>	Summary of outputs from Year 3 of the Workforce Skills Research Programme. Unique to this report is a summary of the entire Workforce Skills Programme (2013-16). This provides a retrospective examination of key developments during the three years of the Workforce Skills Programme and the implications of these for the Employment and Skills Action Plan. It also includes a set of recommendations that DCC may wish to consider for post programme activity.



Research and Innovation
Plymouth University
9, Research Way
Plymouth Science Park
Plymouth
PL6 8BT

t 01752 588942
f 01752 588987
e serio@plymouth.ac.uk
w www.serio.ac.uk