For information

Leading learning and skills

South East Learning and Skills Needs Assessment

2005 Update

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South East Research & Analysis Task Group

Version 2

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1.1 Key Messages

Strong historic performance – The South East has enjoyed considerable economic success over recent years. The region has the second largest regional economy in the UK and has enjoyed growth rates considerably above the national average over the last decade. Labour productivity is also high, by UK standards. Regional firms account for a quarter of all UK investment in R&D.

Pockets of underperformance continue – Despite the strong economic performance there remain areas with high levels of deprivation. Over 400,000 people in the region live in areas of high deprivation, with these areas found mostly along the coastal fringe and in Kent. Educational deprivation is more widespread than overall economic deprivation, and there are areas of low level educational performance throughout the six local LSC areas.

Partnership action needed – Some of the actions needed to create a strong and durable labour market in the South East are outside of the remit and responsibilities of the LSC and, in particular, action with other key partners is needed to tackle the region's housing, transport and connectivity challenges.

Extremely tight labour market – One consequence of the region's strong economic achievements over recent years is that it has the highest level of economic activity in the country. Consequently, unemployment is extremely low and there are few people available to meet the expansion demands of the economy. One possible solution to this issue would be to try to increase the supply of labour by encouraging those who are currently economically inactive to re-engage in the labour force. Strategies to retain older workers in economic activity and move some Benefit Claimants back into work would be extremely beneficial.

High qualifications base – The South East region's population is the most qualified in the country. Its young people achieve higher qualifications throughout compulsory education and approximately five percent more adults hold intermediate and higher level qualifications than in England as a whole. There are, however, significant differences in achievement rates between individual areas of the region. The higher qualifications base has not reduced the region's propensity to experience skills shortage vacancies and skills gaps amongst its workforce.

Basic and generic skills requirements remain – Employers continue to value generic and basic skills highly. They also identify that the level of generic skills needed in the economy is set to rise over the next few years. Demand for higher level generic skills is greatest amongst higher order occupations, more of which are evident in the South East compared to other regions.

The scale of the basic skills problem within the region should not be underplayed, with more than half a million adults having low level literacy skills and more than two million having low level numeracy skills.

Growth sectors and occupations – The region is predicted to see strong employment growth across business services, health & social work, hospitality, retail and education sectors. Occupational growth is also predicted to be strongest amongst managers, professionals, associate professionals, sales and customer service and personal service roles. It should be remembered however, that in order to fulfil replacement demand by workers who retire, leave the region or the labour force, there will be a net requirement across the occupational spectrum.

Inequalities remain – The region's economic and educational success is not distributed equitably across gender, age and ethnicity. Girls continue to out-perform boys throughout compulsory education and beyond. However, women continue to earn substantially less than men and experience more barriers to participation in post 16 education and training. Participation in higher education continues to be strongly correlated with areas of affluence and there are significant differences in educational performance between different ethnic groups.

Uneven employer engagement in learning – while the majority of employers now provide training and development for their employees, there remains a sizeable minority (39%) who do not. There are wide disparities between individual sectors in terms of the provision of training and there is evidence that better educated employees are more likely to receive further training than those with fewer qualifications, thus reinforcing existing skills inequalities.

Skills shortages and gaps – Firms within the region are experiencing hard to fill vacancies and skills shortages in similar proportions to the national average. Skills shortages are concentrated amongst the construction, manufacturing and hospitality sectors and amongst intermediate order occupations, such as skilled trades and associate professionals.

Learning providers work with employers - the level of engagement between the region's colleges/training providers and businesses remains fairly low (28%), although amongst those firms who have used the services of colleges the level of satisfaction is high.

1.2 Executive Summary

This executive summary seeks to provide the reader with an overview of the main findings of this research project.

Economy: The South East has the second largest economy in the UK and accounts for 16% of United Kingdom GVA. South East workers are more productive than the UK average. The region's economy has grown by an average of 6.5% per annum over recent years, out-pacing the UK as a whole. The region's economy is predicted to continue to grow over the next decade but at a reduced rate to that seen over the last few years. Employment growth is predicted to be highest in Berkshire, MKOB and Surrey.

However, the South East's performance is less impressive in a European context, where it ranks only 21st out of the 23 most competitive regional economies.

Intra-regional differences: There are, however, significant intra-regional variations in economic performance, educational achievement and prosperity.

Population Trends: At 8.2 million, the South East has the largest regional population in the UK, and this is predicted to grow by a further 6% over the next decade. In line with national trends the general population is, on average, predicted to age, with the percentage of older workers increasing by 10% over the next decade. The region has a relatively small minority ethnic population, which is concentrated in a few locations.

Deprivation: The region is, overall, the least deprived in the UK, with only five percent of its communities being amongst the most deprived in the country. However, there are pockets of severe deprivation, mostly located on the coastal fringe of the region and in Kent. Looking just at education deprivation reveals a larger pattern of deprivation across the region, with pockets of educationally deprived communities in all six local LSC areas.

Housing: The issue of housing, both in terms of meeting increasing demand and affordability, is clearly amongst the most pressing issues facing the region. House prices are the second highest in the country and the cost of rented accommodation is high in both the public and private sectors.

The lack of affordable housing clearly has implications for those trying to recruit to low paid jobs or key public sector workers, and in retaining young workers who are likely to be put off working in the region if they are unable to get a foot on the 'property ladder'.

Transport & Connectivity: There is evidence that the region's transport infrastructure is under such pressure as to be seriously threatening to undermine the region's competitive advantage. Whilst most people have access to a car, public transport accessibility still remains one of the lowest in the country.

High speed internet is now available in over 95% of the region, although this has as yet failed to lead to any discernable change in commuting patterns.

Earnings & Income: Overall south East workers earn considerably more than the UK average. There are, however, continuing substantial differences between the pay of men and women. There are also considerable intra-regional variations in pay between mostly the western half of the region and areas around the coast and in Kent.

Inactivity: There are nearly a quarter of a million Incapacity Benefit Claimants of working age in the South East. This equates to nearly five percent of the working age population. Whilst many of these people are genuinely unable to work, there is a growing realisation that there may be a significant number who could re-enter the labour market with the right support. Given the tight labour market in the region it would seem highly desirable to re-engage as many of these people as possible.

Economic Activity: At 82%, the region has the highest level of economic activity in the country. Within the region, however, economic activity rates vary between 88% and 74%. There is also evidence that older workers are staying economically active longer than in any other region. Economic Activity rates are predicted to remain at their high levels for the foreseeable future.

Unemployment: The South East shares the lowest level of unemployment in the country and there is evidence of practically full employment in areas such as Surrey, Berkshire, Oxfordshire and parts of Hampshire. There are, however, unemployment hotspots in areas such as Brighton, Hastings, Thanet and Shepway.

Long term unemployment is not a major issue, with 12% of those on the unemployment register having been unemployed for twelve months or more.

Entrepreneurialism: The number of businesses started in the South East is second only to London. New businesses also prosper in the region with more reaching their third year of trading than the national average.

Business Size and Structure : There are more than a quarter of a million businesses registered for VAT in the region, which represents 16% of the national stock. The largest business sectors are business services, retail, health & social work and manufacturing.

Whilst 97% of the region's businesses employ fewer than fifty employees, the remaining 3% of businesses employ more than half of the region's workforce. This clearly demonstrates the importance of a relatively small number of key employers.

Occupational Profile: The region has a higher share of employees in higher level occupations, such as managerial, professional and associate professional, than the country as a whole. Conversely, it has a smaller share of the regional workforce employed in sales/customer service, plant and machine operatives and elementary occupations.

Working Patterns: Men continue to be more highly represented in the workforce than women, although growth in female employment is predicted to outpace male growth over the next decade.

Unlike in most other regions, the share of employment accounted for by full time employees is predicted to grow, albeit slightly, over the next decade. At the same time self employment as a share of all employment is predicted to decline by approximately 67,000.

Sectoral Predictions: The sectors with the largest expansion demand over the next decade are predicted to be business services, retail distribution, hospitality, health & social work, education and other services. These industries account for, collectively, 307,000 net job increases and are predicted to account for 70% of all jobs by 2014. Sectors with declining workforces include engineering, manufacturing, utilities and agriculture. It should however be noted that because of the need to replace workers who retire, change roles or migrate from the region there will be a net requirement for employees in all sectors over the next decade.

Occupational Predictions: The occupations predicted to see the largest increases over the next decade are managers & senior officials, professionals, associate professionals, sales and customer service and personal service occupations. By 2014, these occupations will account for nearly 65% of all employment.

Contractions in the total number of jobs are predicted to be greatest amongst the ranks of clerical & secretarial, elementary and machine and transport operatives.

Once again, though, it should be noted that because of the need to replace existing workers there will be a net requirement for employees across the occupational spectrum.

Future Skills Needs: Employers continue to attach high importance to the acquisition of generic skills such as communication, customer handling, team working and problem solving. They also believe that the demand for these skills is likely to continue to increase over the next few years. Employees in higher order occupations generally require higher level generic skills than those towards the lower end of the spectrum who need lower level generic skills now and in the future.

Recruitment Problems: Overall, nine percent of businesses report having hard to fill vacancies, a third of which attribute the difficulty to skills shortages. The most common causes of recruitment difficulties refer to the low numbers of applicants and a lack of interest in doing that sort of work. This does, perhaps, once again reinforce the view that the South East has a very tight labour market, providing workers with a large degree of choice about what work they wish to do.

The health & social care, construction, hotels & restaurants and manufacturing sectors were all experiencing the greatest difficulties in recruiting staff. Skills shortages were the cause of most recruitment difficulties in the construction, manufacturing and hotels & restaurants sectors.

By occupation, skills shortages were most prevalent amongst intermediate skills occupations such as associate professionals, skilled trades and sales and customer service staff.

Internal Skills Deficiencies: 23% of the region's employers reported that some or all of their staff were not fully proficient in their current roles. It is estimated that this represents approximately 8% of the regional workforce. Skills gaps are particularly concentrated amongst sales & customer service occupations.

Skills shortages and skills gaps are having a significant impact on regional businesses, including, increased workload for other staff, difficulties meeting customer expectations and loss of business.

Employer Training: 61% of regional employers had provided training for some or all of their staff over the previous twelve months. There were, however, wide disparities between sectors and occupations. For example, virtually all education sector employers had provided training whilst only just over half of those in the manufacturing sector had done so. It was also apparent that those towards the bottom end of the occupational spectrum were less likely to receive training than those at the top. Much of the training that was provided focused on meeting regulatory requirements, rather than on increasing productivity.

Employer Engagement With Providers: Forty percent of employers had been in contact with either a FE college or local training provider over the previous twelve months. Twenty–eight percent of employers had used the services of an FE college over that time. Of those who had used an FE college, 82% were either very or fairly satisfied with the service they had received.

Young People's Achievement: The South East achieves higher than average results in Key Stages 2, 3 and 4 examinations, with 55% of young people achieving five or more good GCSEs. As seen elsewhere in the country, girls outperform boys throughout the compulsory education phase. There are, however, significant differences in achievement between the best and worst performing LEA areas.

Post 16 achievement is also strong, with five percent more young people achieving two or more A levels than the England average. Economically active young people are also, on average, better qualified than those in the rest of the country as a whole.

Adult Achievement: Nine percent of the economically active population lack any qualifications. This figure is lower than the national average and has remained fairly constant over recent years. There are significant intra-regional differences between LLSC areas, with the share of unqualified varying from eleven percent in Kent to 7.3% in Surrey.

There is a strong correlation between age and qualifications level with many more older workers lacking any formal qualifications.

Just over sixty percent of the region's population hold level 2 and above qualifications. This is the highest percentage of any UK region. The share of the population qualified to level 2 and above has risen steadily over recent years. Whilst the share of the population holding intermediate level qualifications is fairly constant across the region, there are significant intra-regional variances between areas at level 4 and above. Nearly 12% more adults hold higher level qualifications in Surrey than in Kent and Medway.

Unlike in many parts of the UK, BME groups in the South East are, on average, better qualified than the white population. Among some BME groups the proportion with higher level qualifications is nearly twice that of the white population.

Basic Skills: It is estimated that 12% of the region's adult population have literacy skills at Entry level 3 and below. This represents the lowest proportion of any UK region, but would still mean than 580,000 adults have sub-level 1 literacy skills. The Basic Skills Agency Survey also found that 40% of adults have numeracy skills at Entry level 3 and below. If correct, this would mean that approximately two million adults would be operating at this level. Analysis shows that there is a clear correlation between deprivation and basic skills needs. Analysis of Census data for those without any qualifications shows that basic skills needs are likely to be most prevalent across the coastal fringe of the region and in Kent.

Generic Skills: There is a growing belief that whilst qualifications are reasonably easy to measure, they provide only a partial view of the skills base of an area. Responses to the latest Skills Audit provide another insight into the generic skills demands of different occupational groups. Overall, communication, job specific, customer service and team working skills are required at a good level and above. The perception of South East workers is that the average level of generic skills required is higher for higher order occupations than lower order occupations. This evidence from the supply-side of the labour market supports the views of employers which was discussed above.

The generic skills requiring the greatest improvement over the next five years are: management; IT operator; IT development; numeracy and foreign language skills.

Specific Groups: Older workers tend to remain economically active in the South East longer than in other regions of the UK. 30% of older workers believe continued skills enhancement is important to their career, although 44% of older workers have not undertaken any training for more than five years.

There are distinct differences in attitude towards learning amongst older workers. Those with higher level qualifications are much more receptive to the idea of future learning than those with low level or no qualifications.

Whilst difficult to source exact numbers, it is estimated that there are approximately 15,000 people with severe learning disabilities in the South East. There are also a further 1.2 million people nationally with mild to moderate learning difficulties, although no regional breakdowns exist. In addition, 3% of young people in South East schools have Statements of Educational Need.

Assuming a fairly constant prison population, it is estimated that 9,500 people from the South East left prison in 2003. DfES research has shown that ex-offenders have very few qualifications, have severe basic skills needs, and frequently left school early.

Recently released data shows that the South East has approximately 23,000 resident migrant workers and just over 3,000 asylum seekers. Research has shown that asylum seekers often require English language training as well as support in accrediting prior learning.

Post 16 Destinations: Overall, 94% of young people leaving compulsory education are in a positive destination twelve months later. This is three percent better than the England figure. The majority of young people (76%) remain in full time education. The percentage not in education, employment or training varies between 4.0% in Surrey and 8.4% in Berkshire.

Learner Satisfaction: 87% of young people and 89% of adults were satisfied or fairly satisfied with the quality of teaching they received in South East FE colleges. Nearly 84% of young people and 90% of adults said they were likely to participate in learning again in the foreseeable future.

Adults' Motivation To Learn: Adults identified four key reasons for their engagement in learning: personal interest; helping to do their job better; improving job satisfaction; and for social interaction.

Barriers To Learning: A majority of potential learners said there were no barriers to learning. Women were more likely to identify barriers than men. The main barriers identified were: cost of learning; lack of interest; and preferring to do other things with their spare time. Women also frequently quoted caring and family commitments as the main barrier.

Higher Education: There were more than 210,000 HE students from the South East in 2001. They were the second least likely to stay in their home region to study. HESA data shows that there remains a significant correlation between areas of affluence and HE participation.

2 Demand in Context

a. Economic Overview and Key Indicators

This report focuses on the demand for skills and learning within the South East Region. Before addressing in detail the evidence on employer and individual demand for skills and learning, it is important to look at the context of skills and learning demand. One of the main drivers of skills and knowledge is market demand for goods and services locally, regionally, nationally and internationally. It is therefore important to consider the economic structure and influences at work within the South East region before examining the implications these may have on the demand for skills and learning within the region.

Table 1: Key Indicators

Indicator	South East	England	UK	Time Period
Gross Value Added (GVA) £billion[1]	£141.9	£814.6	£951.7	2003
GVA per head £[2]	£17,565	£16,339	£15,980	2003
Disposable Income £ per head[3]	£14,265	£12,952	£12,610	2003
All Persons 16+ (000s)[4]	6,433	39,365	45,738	2004-05
All Working Age (000s)	4,941	30,452	35,324	2004-05
% of GB Working Age	14.0%	86.2%	100%	2004-05
Total in Employment (000s)[5]	4,075	24,077	28,608	Qtr 1, 2005
% of UK Employment	14.2%	84.2%	100%	Qtr 1, 2005
ILO Unemployment Rate %[6]	3.6%	4.6%	4.7%	Autumn 04
Claimant Unemployment Rate %[7]	1.4%	2.3%	2.4%	July 2005
Proportion of Claimants Unemployed for 12 months or longer	11%	12%	12%	July 2005
VAT Registrations & Deregistrations: net change[8]	2.6	NA	15.5	2003
Stock of VAT Registered Businesses (000s)[9]	285.8	1,547.2	1,810.5	End 2003
% of UK VAT Registered Businesses	15.8%	85.5%	100%	End 2003

The size, structure and the location of the South East economy means its performance is critical to the overall growth and performance of the UK economy. By almost every conventional economic measure, the South East region is one of the most successful economies in the UK, although there are tensions over the impact of continued growth on key aspects of the region's infrastructure, housing and environmental quality[10]. At over 8 million, the South East has the largest regional population, it also accounts for 15% of all the UK's business sites[11] and 14% of all employment at about 4 million, whilst also displaying the

1 ONS Economic Trends, Regional Economic Indicators, Table 1.
2 ONS Economic Trends, Regional Economic Indicators, Table 2.
3 ONS Economic Trends, Regional Economic Indicators, Table 4.
4 NOMIS, QLFS, 4 Quarter Average, Summer 04 to Spring 05
5 ONS, Economic Trends, August 2004, Regional Economic Indicators, Table 9.
6 ONS, Regional Competitiveness Indicators and State of the Regions, April 2005, Table 7
7 NOMIS, Claimant Count Data
8 ONS, Economic Trends, August 2004, Regional Economic Indicators, Table 21.
9 DTI,
10 Economic profile of the South East, 2002
11 ONS, SE Region in Figures, Winter 2004/05, Economy: Table 3.9 (IDBR)

second highest gross disposable income per head at £14,265. The region has also displayed faster than national average rates of population, labour force and GVA growth over the last decade and has one of the lowest unemployment rates for any region, with much higher than average economic activity and employment rates.

However, there are also significant intraregional variations in economic performance and prosperity, with significant levels of deprivation in some parts of the South East. The economy of the South East is also highly dependent and interconnected with that of London through commuting patterns, business and sectoral links, and transport corridors. Other areas of interconnectivity are with the South West, the South Midlands and the East of England region.

b. Economic Trends and Productivity

Gross Value Added (GVA) data rather than Gross Domestic Product (GVA plus taxes) are now produced by the Office for National Statistics (ONS) in line with the latest European System of Accounting (EAS), with estimates provided by Nomenclature of Units for Territorial Statistics (NUTS) areas. At a regional level, ONS produces income-based estimates of regional and sub-regional GVA. Regional and sub-regional estimates are partly based on sample surveys and therefore the quality of the results varies according to sample size.

The latest ONS residence based GVA data for 2003, shows that the South East has the second largest regional economy, accounting for 15.6% of the total UK economy. London is just above, accounting for 16.3% of national GVA. The next largest regional economies to the South East and London are the North West and East of England with respective shares of 10.3% and 10.0% of UK GVA.

Table 2: Total and Per Head Regional Gross Value Added Estimates, at current basic prices

Regional GVA 2003[12]					
Region	**Total (£bn)**	**Share of UK (%)**	**Growth on 2001 (%)**	**Per Head (£)**	***Per Head Index (UK=100)***
South East	148.8	15.6	4.9	18,400	*115.2*
London	155.1	16.3	2.6	21,000	*131.3*
UK[13]	951.7	100	5.0	16,000	*100.0*
England	814.6	85.6	5.0	16,300	102.2

Workplace Based Regional GVA 2003					
Region	**Total (£bn)**	**Share of UK (%)**	**Growth on 2001 (%)**	**Per Head (£)**	**Per Head Index (UK=100)**
South East	141.9	14.9	5.3	17,565	110
London	174.2	18.3	2.4	23,579	148
UK[13]	951.7	100	5.0	15,980	100
England	814.6	85.6	5.0	16,339	102

[12] ONS First Release, Regional Gross Value Added, 22 December 2004
[13] Excluding extra-regio and statistical discrepancy.

As shown in Table 2 In terms of residence based GVA per head of population the South East is significantly above the UK average of £16,000 at £18,400. This is the second highest regional GVA per head, only London is higher at £21,000.

ONS have also produced regional workplace based GVA data[14]. Associated with the high levels of commuting between the South East and London, total workplace based GVA is lower than that for residence based at an estimated £142 billion in 2002 (15% of the national workplace GVA). London has the highest workplace based total GVA with an estimated £174 billion, accounting for 18%. Per head workplace GVA figures for the South East are again slightly lower than that for residence at £17,600, with London coming out higher at £23,600.

Sub-regional data on GVA and GVA per head are available by NUTS 2 & 3 areas[15]. It should be noted that sub-regional GVA data produced by ONS are workplace based and therefore allocates income to the region in which commuters work. Due to the high levels of commuting within some areas of the South East workplace based measures of GVA may say little about the income received by the residents of an area. Latest data available are for 2002, and show that Berkshire, Buckinghamshire and Oxfordshire area has the largest total GVA output at £45,147 million and the highest GVA per head figure of £21,460. Kent displays the lowest total GVA and per head figures at £19,671 million and £12,371 respectively.

However, when looked at in a European context the performance of the South East is less impressive. Based on 1999 figures for GDP per head, the South East ranks 21st out of the highest performing 23 EU regions, although this is an improvement on 1996 when it was ranked 23rd[16]. SEEDA commissioned Robert Huggins Associates to undertake an update on the Knowledge Economy index measures during 2003. Part of this research involved ranking the South East by GDP and productivity measures compared to 39 other international regions.

Table 3: Index of GDP per Region (per capita) & Labour Productivity (per capita)

Rank GDP per Capita	**Region**	**Index 2003**	**Index 2001**	**% Annual Change**	**Rank 2001**	**Change in Rank**
1	Hartford	165.5	160.3	8.6%	1	0
18	London	102.6	106.7	4.5%	16	-2
31	South East	77.3	77.0	6.8%	34	3
40	Kanagawa	60.9	71.5	-1.7%	39	-1
Rank Labour Productivity	**Region**	**Index 2003**	**Index 2001**	**% Annual Change**	**Rank 2001**	**Change in Rank**
1	Hartford	166.1	155.5	9.9%	2	1
16	London	106.8	113.2	3.3%	11	-5
34	South East	74.4	77.3	4.4%	35	1
40	Kanagawa	59.5	67.8	-0.4%	40	0

Source: Robert Huggins Associates, Global Index of Knowledge Economies 2003

According to the index above the South East economy has increased its international rankings for both GDP (workplace) per capita and labour productivity per capita. However, it

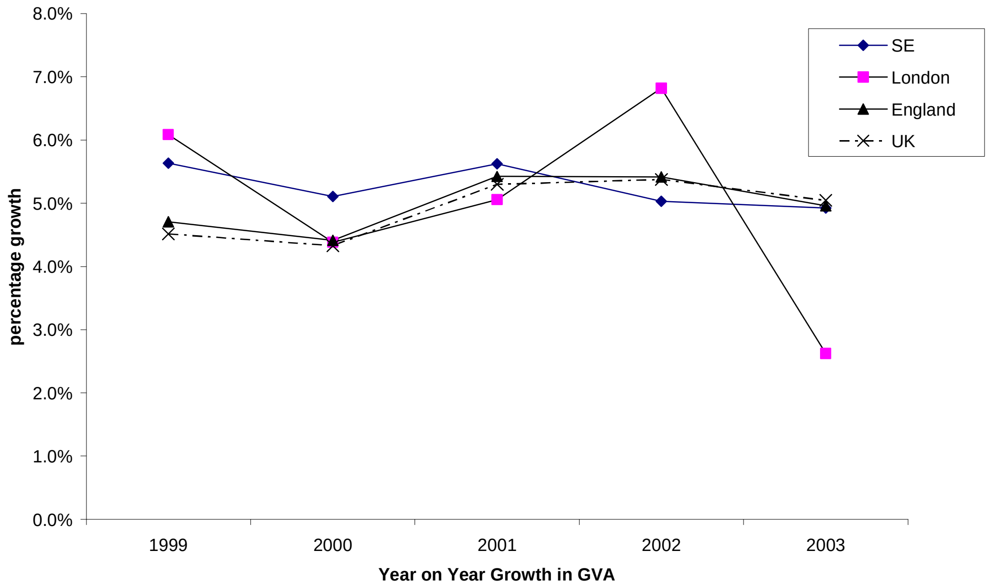
[14] ONS First Release, Regional Gross Value Added, 22 December 2004 – Table 4
[15] ONS, SE Region in Figures, Winter 2004/05, Economy: Table 3.1
[16] SEEDA, 'An Economic Profile of the South East' 2002

is still in the bottom half of the international rankings and remains significantly below the London ranking despite some slippage for London between 2001 and 2003.

Past Economic Growth

In a UK context, the South East economy has performed well, outperforming the national economy and that of London over the last decade. South East GVA has grown by 29% from 1999 to 2003, with average annual growth for the South East of 5.3%, against London's 4.7% and the UK's 4.9%[17].

Chart 1: Gross Value Added, 1999-2003



Source: ONS First Release, Regional Gross Value Added, 22 December 2004

Predicted Economic Growth

At the England and UK levels, the forecast trend is for a reduction in the rate of output growth over the period from 2004 to 2014, compared to that recorded over the previous decade. Annual output growth is projected to be strongest in the South East at 2.8%, followed by London (2.7%), the East of England (2.6%) and the South West (2.4%). These regions in southern England are the only ones where projected GDP growth is at or above the national average.

Table 4: Long Term Changes in Gross Domestic Product

Region	**2004-2014**
South East	*2.8*
UK	*2.4*
England	*2.4*

Source: CE/IER estimates – Working Futures II, Spatial Report, 2005.

[17] ONS First Release, Regional Gross Value Added, 22 December 2004

Exporting of Goods

The South East exported £29.2 billion worth of goods in 2004, the highest of all regions[18]. In the four quarters of 2003, there was an average of 3,306 South East companies exporting within the EU and 12,658 companies exporting to non-EU countries[19]. 52% of the total value of South East exports were destined for the EU, below the UK proportion of 56%.

Expenditure on Research and Development

Research & Development (R&D) expenditure is an indication of the employers' drive to create and develop products and services which have high added value. Sufficient R&D is vital if regional firms are to continue to innovate and deliver new products and processes, thereby creating and retaining the demand for high levels of skills and knowledge. The South East accounted for 22.5% (£4.3 billion) of all UK expenditure on R&D in 2002[20] . As a percentage share of GVA, South East R&D expenditure at 2.3% is well above the national average of 1.4%, and second only to the East of England at 3.4%. For manufacturing businesses R&D expenditure accounted for 13.7% of their total GVA, again second only to manufacturing R&D expenditure in the East of England at 14.9% of GVA[21]. Table 5 shows the results of a SEEDA commissioned report[22] which ranks the South East 9th in public/government R&D expenditure per head and 19th for business R&D expenditure. This compares favourably to London which only ranks 32nd for government R&D expenditure and 39th for business R&D expenditure.

Table 5: Index of Government and Business R&D expenditure by Region (per capita)

Rank Gvt R&D	**Region**	**Index 2003**	**Index 2001**	**% Annual Change**	**Rank 2001**	**Change in Rank**
1	Washington	605.8	598.2	3%	1	0
9	South East	146.0	142.4	4%	9	0
32	London	36.8	38.9	-1%	31	-1
40	Tokyo	5.0	5.2	0%	40	0
Rank Business R&D	**Region**	**Index 2003**	**Index 2001**	**% Annual Change**	**Rank 2001**	**Change in Rank**
1	Boston	232.5	278.7	-6.1%	1	0
19	South East	88.3	80.6	7.6%	24	5
39	London	24.7	24.4	3.4%	39	0
40	Hong Kong	2.5	1.9	16.2%	40	0

Source: Robert Huggins Associates, Global Index of Knowledge Economies 2003

18 ONS, Regional Competitiveness Indicators and State of the Regions, April 2005, Table 4(a)(i) – includes double-counting of companies exporting within and outside EU
19 ONS, SE Region in Figures, Winter 2004/05, Economy: Table 3.5
20 ONS, SE Region in Figures, Winter 2004/05, Economy: Table 3.8
21 ONS, Regional Competitiveness Indicators and State of the Regions, April 2005, Table 14(a)
22 Robert Huggins Associates, Global Index of Knowledge economies 2003

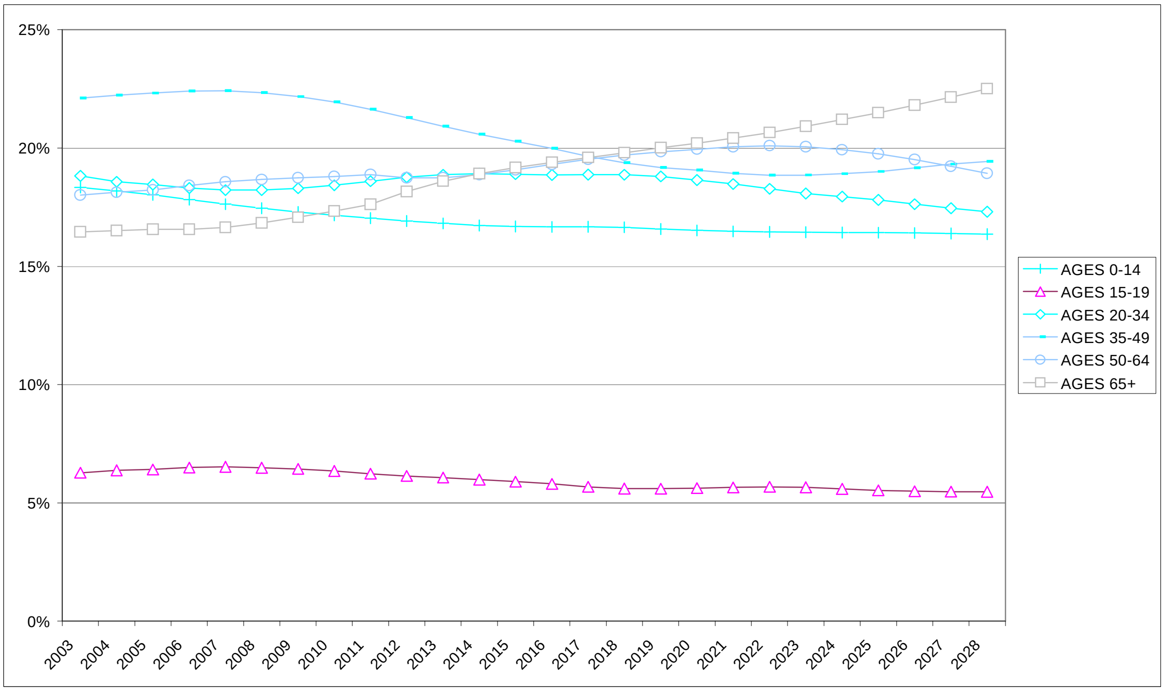
c Population (now and trends)

The population of the South East stands at approximately 8.17 million in 2005[23]. It is projected to rise by 5.6% to 8.62 million by 2015.

Regional population growth is attributable to one-third indigenous growth and two-thirds inward migration.

The population is projected to rise by more than 10% in 11 local authority areas between 2003 and 2015: Ashford, Eastbourne, Milton Keynes, Shepway, Cherwell, Canterbury, Isle of Wight, Arun, Swale, Oxford and Elmbridge.

Chart 2: Population Age Structure 2003-2028



Source: 2003-based Subnational Population Projections

Chart 2 shows how the share of the total regional population for particular age groups is projected to change over the timeframe of the population predictions. Overall, the age profile of the South East closely follows the national patterns, with a slow upward trend in average age.

Table 6: ONS, 2003-Based Subnational Population Projections, 2005

Population (000s)					2005-2010		2005-2015	
	2003	2005	2010	2015	change	% change	change	% change
AGES 15-19	506.7	523.7	532.8	508.6	9.1	1.7%	-15.1	-2.9%
AGES 50-64	1455.5	1488.8	1577.1	1644.6	88.3	5.9%	155.8	10.5%

Source: ONS, 2003-Based Subnational Population Projections, 2005

[23] ONS, 2003-Based Subnational Population Projections, 2005

The proportion of 15-19 year olds in the population is projected to fall slightly and the number of young people is projected to fall by 2.9% over the next 10 years.

The proportion of older workers (aged 50-64 years) in the population is predicted to rise and the number of older workers is projected to increase by just over 10% over the next 10 years.

The 2001 Census found that over 95% of the South East population are white. The regional Black and Minority Ethnic (BME) population is the smallest of any region in the UK. Amongst the non-white groups the largest ethnic populations are Indian (23%), Pakistani (15%) and Chinese (8.5%).

The region's ethnic minority communities are highly concentrated in certain areas of the region: Slough – 36.3%, Southampton – 7.6% and Windsor and Maidenhead – 7.6% of the population.

d Deprivation and Economic Inactivity

The Indices of Multiple Deprivation (IMD) consist of 7 domains, each of which measure a number of indicators relating to services and performance within an area. These scores are combined to produce the Indices of Multiple Deprivation or can be analysed alone. The IMD produces results for each Super- Output Area (SOA).

As a region, the South East has the smallest share of deprived SOAs in the country. As can be seen from Table 7 only five percent of the region's 5,319 SOAs are in the most deprived 20% of SOAs nationally. However, it should not be forgotten that 409,000 people live in these 271 SOAs recognised as being amongst the most deprived. Conversely, the region has more than 40% of its SOAs included in England's 20% least deprived SOAs.

Table 7: Number of SOAs in the most deprived 20% of SOAs in England on the IMD 2004, by Government Office Region

	Number of SOAs in most deprived 20% of SOAs in England	Number of SOAs in the Region	% of SOAs in each Region falling in most deprived 20% of SOAs in England
East	220	3550	6.2
East Midlands	482	2732	17.6
London	1260	4765	26.4
North East	631	1656	38.1
North West	1461	4459	32.8
South East	**271**	**5319**	**5.1**
South West	278	3226	8.6
West Midlands	917	3482	26.3
Yorkshire and the Humber	976	3293	29.6
Total	6496	32482	20.0

Source: Index of Multiple Deprivation (IMD) 2004. ODPM

While overall it is clear from the Index of Multiple Deprivation 2004 (IMD) that the South East cannot be considered a deprived region, within the region there are isolated pockets of deprivation that are discernable. Map 1 shows those SOAs in the South East that are among the worst 20% in the country. As can be seen the majority of the 271 most deprived SOAs are along the coastal fringe of the region and in Kent. Only the Surrey LSC area has no deprived SOAs at all.

Reviewing just the education domain of the IMD 2004, which includes indictors such as percentage of the population with no qualifications and the percentage achieving five good GCSEs, it is clear that the distribution of education and skills deprivation is far more prevalent and widespread than the overall deprivation score would lead the reader to believe. Using this domain, there are more than 500 SOAs in the South East that are amongst the lowest 20% of SOAs in the country. Map 2 shows the distribution of South East SOAs in the bottom 20% of the education domain. As can be seen, there are low levels of educational attainment in areas throughout the region and in all of the local LSC areas.

e Geographic zones

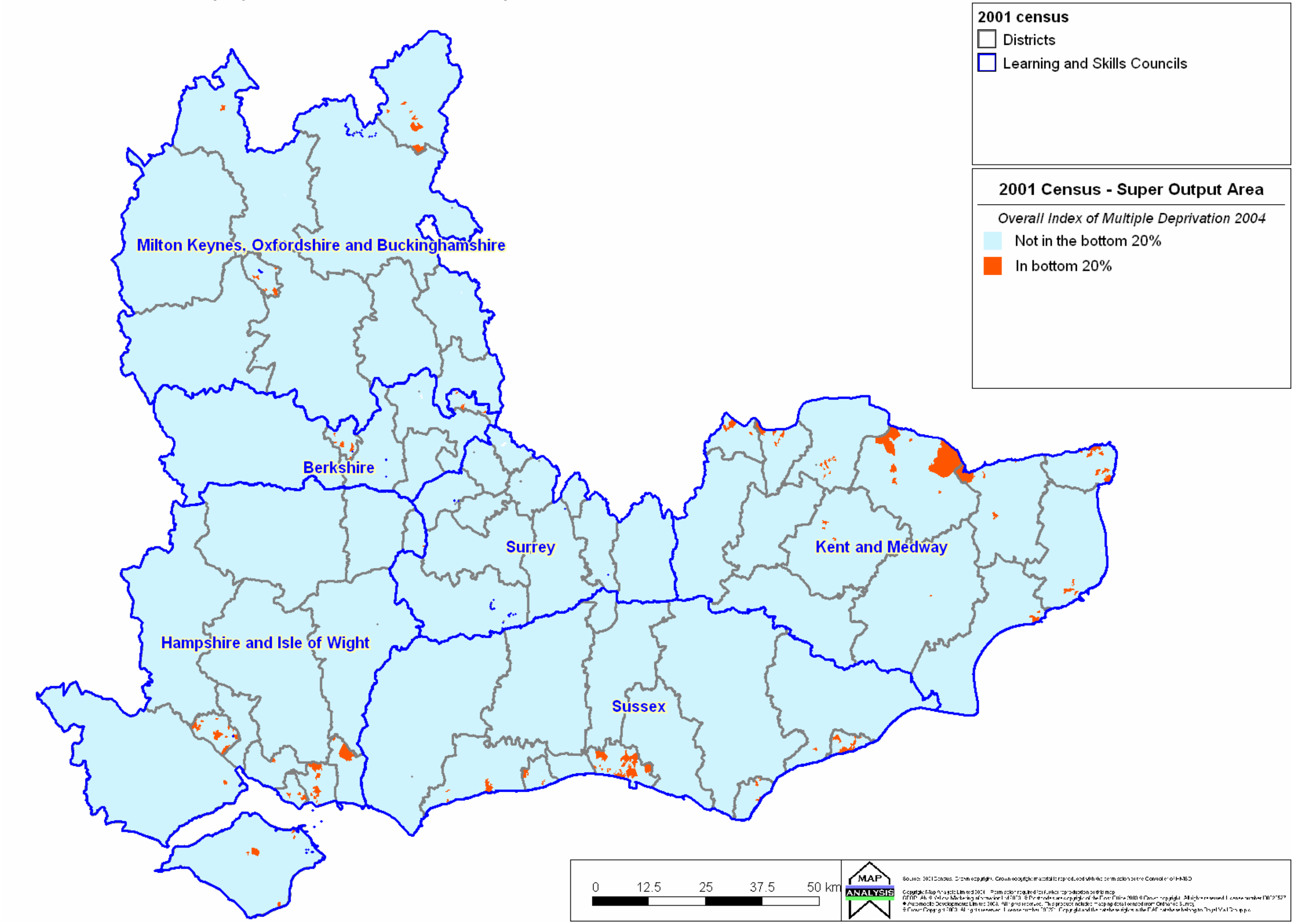
In order to facilitate policy development and to target funding, the Region has a number of geographic disaggregations in addition to the LSC and local authority boundaries that are generally discussed throughout this report. As part of the South East Plan (currently in development and will run to 2026), nine sub-regional strategy areas have been defined, each of which will have a sub-regional strategy. The nine sub-regions[24] do not cover the whole of the South East Region between them and are:

- Central Oxfordshire
- East Kent and Ashford
- Gatwick Area
- Kent Thames Gateway
- London Fringe
- Milton Keynes and Aylesbury Vale
- South Hampshire
- Sussex Coast
- Western Corridor and Blackwater Valley.

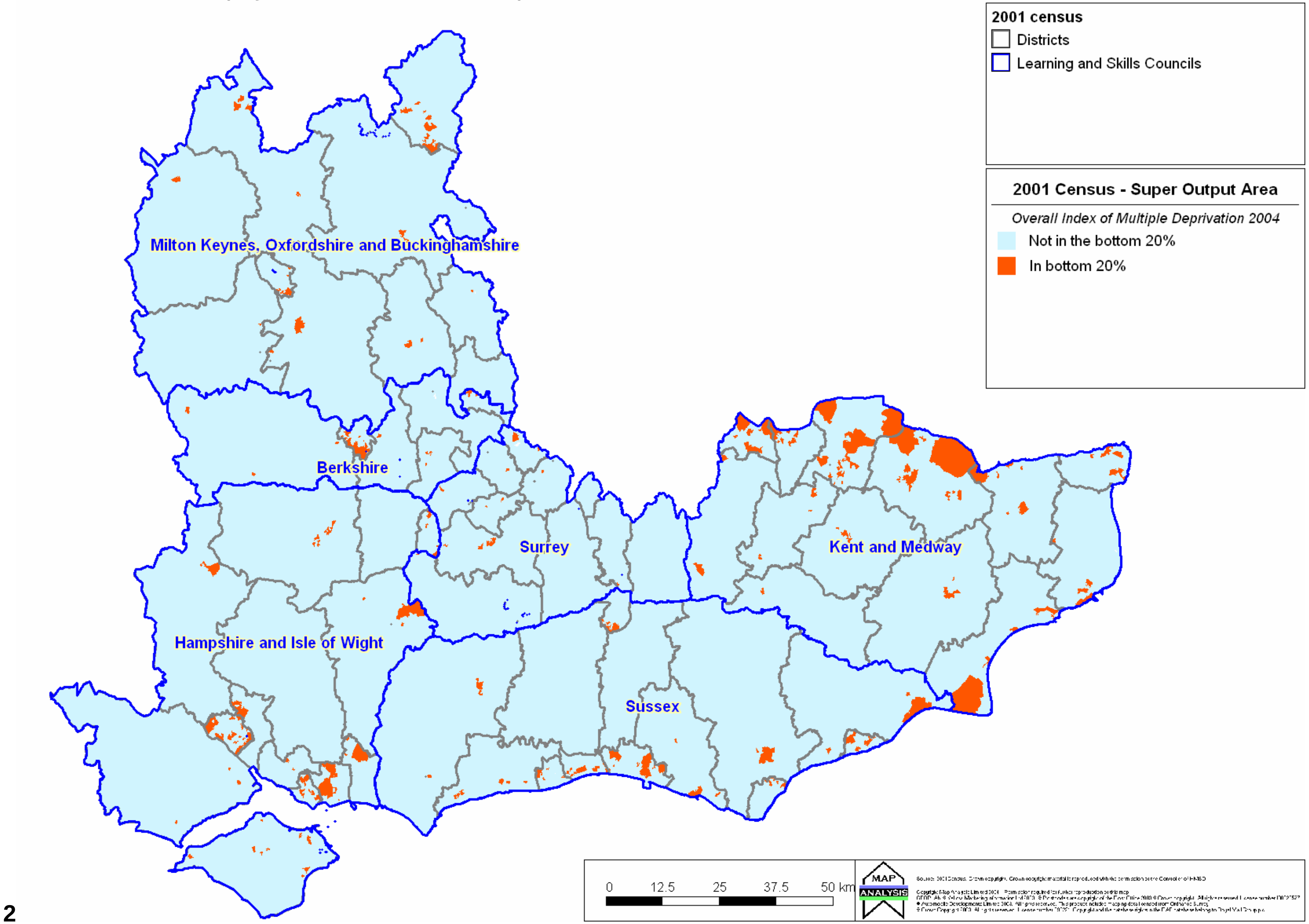
[24] A clear vision for the South East – update on the South East Plan, Number 4, September 2004, South East England Regional Assembly.

Map 1 **Overall Index of Multiple Deprivation 2004**

Source: Office of the Deputy Prime Minister, Indices of Deprivation 2004



Indices of Multiple Deprivation 2004: Education, Skills and Training Domain
Source: Office of the Deputy Prime Minister, Indices of Deprivation 2004



Map 2

SEEDA's Corporate Plan set a number of spatial priorities and identified the following parts of the region that require particular policy approaches:

- The Thames Gateway (see below)
- Priority Areas for Economic Regeneration – where the task is to tackle deprivation
- The Western Policy Area – where they will build on existing economic strengths
- Potential Growth Areas – where the intention is to concentrate growth within the Thames Gateway, at Ashford and Milton Keynes.

The Corporate Plan then identifies nine priority regeneration areas, which differ slightly from the nine sub-regional strategy areas above. The regeneration areas are:

- Thames Gateway Kent
- East Kent – including the former East Kent Coalfield
- Channel Corridor
- Coastal East Sussex (with Hastings and Bexhill as a special area within that)
- Brighton and Hove
- Coastal West Sussex
- Portsmouth and South East Hampshire
- Southampton
- The Isle of Wight

There are also a number of specific geographic areas that have common features and should be highlighted as they will require consideration when developing policy. The geography of challenging areas has not changed significantly over the past 20 years, with poorer areas in the east and on the coast, and the more prosperous areas to the west and north of the region. This is linked to the underlying economic structure and history of the region.

Coast and ports

The Index of Local Deprivation 2000 shows that many of the coastal towns of the South East contain significant pockets of deprivation. There are 29 wards in the South East that are among the 10% most deprived wards in the country and of those 83% (24) are in coastal areas. Looking more widely at the 20% most deprived wards in the country; there are 119 in the South East, of which 79% (94) are in the coastal areas. Thanet (13 wards) and Hastings (11) feature strongly in this, which maps closely to the ESF Objective 2 area in the South East. However other coastal towns and cities also have deprived areas, notably Folkestone, Dover, Brighton, Southampton, and Portsmouth, while the two island areas of Swale and the Isle of Wight also feature.

Objective 2 area

The South East Objective 2 area covers two coastal areas. The Hastings Objective 2 area covers 7 wards in East Sussex with a population of nearly 34,000, while the Thanet Objective 2 area covers Thanet District and Sandwich ward in East Kent and covers just fewer than 132,000. Thanet was in receipt of Objective 2 funds from 1994.

These areas are characterised by higher unemployment, poor transport links, and poor links to national markets. Thanet and Hastings have particular issues around low incomes, low employment and poor health. Forecast employment growth in Thanet is forecast to be less than 1.1% per annum without sustained development[25].

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[25] South East Regional Skills for Productivity Alliance Proposal, Action South East Partnership.

The Thames Gateway

The Thames Gateway is an artificial zone created from parts of East London, Essex and Kent bordering the Thames estuary. It runs from Westferry in the west to Southend-on-Sea and Sittingbourne in the east, and since the mid-1990s has been identified as an area with huge potential for economic growth which can relieve the growth pressures around the other 3 sides of London. There have been substantial housing and commercial developments (Bluewater), and more is planned. Much of the development land is being reclaimed from former industrial sites. In turn this is helping to regenerate the areas, some of which have suffered as the traditional industries have declined. There are pressures on the local physical and social infrastructure to keep pace with the developments in the Gateway. London winning the 2012 Olympic bid will also incorporate some work in the Thames Gateway area.

Rural areas

In common with other affluent areas, there are pockets of deprivation across rural areas covering communities and individuals who are not able to profit from the prosperity around them due to lack of access to amenities or similar issues. House prices have reduced the amount of affordable housing available to local people, while village shops and services continue to disappear. East Kent is a former coalfield area, and requires concerted regeneration.

Milton Keynes and South Midlands

In 2002 a major study[26] reported on the Milton Keynes and South Midlands area, which stretches across 3 regions and incorporates parts of Northamptonshire and Bedfordshire. This study looked at how best to plan housing and economic growth across the area to ensure that development was sustainable but would also maximise economic benefits. It advocated close partnership working between RDAs and local authorities to help ensure that effective delivery mechanisms were in place.

Ashford Growth Area

Ashford has been targeted as a growth point in Kent for a long time, featuring as a medium growth point in the Strategic Plan for the South East of 1970, and showing similar roles in Kent Structure Plans since then. It was allocated £11.4m Communities Plan funding in 2003 to help facilitate the development of 31,000 new homes and 28,000 new jobs by 2031[27]. Given that this will mean that the population has the potential to double over the next 30 years, this will impact on the local learning infrastructure.

f Housing

i Provision

The issue of housing, both in terms of meeting increasing demand and affordability, is clearly amongst the most pressing issues facing the region.

The regional rate of homeownership is the highest in the country: 75% of homes are owner occupied. Of the rest,13% are rented from either a local authority or registered social landlord and 11% are privately rented.

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[26] Milton Keynes and South Midlands, Final Report of Study, September 2002, Roger Tym & Partners.
[27] RPG9 Proposed Alterations – Ashford Growth Area, Panel Report, February 2004.

According to data from the Halifax Building Society the average house price in 2002 was £193,000, which was second only to London in terms of cost. Homeowners spend an average of £64 per week on housing costs, which is 30% higher than the national average.

Private rents are the second highest in the country and average out at £115 per week. Local authority and registered social landlord rents are more affordable but are still considerably higher than in other regions, and the available stock is clearly finite and facing considerable excess demand. Data from local authority housing departments[28] shows that there are twenty-five authorities in the south east with more than two thousand households on their housing registers.

Data from the 2001 Census also shows that there were 14,000 homeless households in the South East region at that time.

Regional Planning Guidance for the South East calls for approximately 31,000 new home completions each year. New housing completions are currently running at approximately 24,000 per annum across the South East. This is some 7,000 less per annum than is predicted in regional planning guidance as necessary to meet demand. Over 11,000 of those new homes that were built in 2002 were in the counties of Kent and Hampshire.

ii Affordability

The South East Regional Housing Strategy identified three priority groups within society that need particular support in the housing market: key workers; homeless and those falling under the supporting people banner. Work by the Joseph Rowntree Foundation found that 22 of the 40 least affordable local authority areas for key workers to buy homes in are located in the South East region.

Work by the Joseph Rowntree Foundation also mapped out the scale of the affordability problem facing many in the South East housing market[29]. While the average house price to income ratio for the UK as a whole is 3.4:1 in the South East the ratio is 4:1. It also found that there are no local authority areas in the region where an average earner can afford an average priced terrace house on single earnings alone.

It is estimated that of the 24,000 new homes completed each year only around 4,000[30] are in the category defined as 'affordable'.

The lack of affordable housing clearly has implications for those trying to recruit to fairly lowly paid jobs, and in retaining young workers who may well be put off working in the region if they are unable to get a foot on the housing ladder. The relatively high cost of rents may well also act as a disincentive to those in receipt of housing benefit who are considering moving from economic inactivity to paid work.

g Transport and Connectivity

There is growing evidence to suggest that the transport infrastructure within the South East is under such pressure it is seriously threatening to undermine the current competitive

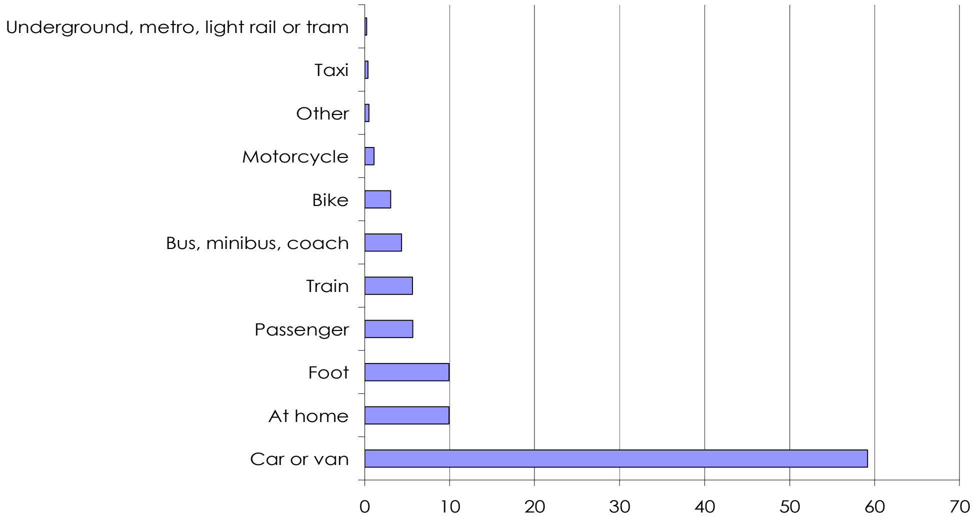
[28] SE Regional Housing Strategy
[29] Affordability differences by area, JRF, May 2003
[30] Regional Monitoring Report 2003

advantage of the region. The following statistics from the 2001 Census provide a snapshot of the current situation relating to transport and infrastructure.

The total miles travelled by car and other private road vehicles in the region accounts for over 80% of the total distance travelled[31]. However, given the polycentric and rural nature of the South East and the lack of a single dominant centre (excluding London) it is not surprising that car travel dominates. It is important to bear in mind the intra-regional variations within these figures and the proximity of London which has a significant impact. Unsurprisingly, transport connections with London are well developed while orbital routes are significantly less so[32]. In both urban and rural areas in the South Coast and in the East of the region areas of poor accessibility[33] remain.

i Travel to work

Chart 2: Mode of Transport to Work Within the South East



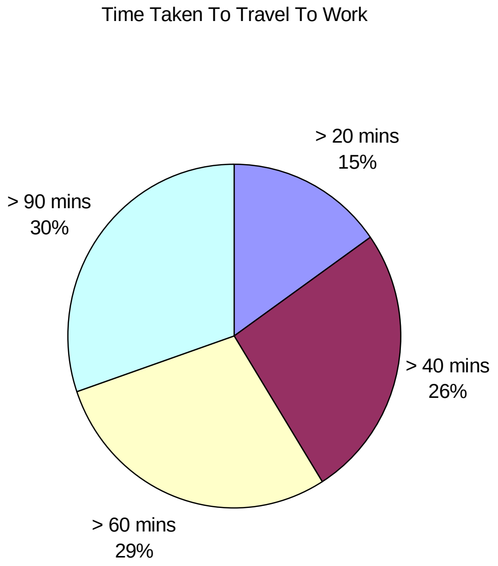
Source: Census 2001

Car is the main mode of transport for travelling to work, with 59% of employees using this method, substantially fewer people travel by bus in the region (4.4%) compared to the national average. Just under 6% travel by train with 10% walking to work.

Of those that work in the South East, the total time taken to travel to work is illustrated in the Chart 3, producing a mean travelling time of 24 minutes[34]:

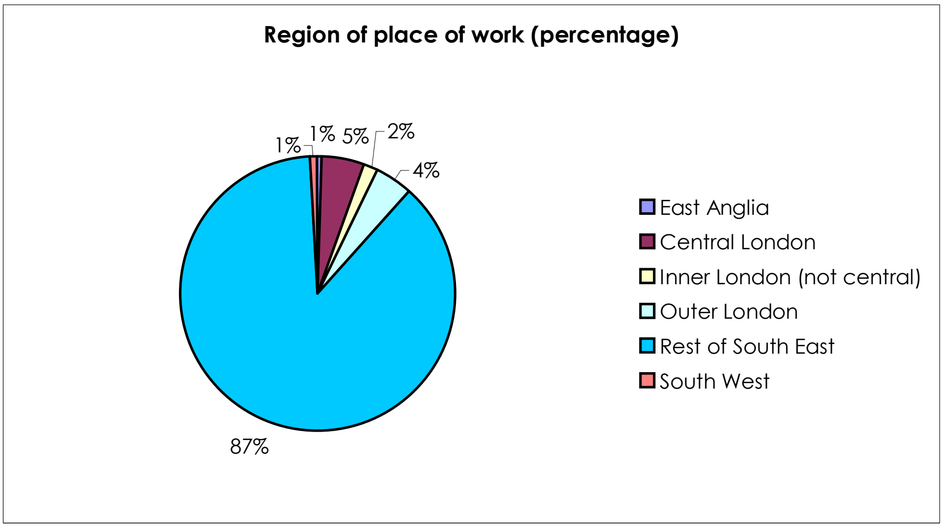
31 SERA Regional Monitoring Report 2003
32 Draft Regional Transport Strategy, South East Regional Assembly January 2003
33 Economic Profile of the South East. SEEDA
34 A target has been included within the Regional Economic Strategy to reduce this time

Chart 3: Time Taken to Travel To Work



Source: Travel to work destinations - LFS 2003

Chart 4: Region of Place of Work



Source: Labour Force Survey 2002

According to the Labour Force Survey (LFS) 87% of people who live in the South East region also work there. The only significant flow out of the region to work is to London which accounts for, collectively, 11% of the South East workforce.

ii Access

The South East has the largest proportion of its households who have access to one or more cars at 83% compared to a Great British average of 74%[35]. Car ownership is the highest of all the regions at an average of 1.2 cars per household against an average of 1 per household in the rest of GB. 17% of households are, however, car less[36].

Although the South East remains one of the areas with the lowest access to bus services, it witnessed the greatest increase in accessibility of any region between 1992 and 2002 from 68% of the population to 88%[37].

The South East also saw the greatest increase in traffic on major roads between 1993 and 2002 with a 24% rise[38]. The overall increase in Great Britain was 20%.

Just under half (49%) of all rail journeys are to London with virtually all of the remainder being within the South East region[39]. This would mean than 3% of the regional workforce travel to London by train daily.

Average weekly expenditure on private transport is higher in the South East than any other region with expenditure on motoring averaging £74.27 per car or van – which equates to over 60% more than that spent in Yorkshire and Humberside.

The Regional Transport Strategy recognises that the transport system in the South East has a finite capacity and while the aim may be to increase this capacity, this must be done in the light of financial, social and economic considerations of the region.

Information Computer Technology

The level of computer access within the region is shown in Table 8. It can be seen that computer access at home is consistently higher than that at work. Surrey LSC area has the highest access levels at both home and work. The difference in access across the region reflects differing industrial and occupational structure.

Table 8: Levels of Computer Usage By LSC Area (percentage)

	SE Region %	Berks %	Hants / IOW %	Kent & Medway %	MKOB %	Surrey %	Sussex %
All with Computer Access	81	82	79	74	85	85	84
Access At Home	73	75	71	67	75	77	77
Access at Work	39	44	37	32	39	45	40

Source: South East Regional Skills Report. Wirthlin Europe 2004

35 Regional Trends 38. ONS
36 *ibid*
37 Regional Trends 38. ONS Counted by households within 13 minutes walk of a bus stop with a service running at least once an hour
38 Regional Trends 38. ONS
39 Strategic Rail Authority 2001

British Telecom cites that high speed internet access is available in 95.8% of the South East. Table shows results from the 2004 Skills Audit[40] focussing on levels of internet access (as opposed to coverage).

Table 9: Internet Usage

Access Location	Percentage
All with Internet Access	74
Home Internet Usage	65
Work Internet Usage	33
Internet Usage Elsewhere	7

Source: South East Regional Skills Report. Wirthlin Europe 2004

Despite the potential of ICT and Broadband to allow for far more flexible patterns of work and reduction in travelling time, there is, as yet, no evidence of a reduction in demand for either public or private transport.

Transport and Competitiveness

Fifty-one percent of companies within the region believe that transport issues are having a negative impact on their performance[41]. This view is held across the region, with businesses away from the more congested western areas being just as likely to report this as an issue. All believe that the problem will increase over the next five years. The main problems cited were:

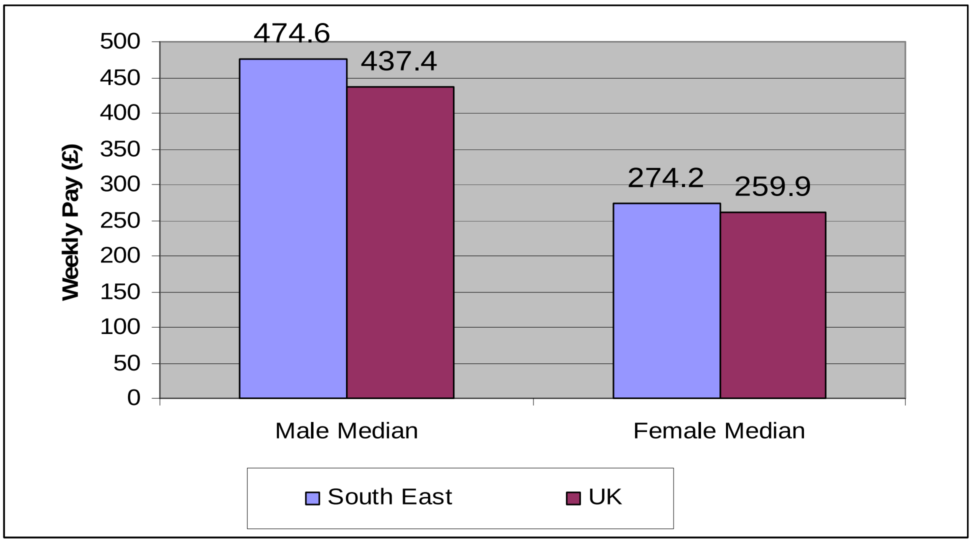
- Poor local transport facilities, producing a barrier to employment and potential consumers
- The current congestion charges and road tolls and the potential expansion of these

h Earnings & Income

Characteristics of pay differentials between gender, industry and occupation within the region, mirror those that are evident at a national level.

[40] South East Regional Skills Report. Wirthlin Europe 2004
[41] Business Needs Competitiveness Survey 2003. Skills Insight

Chart 5: Average Weekly Pay in the South East Compared to the UK



Source: 2004 Annual Survey of Hours and Earnings

In summary, the above chart shows:

- Male earnings in the region are 8.5% higher than the national average
- Female earnings in the region are 5.5% higher than the national average

Within the region, female wages are 42.2% lower than males – which is comparable to the differential witnessed across the whole of the UK.

However, there is much diversity across the region:

- Within Windsor and Maidenhead Unitary Authority area the median earnings are £497.00 per week which is 27.6% above the South East median wage and 43.3% above the national average.
- Within Wokingham Unitary Authority area the median earnings are £465.3 per week, 19.5% higher than the South East median and 34.1% higher than the national median.

There is also evidence of areas of low pay:

- The Isle of Wight has an average weekly wage of £270.4, which is 30.6% below the South East average and 22.1% below the national average.

Wage Differentials by Occupation[42]

Wage differentials between men and women are greatest in:

- Elementary occupations – where the average female wage is 59.5% of the male wage
- Skilled trades occupations – where the average female wage is 45.9% of the male wage

Least difference is evident is:

- Professional occupations – where women's pay is 23.0% lower than the male wage

[42] New Earnings Survey - 2003

- Administrative and secretarial – where women's pay is 19.6% lower than the male wage.

Disposable Income

A further indicator of the wealth of the region, can be measured by the level of disposable income which is left for households to enjoy. The following table shows the average gross household disposable income in the South East compared to the UK average.

Table 10: Gross Disposable Household Income by Region 1999

	£ Per capita	Index UK=100
UK	10,142	100
South East	11,055	109

Source: Regional Accounts ONS

The level of disposable income in the region is second only to London which has a level of £12,207 (index=120). Disposable income is lowest in the North East and Northern Ireland.

However, It has been argued that when the cost of living taken into account, disposable income is one of the lowest in the UK[43].

When asked whether the cost of living locally has a significant or very significant impact on businesses, 32% of companies across the region believe it has[44]. This is higher in the Western sub-regions and Sussex, slightly lower in Hampshire and the Isle of Wight (30%) and considerably lower in Kent and Medway (21%).

Benefits

The South East has the smallest share of the working age population claiming any Key Benefit[45], at only 8.9% compared to a GB average of 13.9%[46].

There were, however, 228,000[47] people in the South East of working age claiming either Incapacity Benefit (IB) or Severe Disability Allowance (SDA) in 2003. This equates to 4.6% of the total working age population. Of the 228,000 claimants 58% were men and 42% women.

The share of the working age population claiming IB in the South East varies considerably between local authority areas. Hastings has, for example, a rate of 10.4% of the working age population claiming IB, which is more than double the regional average. Other areas of high levels of claimants include: Thanet (9%); Isle of Wight (7.8%); and Brighton and Hove (7.5%). Conversely, Hart, Surrey Heath and Wokingham all have claimant rates that are below half the regional average.

Whilst many of the people claiming Incapacity Benefit are genuinely unable to work there is a growing realisation and acceptance that there is a significant proportion who could, if properly supported, re-enter the labour market. Given the extremely tight regional labour market in the South East it would seem highly desirable to re-engage as many IB claimants as possible.

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[43] Voice, SERA. Spring 2004
[44] Business Needs/Competitiveness Survey 2003, Skills Insight
[45] Key benefits include unemployment, disability, lone parents
[46] DWP key benefit claimant data 2003
[47] DWP 2004 incapacity and SDA benefit data

3 Employer Demand for Learning and Skills

a Economic Activity

The South East Economic Activity Rate[48], (percentage of the working age population who are employed or unemployed but wanting to work) is currently 82.0%, which is substantially higher than the UK average of 78.0%. The Employment Rate, i.e. those actually in paid work, in the South East is also higher at 78.9% than the UK average of 74.2%

Some intra-regional variations are as follows:

Economic activity – working age

- Eastleigh has the highest economic activity rate at 87.8%, followed by Cherwell (87.0%), Rushmoor (86.9%), West Oxfordshire (86.3%) and Worthing (86.2%)

- Oxford has the lowest economic activity rate at 73.7%, followed by Hastings (76.6%), Canterbury (76.7%), Shepway (77.4%) and Portsmouth (77.4%)

Employment Rate – working age

- Eastleigh has the highest employment rate at 85.0%, followed by Worthing (84.7%), Cherwell (84.1%), Fareham (83.8%) and West Oxfordshire (83.7%)

- The lowest employment rates are evident in Oxford at 70.0%, followed by Hastings (72.0%), Portsmouth (72.3%), Canterbury 73.7%) and Dover (73.8%)

Activity Rates by Age

Analysis of economic activity for those aged between 50 and retirement age shows that activity rates vary considerably between areas. The highest economic activity rate for this group is evident in Winchester at 86.1%. Winchester also has the highest employment rate (84.0%) within this age group for the South East region.

At the other end of the scale, with 24 percentage points difference, Shepway has the lowest economic activity rate in the region at 62.1% and an employment rate of 58.8% within this age group.

The chart below shows the economic activity rate of working age people and of those aged 50 – retirement by LSC area.

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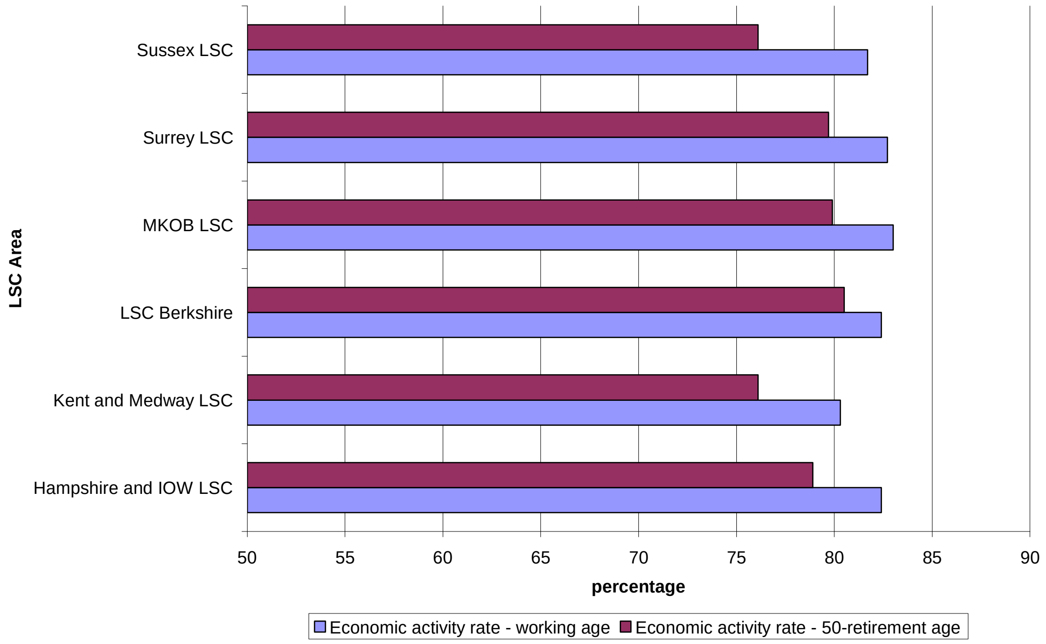
48 Economic Activity Rate 16-59/64. Annual Population Survey, December 04. ONS. Activity rate of 16-59/64

Chart 6: Economic Activity Rate of working age people and those aged 50-retirement



Source: Annual Population Survey December 2004

Self Employment

Approximately 14% of working age adults in the South East is classified as self-employed, which equates to roughly 564,000 people. 72% of the self-employed are male and 28% female. These figures mirror the national picture and have remained stable for a number of years.

According to the Annual Population Survey, 65% of the self-employed work in the service sector, 25% in construction, & 7% in manufacturing. The remaining 2% work in the primary sectors.

Working Patterns[49]

According to the LFS only 18% of male and 26% of female workers enjoy flexible working patterns such as annualised hours, term time only contracts etc. These rates are almost exactly the same as the UK average.[50]

Overall 4.5% (equalling 182,000) of employees in the South East had a second job; this was the second highest level in the country behind the South West. Women were nearly twice as likely to have second jobs than men.[51]

Overall South East full time workers work an average of 43.6 hours per week, which is almost exactly the same as the UK average. As can be observed in other regions those at

[49] Labour Force Survey 2003
[50] Figures are subject to 2005 update
[51] ibid

either end of the occupational spectrum, i.e. senior managers and those in elementary occupations, tend to work the longest hours.[52]

According to the LFS the South East has the least unionised workforce in the country, with only 21% of workers belonging to a TU. This is nearly eight percentage points lower than the UK average. This lower level of unionisation is apparent across both the public and private sectors.[53]

Earnings

The median gross weekly earnings for United Kingdom full-time employees were £423. London tops the regional list in terms of median full time gross weekly earnings, with £545 in April 2004. This was £94 higher than the South East region (the second highest region in the UK) where median gross weekly earnings were £451. London's high levels of pay are attributed to the fact that high proportion of London's labour force is employed in higher paying industries and occupations, and also because many employees are entitled to allowances for working in the capital.[54]

ii Unemployment

Unemployment in this section is measured by the Claimant Count, that is the number of people who are out of work and claiming unemployment related benefits, mainly Job Seekers Allowance (JSA), plus those who claim only the National Insurance credit element. Unemployed people are classified using the International Labour Organisation (ILO) definition, which is 'anyone who is out of work and wants a job and is available to start work in the next two weeks and has looked for work in the last four weeks'.

The South East and the South West regions have the lowest unemployment rate at 1.4%[55]. The total number of unemployed people was 71,223 – there were 5 UK regions with a higher total number of unemployed people than the South East.

With an July 2005 UK unemployment figure of 2.4%[56], the following areas within the South East have rates equal to, or higher than, the UK average, with the highest rates being apparent in the coastal areas.

- Thanet – 3.4%
- Brighton and Hove – 3.0%
- Hastings – 3.0%
- Shepway – 2.6%
- Eastbourne – 2.5%
- Gravesham – 2.5%
- Dover – 2.4%

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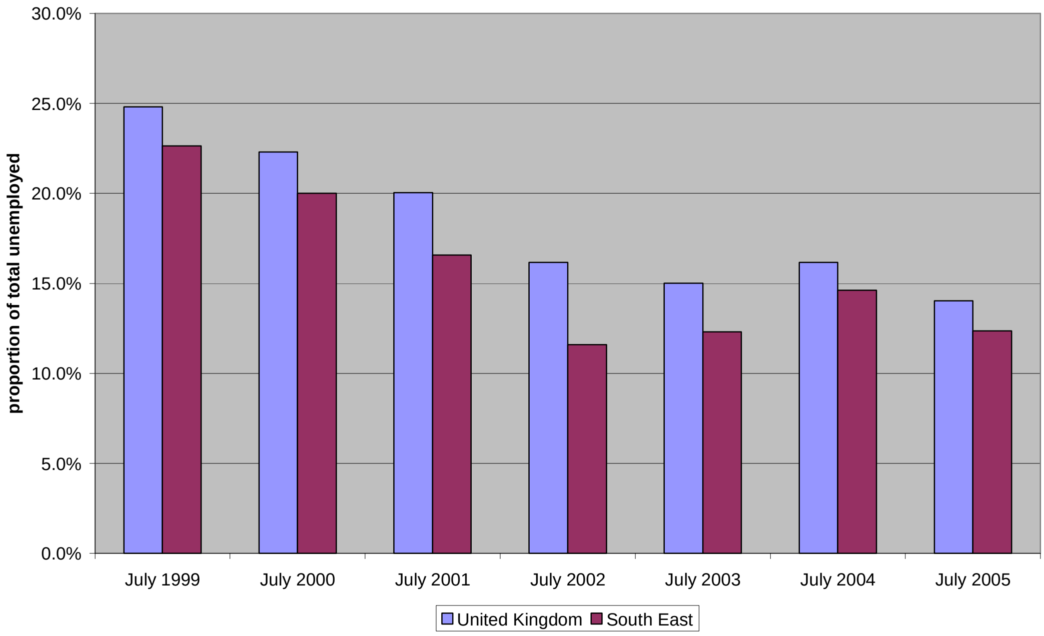
[52] ibid
[53] ibid
[54] Source: ONS Labour Market Trend - September 2005.
[55] Claimant Count ONS July 05
[56] *ibid*

Analysis of the unemployment figures shows near full employment (unemployment rate just over or below 1%) in Surrey, Berkshire, Oxfordshire and parts of Hampshire.

Long term Unemployment[57]

Chart shows the share of total unemployment accounted for by those unemployment for 12 months or more within the South East and the UK. The differential between the UK and the region has been decreasing since 2002 and is down from 4.6 percentage points in 2002 to 1.7 percentage points in 2005. Between 2004 and 2005, there has been a decrease in the proportion of long term unemployed in both the region and the UK of 2.2 percentage points.

Chart 7: Long term (12mths+) and Total Unemployment Within the South East and UK 1999 - 2005



Source: Claimant Count. ONS July 2005

12.4% of unemployed claimants in the South East region have been unemployed for 12 months or longer, with the highest proportions to be found in:

- Brighton and Hove at 25.5%
- Wycombe at 21.2%
- Eastbourne at 20.9%
- Rother at 19.9%

29.4% of unemployed claimants in the South East region have been unemployed for 6 months or longer, with the highest proportions to be found in:

- Brighton and Hove at 43.9%
- Eastbourne at 42.6%
- Reading at 41.6%

[57] Claimant Count. Age and Duration ONS July 2005

- Horsham at 41.4%

Hidden Unemployment

An alternative level of unemployment was calculated by Sheffield Hallam University during their work on hidden unemployment in 2002[58]. The work starts from a premise that the number of people out of work and claiming unemployment-related benefits no longer represents the totality of the unemployment problem. In calculating an alternative level of unemployment, they include not only the official claimant count figures but also the very large numbers diverted onto other benefits or out of the benefit system altogether, rates and figures are available for every district.

The following figures relate to an alternative unemployment figure as at January 2002.

Table 11: Claimant Count versus 'Real' Unemployment. January 2002

Area	**Claimant Count %**	**Real Unemployment %**
Berkshire	1.6	4.1
Buckinghamshire	1.5	4.2
East Sussex	3.0	7.1
Hampshire	1.7	4.9
Isle of Wight	5.4	11.3
Kent	2.4	6.5
Oxfordshire	1.0	3.0
Surrey	0.9	3.3
West Sussex	1.4	4.3
South East	1.8	4.9
Great Britain	3.5	9.5

Source: The real level of Unemployment 2002. Fothergill et al. Centre for Regional, Economic and Social Research. Sheffield Hallam University

The Sheffield Hallam research found that:

- Oxfordshire, Surrey and West Sussex had no districts with real unemployment above the average level of the region as a whole
- 17 districts had a real unemployment level above the South East level
- Four districts had a level of unemployment higher than the national average – as shown in the table below

Table12: Districts with the highest real unemployment rate (Jan 2002)

District	**Claimant Count %**	**Real Unemployment %**
Hastings	5.1	11.8
Thanet	5.0	10.8
Shepway	2.9	9.1
Gravesham	3.3	9.1

The lowest rates were estimated in:

- Surrey Heath – 2.5%
- Hart – 2.6%
- West Berkshire – 2.7%

58 The real level of unemployment 2002, Centre for Economic and Social Research, Sheffield Hallam University

iii Underemployment

Underemployment can be defined in a number of ways. This analysis looks at the number of hours worked and the type of skill level actually required for a job role as opposed to that held by an employee.

When underemployment is defined as people wanting to work more hours than that which they actually work, the following is true:

- Overall 10% of male part-timers and 3.2% of female part-time workers would like a full time job but cannot secure one[59].

Another way of looking at underemployment would be people working in jobs for which they are over qualified or too skilled. The only available tool to analyse this approach is by an analysis of occupation by level of qualification. This shows that the working population in the South East hold similar levels of qualifications within their occupation compared to the national average. This analysis however is limited to qualifications rather than skills, so it is not conclusive as to whether or not people are too skilled within their current role.

Fairplay South East, an organisation formed to promote equality in the workplace, estimates that as many as12% of well qualified, (work experienced women in employment in the South East) may be working in jobs which under-utilise their skills - this is equivalent to 62,000 women with 'A' levels/NVQ level 3 or above being under-employed.[60].

b Business Formation, Survival & Entrepreneurship

Enterprise is a key driver of productivity growth and competition in the economy. VAT Registrations (a proxy for entrepreneurialism) in the South East are the second highest after London. The South East saw the biggest increase in the stock of VAT registered businesses during 2003.

Table 13: VAT Registrations, De-registrations, and Business Stocks

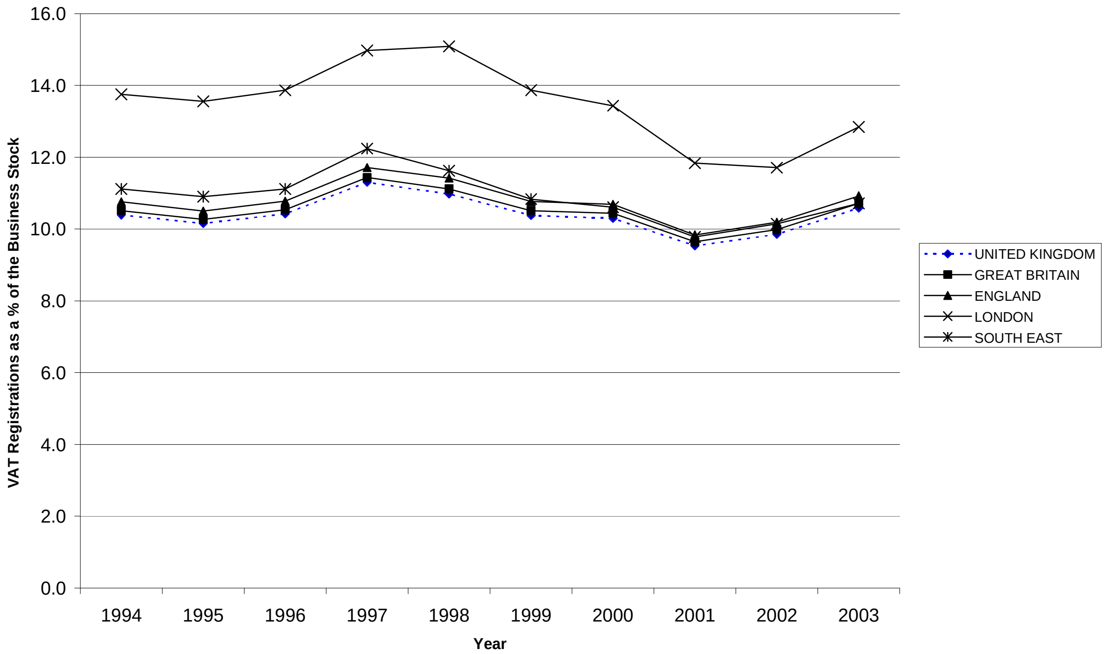
	Registrations (000s)			**De-registrations (000s)**			**Business stocks at end of year (000s)**		
Year	*2001*	*2002*	*2003*	*2001*	*2002*	*2003*	*2001*	*2002*	*2003*
South East	27.0	28.4	30.3	23.3	25.5	27.8	280.3	283.2	285.8
England	148.2	154.9	167.3	134.2	144.0	152.1	1,521.1	1,532.0	1,547.2
UK	168.4	175.7	189.9	152.8	163.9	174.4	1,783.1	1,794.9	1,810.5

Source: Small Business Service (Statistics Team), November 2004

It should be noted that new businesses with a turnover below the mandatory VAT registration threshold (£56,000 in 2003) may decide not to register. Also, de-registrations do not equate to business closures as firms can be removed from the VAT register for a variety of reasons such as falling below the VAT threshold, mergers, takeovers and relocations, as well as the business actually ceasing to trade. VAT registrations and de-registrations do, however, give an indication of the underlying rate of business formation and de-formation.

[59] LFS Spring 2003
[60] Fairplay South East 2002

Chart 9: VAT Registrations as a Percentage of the Business Stock. 1994-2003



Source: Small Business Service (Statistics Team), November 2004

VAT registration rates per 10,000 resident adults in the South East (47) were the second highest after London (62) in 2003.

Out of the English regions the South East has the highest business survival rates with 93.4% surviving one year and 69.7% surviving three years[61]. One-year survival rates are for businesses which registered for VAT in 2001, three-year rates are for businesses which registered in 1999.

c. Structure of Businesses & Employment

The South East has high levels of job generation and high quality employment within a workforce that is well qualified. The challenge as set out in the South East Framework for Regional Employment and Skills Action (FRESA) is sustaining the economic and employment performance over the medium to long term. Key to this is the need to build on the base of globally competitive 'high growth' sectors and to raise the skill levels of the economically active population in those skills areas where productivity constraints are greatest.

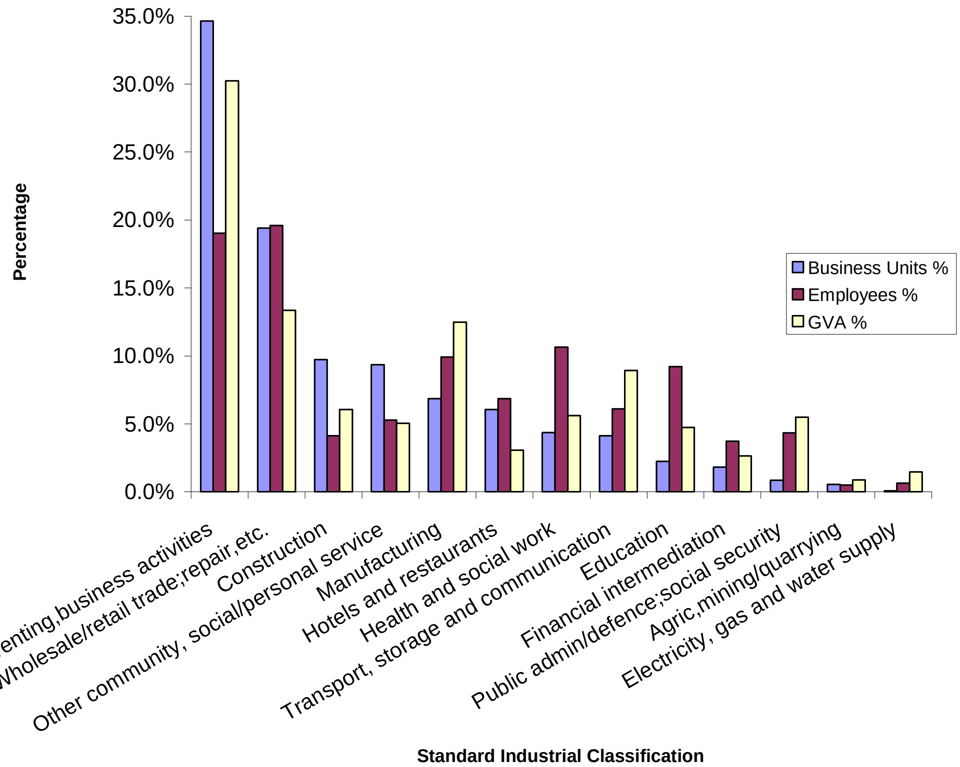
In 2003, there were 283,215 VAT registered businesses (defined on a legal unit basis) within the South East accounting for 16% of total UK VAT registered businesses. The Annual Business Inquiry (ABI) data for 2003, which includes businesses below the VAT threshold but employing at least one employee, gives a figure of 364,300 for the stock of businesses within the South East, accounting for 16% of all businesses in Great Britain. The ABI also estimates the number of employees working within the South East at 3,607,900 for 2003,

[61] Small Business Service (Statistics Team), January 2004

representing 14% of Great Britain's employees. Chart 10 below shows the industrial structure of the South East by business units, employees, and GVA output.

As can be seen in Chart 10, almost a third (30%) of the region's GVA comes from real estate, renting and business activities, this compares to 35% for London and only 24% for the UK as a whole. Other main contributors are wholesale and retail trade and manufacturing, each contributing 13% to regional GVA, whilst transport, storage and communications contribute 9%. Also, the South East has an above average proportion of employees in real estate, renting and business activities at 19%, and for wholesale and retail trade accounting for 20% of all employees within the region.

Chart 10: South East Industrial Profile by Business Units, Employees & Gross Value Added



Source: NOMIS, ABI 2003 and ONS GVA press release, Dec 04

Manufacturing accounts for a lower proportion of regional GVA (12%) compared to that for the UK (16%). Despite the relatively low incidence of manufacturing businesses and employment within the region it is nevertheless still of strategic importance to the South East economy. Manufacturing GVA totalled £17.7 billion in 2002 second only to the North West (£19.3 billion), with the South East manufacturing sector displaying higher than average GVA per workforce job, indicating the high value added nature of regional manufacturing activities.

Within the South East, Kent and Medway, Sussex and Hampshire and the Isle of Wight have the greatest concentrations in the primary and utilities sector. Manufacturing accounts for 12% of employment in Hampshire and the Isle of Wight against a regional average of 10%.

With only eight percent, Surrey has the smallest proportion of local employee jobs in manufacturing of any local LSC in the region.

Although Fishing and Agriculture account for a very small percentage of South East employment, the region actually accounts for a significant percentage of these sectors' total employment nationally. DEFRA data for the UK[62] shows there were 1,125 fishermen in the South Eastern region, accounting for 18% of the fishing workforce across England and Wales. Census of Agriculture data shows that the regional labour force was approximately 56,600 in 2004, accounting for 15% of agricultural employment within England.[63]

Business Size

The region has a sizeable population of small and medium-sized businesses, broadly in line with the national picture. Data for VAT registered enterprises by turnover shows that 46% have a turnover of less £100,000, and 91% of enterprises have a turnover of less than £1 million, again in line with the UK average.

Table 14: Profile of *Businesses by Size*

Percentage of Businesses by Sizeband (number of employees)					
Region	**1-10**	**11-49**	**50-199**	**200 plus**	**All businesses**
South East	85.6%	11.2%	2.6%	0.6%	364,300
England	83.7%	12.6%	3.0%	0.7%	1,956,300
Percentage of Employees by Business Sizeband (number of employees)					
Region	**1-10**	**11-49**	**50-199**	**200 plus**	**All employees**
South East	22.4%	25.2%	23.9%	28.4%	3,607,900
England	20.8%	24.9%	24.1%	30.2%	22,178,600

Source: NOMIS, ABI 2003

As can be seen in Table 14, whilst micro and small businesses account for the vast majority of business units, medium and large firms employ more than half of the total regional and national workforce. The importance of a relatively small number of large firms to the regional economy should not therefore be underestimated.

Although the proportion of businesses and share of employees by employee size remained virtually the same from 1998 to 2003, the number of micro businesses (1-10 employees) has risen by 36,500 to 311,900 businesses in 2003. Large businesses (200+ employees) have increased from 2,023 in 1998 to 2,105 in 2003 a rise of 82 businesses. Whilst the number of employees in large businesses (200+) has increased from 982,100 in 1998 to 1,025,700 in 2003 and for micro businesses (1-10) the increase has been from 777,800 to 809,900 for the same period.

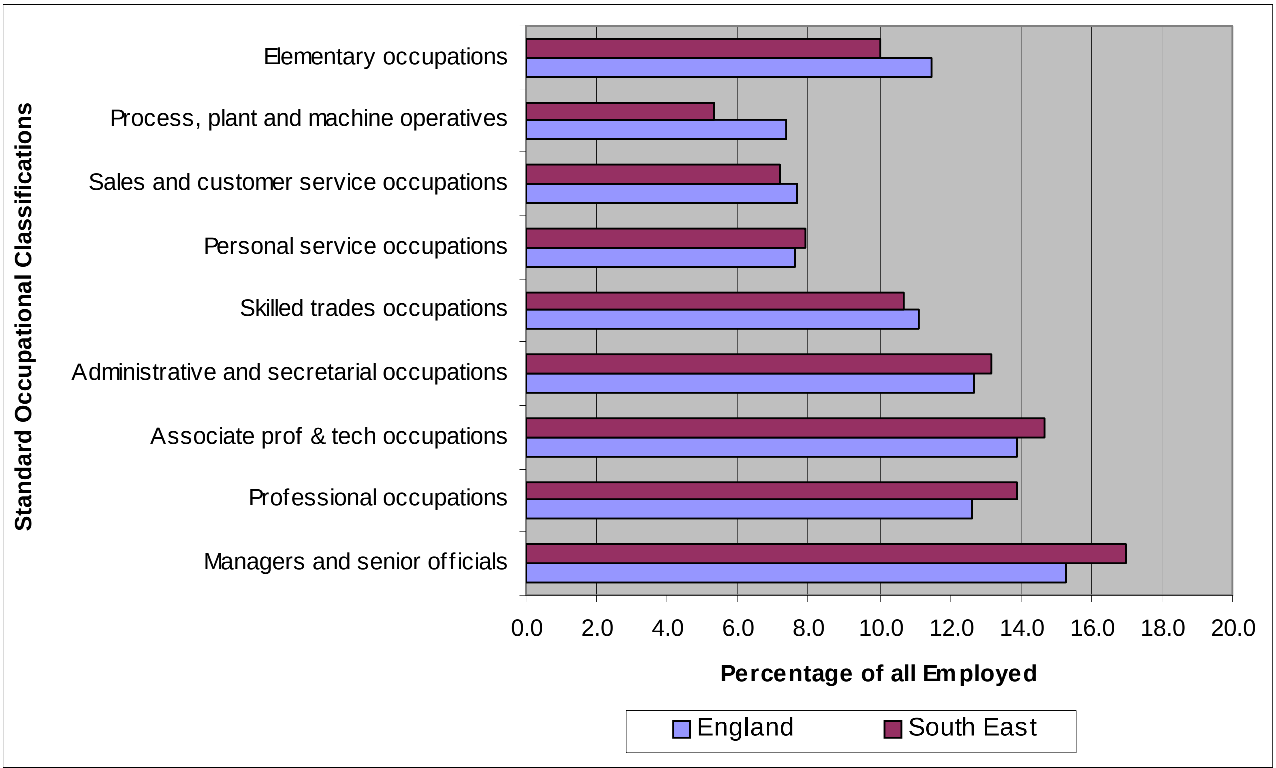
i. South East Occupational Profile

The changing industrial and occupational patterns of employment can help to explain how the demand for skills is changing. Chart 15 shows that the South East has a higher percentage of residents employed in higher skilled occupations, such as managerial, professional and associate professional roles, when compared to England as a whole.

[62] Source: Fisheries Department in the UK, Fisheries Statistics Unit, 6 August 2004
[63] Source: DEFRA, June Agricultural Census 2004

Conversely, lower proportions of residents are employed as plant and machinery operatives and in elementary occupations.

Chart 11: Occupational Profile of the South East and England



Source: Annual Population Survey 2004

Managers and senior officials account for 17% of employment in the South East, the highest proportion of any region except London.

The numbers and percentage of employee jobs in high and medium-high technology have been declining nationally and regionally since 1998. Estimates are drawn from the ABI with the definition of high and medium-high technology businesses based on that specified by the OECD as shown in Table 15:

Table 15: Definition of High & Medium-High Technology Businesses by SIC Code

High technology sector	SIC92	Medium-high technology sector	SIC92
Pharmaceuticals	24.4	Scientific instruments	33.0
Office machinery and computers	30.0	Motor vehicles	34.0
Aerospace	35.3	Electrical machinery	31.0
Electronics-communications	32.0	Chemicals	24.0 (excl. 24.4)
		Other transport equipment	35.2, 35.4, 35.5
		Non-electrical machinery	29.0

Source: DTI, Regional Competitiveness Indicators Definitions, April 2005

Although the South East provides 14.5% of the total UK workforce in this field, in 2002 the South East had only 4.7% of its employees working in this field. Only London (1.2%) and Yorkshire and Humberside (4.2%) display lower proportions of their total employee jobs in high & medium-high technology businesses.

Table 16: Prevalence of High and Medium High Technology Employment

Number of Employee Jobs in High and Medium-High technology Industries						
Area	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
South East	214,272	218,385	211,158	192,258	182,637	171,793
England	1,292,060	1,235,823	1,207,894	1,155,918	1,087,145	1,006,297
Percentage of Employee Jobs in High and Medium-High technology Industries						
Area	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
South East	6.3%	6.1%	5.8%	5.2%	5.0%	4.7%
England	6.1%	5.7%	5.5%	5.2%	4.9%	4.5%

Source: DTI Regional Competitiveness Indicators April 2005

The SEEDA commissioned research on the South East's performance compared to 39 other regions concluded that the South East is above average in terms of knowledge economy inputs measured by the proportion of knowledge workers in the workforce, economic activity, and employment in high-tech sectors. However, these inputs are not being effectively translated into knowledge economy outputs measured by patent applications, GDP per capita, labour productivity and gross weekly earnings. Therefore suggesting that the regional economy is not as fully effective as other high-performing regions, specifically highlighted is the relatively low labour productivity achieved, with four root causes proposed for this situation[64]:

- Low levels of competitive intensity have limited the pressure on management to improve.
- Product market and land use regulations prevent the most productive companies from expanding, and conversely have allowed less productive businesses to remain in business.
- Spill over effects have meant that low productivity in one sector has led to low productivity in another.
- Managerial practices in the UK have dictated companies pursuing under-performing business strategies.

d. Trends & Forecasts

The Sector Skills Development Agency, in partnership with the National Office LSC and the DfES, worked with the Institute for Employment Research (IER) to create a consistent set of employment and occupational forecasts from the UK level down to regional and individual LSC areas.

The first set of forecasts was published under the collective heading of 'Working Futures I' in 2003-04, and this was used to inform the writing of the South East Learning and Skills Needs Assessment 2004. These forecasts have now been updated and published under the heading 'Working Futures II', and form the basis of what follows in this section.

[64]Mckinsey Global Institute, 'Driving productivity and growth in the UK economy', 1998

IER data shows the South East has performed strongly in terms of generating employment from 1997 to 2004, due in part to the region's relative specialisation in the best performing industries, especially service industries which dominate the region. Much of the region is at near full employment, with only frictional unemployment being evident. However, rapid growth over the last decade is putting the South East's infrastructure under increasing strain. There are also concerns that the lack of affordable housing and pressures on public services are affecting the sustainable supply of workers for some sectors.

Over the last decade, London, the South East, East of England and Northern Ireland saw the greatest relative employment increases in any part of the UK. Total employment in the South East has increased by 0.9 million since 1984 to 4.2 million in 2004; this increase is projected to continue, with the level exceeding 4.5 million in 2014. The projected employment growth rate of 0.7% per annum from 2004 to 2014 is the highest predicted for any region and substantially above the UK average of 0.4% per annum.

Between 1994-2004, the LLSC areas of Berkshire, Hampshire and Isle of Wight, and Surrey displayed the greatest growth rates. For the period 2004-2014, Berkshire and Surrey's growth rates are forecast to remain the highest, along with that of Milton Keynes, Oxfordshire and Buckinghamshire.

These three LLSC areas are the 'top 3' LLSC areas nationally based on projected growth rates. The remaining LLSC areas in the South East have projected growth rates at or slightly above the England average. Therefore, IER projections suggest that the future employment growth is likely to be concentrated in the north-western side of the region and in Surrey.

Table 17: Employment by Region & LLSC

	Total Employment (000s)		**% share of UK total**		**Change 1994-2004**			***Change 2004-2014***		
Region	*2004*	*2014*	*2004*	*2014*	*000s*	*%*	*% p.a.*	000s	%	% p.a.
South East	4,227	4,514	14.0	14.3	589	16.2	1.6	287	6.8	0.7
England	25,517	26,694	84.8	85.0	2,967	13.2	1.2	1,177	4.6	0.5
	Total Employment (000s)		**1994-2004**			**2004-2014**				
LLSC Area	*2004*	*2014*	*%change*	*%pa*	*Rank* on %pa*	*%change*	*%pa*	Rank* on %pa		
MKOB	749	810	17.2	1.6	11	8.0	0.8	2		
Berkshire	511	551	18.2	1.7	8	8.0	0.8	3		
HIOW	914	964	17.7	1.6	9	5.5	0.5	15		
Surrey	603	652	20.6	1.9	3	8.1	0.8	1		
Sussex	721	762	13.2	1.3	19	5.7	0.6	13		
Kent	*730*	*776*	*11.7*	*1.1*	*27*	*6.4*	*0.6*	8		

Source: CE/IER estimates – Working Futures Spatial Report 2005.
**Note: Ranked out of all LLSC areas*

Labour Supply and Demand Projections

The total regional population is predicted to grow by 360,000 (0.4% PA) between 2004 and 2014 to reach almost 8.5 million, and reflects an identical growth rate to that predicted for the UK as a whole. The working age population is also projected to increase by 362,000 to 2014, with the labour force expected to reach 4.65 million by 2014.

The region's Economic Activity Rate is expected to increase to about 87%, one of the highest rates for any region in the UK, with an expected UK average of 81%. The unemployment rate is projected to remain one of the lowest for any UK region, and is indicative of 'full employment'.

Table 18: Change in Population, Working Age Population, Labour force, Activity Rates, Unemployment and Employment 2002-2012

Region	Pop (000s)	Wk Age Pop (000s)	Lab Force (000s)	EA Rates (%)	UE (000s)	UE Rate (%)	*Employ-ment (000s)*
South East	362	204	248	2.2	15.9	0.3	*287*
England	2,149	1,581	1,397	-0.4	165.9	0.4	*1,176*

Source: CE/IER estimates – Working Futures Spatial Report 2005.

Employment by Gender and Employment Status

Compared to the UK average males account for a marginally smaller share of total employment in the South East at 53% or 2.26 million male workers, with females accounting for the remaining 1.97 million workers in 2004.

Table 19: Change in Gender by Employment Status within the South East 2004-2014

Gender	Full time		Part time		Self Employed		Total
	000s	%	000s	%	000s	%	000s
Male	120	7.9	51	12.1	-35	-7.8	136
Female	91	10.1	93	17.0	-33	-18.0	151
All	210	8.7	143	10.4	-67	-10.5	287

Source: CE/IER estimates – Working Futures Spatial Report 2005.

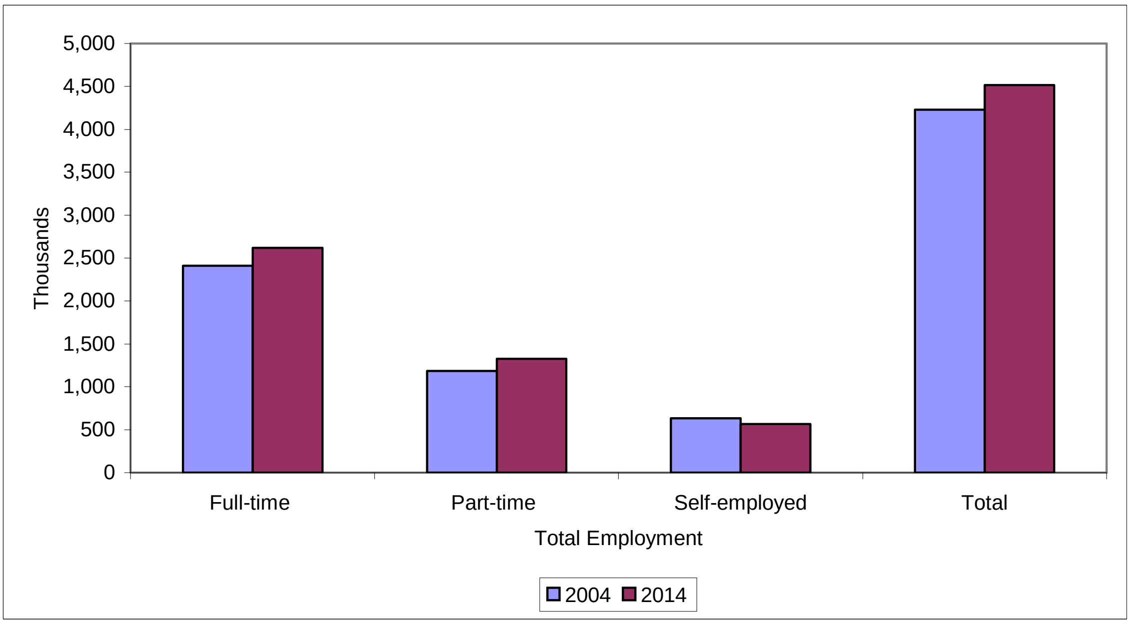
The South East and North West of England are predicted to have the largest increases in the share of total full-time employment over the period 2004-2014. In the South East, full-time employees accounted for 57.0% of employment in 2004, and are predicted to account for 58.0% by 2014. Nationally (UK), the proportion of full-time employees is predicted to fall marginally to 59.5% in 2014 from 59.6% in 2004.

An increase of around 120,000 male full-time jobs in the South East is predicted by 2014, with male part-time jobs projected to increase by 51,000. For females there are projected gains of just over 90,000 both for full and part time employees.

Self-employment in the South East is expected to decline by 67,000 by 2014, with the proportionate decline for females (-18.0%) being much greater than that for males (-7.8%). This mirrors a national predicted decline.

IER do not provide any commentary as to why the South East has predicted increases in full-time employment and conversely reductions in self-employment. However, there have been recent changes to taxation legislation that have resulted in some people changing from subcontractor, self-employed status to employed status; this is most notable in the computing industry and construction.

Chart 12: Change in Employment Status 2004-2014



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Source: CE/IER estimates – Working Futures Spatial Report 2005.

Sectoral Prospects

The sectors with the largest predicted job losses between 2004 and 2014 are engineering and the rest of manufacturing, which between them account for a total of 25,000 net job losses by 2014. The remaining 15,000 job losses are predicted to come from agriculture etc, mining, quarrying & utilities, food, drink & tobacco, and public administration & defence. By 2014, the above sectors are predicted to account for a combined share of 13.8% of total employment, down from a 15.6% share of total employment in 2004.

Table 20: Sectoral Change in the South East

	Levels (000s)		*Change 2004-2014*	
	2004	**2014**	**(000s)**	***%***
Agriculture etc	66	63	-3	-5
Mining & quarrying, Utilities	27	24	-3	-11
Food, drink & tobacco	28	26	-2	-7
Engineering	116	103	-13	-11
Rest of manufacturing	254	242	-12	-5
Construction	309	313	4	1
Retail distribution	754	831	78	10
Hotels & Restaurants	267	297	30	11
Transport, storage and communications	253	258	5	2
Banking & insurance	147	158	11	7
Other business activities	814	919	105	13
Other services	270	289	19	7
Public admin & defence	170	165	-5	-3
Education	331	355	24	7
Health & social work	421	472	51	12
All sectors	4227	4514	287	7

Source: CE/IER estimates – Working Futures Spatial Report 2005.

Sectors with the largest predicted absolute job growth from 2004-2014 are other business activities, retail distribution, health & social work, hotels & restaurants and education. These sectors between them account for 288,000 job increases by 2014, out of a total of 337,000 gross job increases (i.e. increases in jobs before projected decreases are taken into account). These sectors are predicted to account for 63.8% of total employment by 2014, up from a 61.2% share of total employment in 2002. The remainder of the net job growth is predicted to come from other services (19k), banking and insurance (11k), transport, storage & communications (5k), and construction (4k). Only the South East, London and the South West showed a projected expansion of employment in construction, in contrast with a predicted modest decline nationally.

Overall, the South East is predicted to have net employment growth of 287,000 over the period 2004 to 2014.

Occupational Prospects

Expansion Demand - The largest single increase in occupational employment between 2004 and 2014 is projected for managers and senior officials, with an expected net gain of 121,000. Other significant net gains are predicted in professional occupations (80,000), personal service (75,000), sales and customer service (64,000) and associate professional and technical occupations (61,000). By 2014 the above occupations are predicted to account for 64.8% of all employment up from 59.8% in 2004.

Projected job losses are largest for administration, clerical and secretarial occupations, at 63,000 fewer jobs by 2014, representing a greater rate of decline (-11.4%) than is evident across the UK as a whole (8.6%). Employment in elementary occupations is expected to contract by around 57,000, while the only other occupational group for which net losses are expected is machine and transport operatives (2,000 jobs). By 2014 the above three occupational groups are predicted to account for 25.0% of all employment down from 29.5% in 2004.

Male/Female Occupational Demand – Table 20 highlights where expansion or contraction is expected to occur between 2004 and 2014 by gender for each occupational area within the South East. Almost twice the number of females are expected to fill the predicted growth in managerial and senior official occupations at 79,000 compared to 42,000 for males, which mirrors the national prediction. As would be expected, most of the predicted expansion in personal service occupations is expected to be filled by females at 68,000 compared to only 6,000 for males. Similarly, the decline in administrative, clerical and secretarial occupations is expected to involve nearly three times as many women (47,000) as men (16,000).

Table 21: Occupational Change 2004-2014 in the South East by Gender

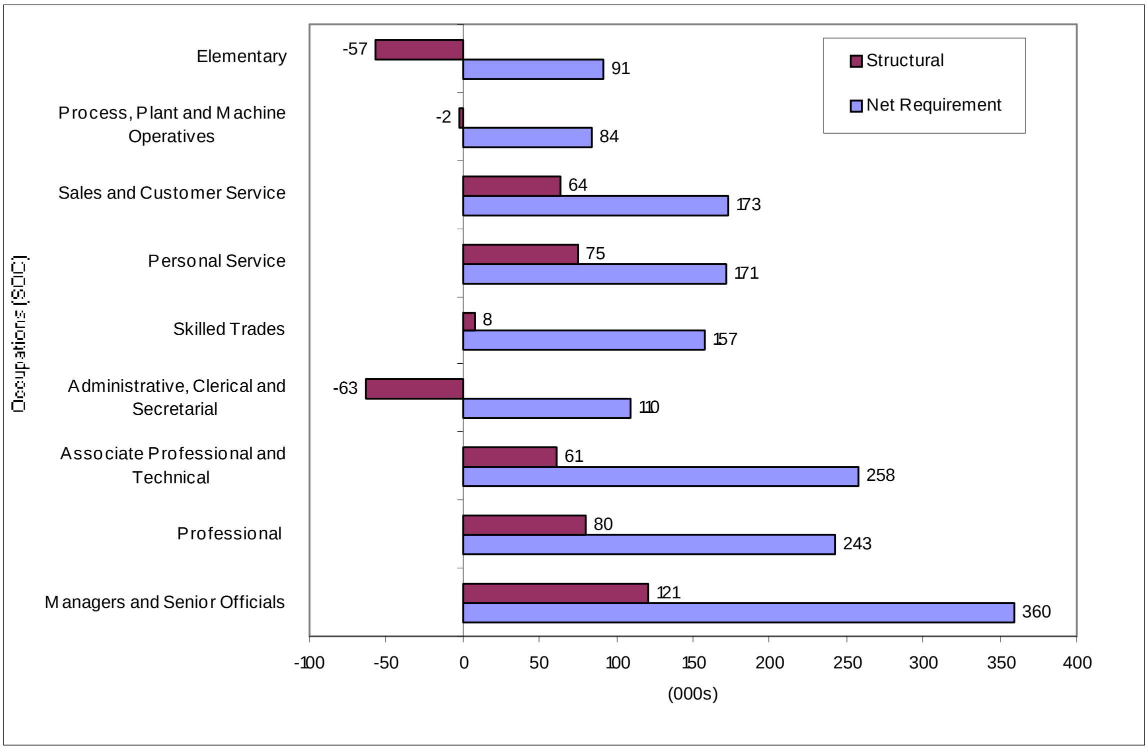
	2004 Total (000s)	2014 Total (000s)	Male (000s)	Male (%)	Female (000s)	Female (%)	Total Change (000s)
Managers and Senior Officials	752	872	42	8.8	79	29.0	121
Professional	507	587	42	13.9	38	18.7	80
Assoc Professional & Technical	633	695	31	9.2	31	10.2	61
Admin, Clerical & Secretarial	548	485	-16	-13.8	-47	-10.8	-63
Skilled Trades	451	458	11	2.7	-3	-7.0	8
Personal Service	308	382	6	13.4	68	26.2	75
Sales & Customer Service	329	393	30	28.7	34	15.2	64
Transport & Machine Operatives	258	256	12	5.5	-14	-40.8	-2
Elementary	442	386	-22	-9.0	-34	-17.7	-57
All Occupations	4,227	4,514	136	6.0	151	7.7	287

Source: CE/IER estimates – Working Futures Spatial Report 2005.

Net Demand - Structural occupational change provides only part of the picture for occupational demand. It is also necessary to take into account the impact of retirements, inter-occupational moves etc to capture the replacement demand.

When replacement demand is taken into account, even where structural declines are predicted over the period 2004-2014, there will still be a positive total requirement for people to fill these occupational roles, see chart 13 below. For example, in the case of administrative, clerical and secretarial roles the total employment requirement including replacement demands is 110,000 jobs or 20% of the 2004 employment level for this occupational area. When replacement demand is added in, the total requirement is 48% for professional occupations and for manager and senior officials, while for personal services and sales & customer service occupations more than 50% of the 2004 employment level will be required to meet expansion and replacement demand.

Chart 13: Total demand by occupation 2004 - 2014



Source: CE/IER estimates – Working Futures Spatial Report 2005.

Predicted Demand for Level 3 Occupations

The institute for Employment Studies (IES) produced estimates of the demand for skill level 3 occupations based on analysis of NESS03 data[65]. The analysis focussed on three occupational groups: administrative and secretarial; associate professional and skilled trades, and were selected on the basis that these occupational groups are most associated with level 3 skills. Presented below are some of the regional estimates of this demand.

Table 22: Changing employment demands for level 3 occupations by region

	Employment Levels (000s)		Change (%)	Total required demand (replacement plus expansion) (000s)	*Required demand as % of 2002 employment*
	2002	2012			
South East	1,640	1,624	-1	708	*44*
London	1,857	1,863	0	817	*43*
England	9,594	9,460	-1	4,074	42

Source: IES from Working Futures, (R, Wilson)

65 Source: Identifying Priority Areas for a Level 3 Qualification Entitlement, March 04

Table 23: Distribution of level 3 vacancies by region

	% of employment	**% of vacancies**	**% of hard to fill Vacancies**	***% of Skills Shortage Vacancies***
South East	17	19	21	*20*
London	18	18	13	*16*
Eastern	10	10	10	*9*
South West	*10*	*10*	*13*	*9*

Source: IES/NESS03

As can be seen above, one in five of the South East's skills shortage vacancies are for Level 3 occupations, which is considerably higher than in other regions (except London). The net requirement for level 3 occupations is also considerable and second only to London.

i Employer Perceptions of Current and Future Skill Needs

In comparison to the 72,100 businesses in the 2003 National Employer Skills Survey (NESS), the 2004 had a much smaller sample size of just over 27,000 with 3,838 from the South East region. The 2004 sample size is too small for reporting by LLSC and so the update included in this section is only for the South region as a whole and tables and comments for the local LSCs are from the NESS03.

South East context within England: The South East accounts for the largest share of all employers, but for less employment than London. The largest numbers of vacancies are to be found in the South East, which accounts for almost a fifth of all vacancies in England. This is higher than its share of employment (16 per cent) indicating higher than average levels of recruitment activity. The South East accounts for the highest number and concentration of skill-shortage vacancies (SSVs) with 20 per cent of all reported SSVs, with a fifth of all HtFVs also found in the South East

Recruitment Problems: Employers were asked to identify which occupations they currently had vacancies for; they were then asked to identify which of these occupations were proving hard-to-fill (HtFVs) and the reasons for this. If the reasons for HtFVs were related to skills shortages i.e. a lack of applicants with the required experience, qualifications or skills these vacancies were then termed skill-shortage vacancies (SSVs).

Overall, nine percent of businesses in the South East report having hard to fill vacancies, a third of which attribute the difficulty to skills shortages. The proportion of SSVs within the region almost matches its share of vacancies. This indicates that the high number of SSVs is mainly a reflection of the size of the region combined with high levels of recruitment activity, rather than a higher than average density of skills issues.

The most common causes of recruitment difficulties refer to the low numbers of applicants and a lack of interest in doing that sort of work. This does, perhaps, once again reinforce the view that the South East has a very tight labour market, providing workers with a large degree of choice about what work they wish to do.

Table 24: Vacancies and hard-to-fill vacancies as a proportion of employment by region – 2001, 2003 and 2004 comparison

	Vacancies as a % of employment			HtFVs as a % of employment			HtFVs as a % of vacancies*[66]		
	2001	**2003**	**2004**	**2001**	**2003**	**2004**	**2001**	**2003**	**2004**
	%	%	%	%	%	%	%	%	%
All England	3.7	3.1	2.9	1.7	1.2	1.1	47	40	37
Region									
London	4.9	2.6	2.3	2.1	0.7	0.5	42	29	21
North West	2.8	2.9	3.1	1.3	1.1	1.3	46	37	40
South East	4.6	3.5	3.3	2.5	1.5	1.3	54	43	39

Source: NESS 2004, NESS 2003 and ESS 2001.
Base: All employment.

Table 24 confirms that in 2004 the region has the highest density of vacancies as a proportion of employment and highest equal density of HtFVs as a proportion of employment (with the North West). There have been consistent falls since 2001 in density measures of recruitment activity and recruitment difficulties.

Table 25: Skill-shortage vacancy density measures by region

	Vacancies	Hard-to-fill vacancies	Prompted and unprompted SSVs	% of vacancies that are SSVs	SSVs per 1,000 employees
Unweighted base	*34,026*	*10,992*	*6,895*		
Overall	616,800	227,175	145,475	24	7
Region					
London	89,175	19,150	15,275	17	4
South East	117,100	46,125	28,525	24	8
South West	63,125	24,725	15,975	25	8
West Midlands	64,050	26,800	17,625	28	8

Note: Figures rounded to the nearest 25.

Table 25 shows density measures in 2004 for the proportion of all vacancies where skill shortages are encountered, and the number of SSVs per 1,000 employees. London stands

[66] * This measure is calculated using the total number of vacancies *followed up*, rather than the total number of vacancies reported. Having given the total number of vacancies, respondents were asked to break this number down by occupation *for a maximum of six occupations* (this we describe as the number of vacancies followed up). In a small number of cases, respondents had vacancies across more than six occupations, hence the total number of vacancies followed up is less than the total number of vacancies. HtFVs were asked at the (up to six) occupational level not overall, hence the proportion of vacancies that are hard to fill needs to be calculated using the number of vacancies followed up.

out as having fewer skill-shortage problems in density terms, while the density of SSVs in employment terms is highest in the West Midlands, the South West and the South East.

The South East emerges as one of the regions where recruitment difficulties are most acute – with both large numbers of SSVs and a relatively high density of skill shortages relative to the level of recruitment activity, with the balance between these leaning towards volume rather than density.

Internal Skills Deficiencies: Skills gaps are defined as occurring when employers regard some or all of their staff as not being fully proficient to meet the requirements of their job role. 23% of the region's employers reported that some or all of their staff were not fully proficient in their current roles, up on 22% in 2003. It is estimated that this represents approximately 8% of the regional workforce.

Table 26: Incidence and number of skills gaps by size and region

	% of establishments with any skills gaps	Number of employees not fully proficient (i.e. number of skills gaps)	% of staff reported as having skills gaps	Share of employment	Share of all skills gaps
	Row percentages			Column percentage	
Overall	20%	1,540,100	7%	100	100
South East	23%	279,800	8%	16	18

Source: NESS 2004
Base: First column all establishments, remainder all employment.
Note: The number of employees not fully proficient has been rounded to the nearest 100.

Table 26 shows how the incidence of skills gaps. The South East accounts for the higher share of all skills gaps (18 per cent) than employment (16 per cent).

Table 27: Distribution of skills gaps by occupation within region (and employment profile comparisons)

	No. of skills gaps (000)		Managers	Professionals	Associate professionals	Administrative	Skilled trades	Personal service	Sales	Operatives	Elementary
Skills gaps (profile of employment)	1,540	%	10	10	7	12	9	6	20	10	15
			(14)	(14)	(8)	(13)	(9)	(5)	(15)	(9)	(12)
South East	280	**%**	11	10	8	12	8	5	23	5	17
			(15)	(14)	(8)	(14)	(9)	(5)	(15)	(7)	(13)

Source: NESS 2004
Base: All skills gaps.
Notes: Percentages sum to 100 per cent in each row (subject to rounding).

Skills gaps are particularly concentrated within sales and customer service positions: they account for 23 per cent of all staff (20% nationally) described as not being fully proficient, yet 'only' 15 per cent of employment (15% nationally). In a similar way, the pattern of elementary positions accounting for a 17% of staff (15% nationally) who lack proficiency compared with employment (13% in the region and 12% nationally).

Table 28: Percentage of skills lacking

			Skills lacking											
	Unweighted base	Weighted base (000)	Communication	Customer handling	Team working	Technical and practical skills	Problem solving skills	General IT user skills	Management skills	Office admin. skills	Literacy skills	Numeracy skills	IT professional skills	Foreign language skills
All 2004	*85,175*	*1,240*	51	47	47	45	40	26	25	20	19	16	12	9
South East	*14,000*	*227*	50	50	49	44	40	27	24	19	19	15	11	5

Source: NESS 2004 and NESS 2003.
Notes: Column percentages do not sum to 100 per cent because of multiple responses.
Base: All skills gaps followed up.

In the region a number of soft skill areas such as customer handling, team working and general IT user skills are particularly likely to be mentioned,

Employer Training: Nearly 70% of regional employers had provided training for some or all of their staff. Over 50% of the training was off-the-job and less than 20% had training in-the-job. Over 50% of the employers provided job-specific training, with 4% only providing induction and health and safety training. About 15% used an FE college to train their employees, with 5% training through an FE provider following consultation.

e NESS 2003: Recruitment & Skills Issues

This section of the report looks at evidence from employers on their demand for skills, employer reported mismatches in skills supply to demand, and how the level of reported mismatch varies across employers by occupation, industry and business size.

This section draws on evidence from the National Employer Skills Survey (NESS) 2003. The rationale for this is, given the sample size of NESS (72,000 employer interviews across England), South East employer evidence on skills shortages and gaps can be analysed both intra-regionally down to LLSC level and inter-regionally allowing the South East to be benchmarked and analysed within the national context. Evidence on skills demand and skills mismatches provided by the Skills Insight 'Business Needs Competitiveness Survey' 2002/03 is presented where comparable or significantly different from NESS03 evidence.

i Recruitment Patterns, Hard to Fill, Skills Shortage Vacancies

Overall, within the South East in 2003 the most common reasons[67] given for having a hard to fill vacancy were:

- Low number of applicants with the required skills (45%);
- Not enough people interested in doing this type of work (34%);
- Low number of applicants generally (33%);
- Low number of applicants with the required attitude, motivation or personality (29%)
- Lack of work experience which the company demands (25%).

Sub-regional LLSC variations[68] of the percentage of employers by main reasons for hard to fill vacancies shows that MKOB LSC had the highest percentage of employers citing low number of applicants with required skills at +7.2% when compared to the regional percentage. Conversely, Berkshire LSC shows a -10.4% difference to the regional percentage of employers citing low number of applicants with required skills.

[67] Multiple responses were allowed
[68] ORC International Report 'Views and Attitudes of South East region employers on skills and training', January 04 (NESS03 analysis)

Table 29 supports this as Berkshire ranks when SSVs are provided as a percentage of all vacancies for that area.

Recruitment and skills shortage density indicators are presented in

Table 29. The LLSC data is used to show sub-regional variations, this highlights Hampshire and the Isle of Wight as having the highest proportions of both HtFVs and SSVs out of all vacancies suggesting both quantity and quality issues at play within their local labour supply.

Recruitment difficulties, measured as HtFVs as a percentage of all vacancies, seem to be more pronounced in HIOW and Kent & Medway, with these two LLSC areas also displaying the highest percentage of HtFVs being ascribed to a lack of skills or experience in applicants by employers. When compared to the regional and national picture MKOB and Berkshire compare most favourably out of all regional LLSC areas on recruitment problems and skill shortages.

Table 29: Density of Recruitment Problems and Skills Shortages

Region	**Total vac's as a % of employment**	**Total HtFVs as a % of employment**	**Total SSVs as a % of employment**	**HtFVs as a % of vacancies**	***SSVs as a % of vacancies***
South East	3.5%	1.5%	0.6%	42.5%	*18.7%*
MKOB LSC	*3.2%*	*1.1%*	*0.5%*	*33.2%*	16.3%
Berkshire	*3.7%*	*1.4%*	*0.6%*	*37.9%*	16.6%
HIOW LSC	*3.7%*	*1.8%*	*0.8%*	*47.6%*	22.4%
Surrey LSC	*3.6%*	*1.7%*	*0.7%*	*46.1%*	19.3%
Sussex LSC	*3.4%*	*1.5%*	*0.6%*	*44.2%*	16.8%
Kent & Medway LSC	*3.1%*	*1.5%*	*0.6%*	*46.7%*	20.5%
London	2.6%	0.7%	0.5%	**28.6%**	*20.5%*
South West	3.1%	1.7%	0.6%	**46.8%**	*17.3%*
Eastern	3.4%	1.4%	0.6%	40.4%	*18.2%*
England	**3.1%**	**1.2%**	**0.6%**	**40.0%**	**19.9%**

Source: NESS 2003 main report, Table 4 in summary and Table 3.4 in main

Vacancies and Recruitment Difficulties by Industry

When analysed by establishment, recruitment activity highlights that 33% of Health & Social Work establishments had vacancies, of which 18% were proving hard to fill, 8.4% of establishments reported these as due to skill shortages. All three indicators are approximately twice as high as the South East's and England's all industry percentages. Education and Hotels & Restaurants also display disproportionately high percentages of establishments with vacancies at 30.6% and 27.7% respectively, but with less marked proportions reporting HTF and SSVs.

Provided below are density measures by individual industry. Such measures allow comparisons across sectors of the intensity of recruitment problems, and those related specifically to skill shortages.

- Hotels & Restaurants, again, report the highest density of vacancies as a percentage of all employment at 5.9%, reflecting the relatively high turnover rates in staff in this sector. An above average proportion of vacancies are also reported for HTF at 50.5%, however most are due to non-skill shortage reasons such as pay and conditions.
- Health and Social Work records the highest proportion of HtFVs as a percentage of all vacancies at 58.8%, however a much lower proportion report these are SSVs at 13.9%, the second lowest ranked industry, and below the South East all industry average. This would seem to indicate that key workers in this sector are in short supply within the South East, possibly due to barriers such as housing costs, rather than lacking the necessary skills demanded by employers.
- Skills Insight's Business Needs Competitiveness Survey also highlights Health & Social Work as an industry with disproportionate recruitment issues at 43% of all employers reporting HtFVs.
- The highest proportion of SSVs are recorded in construction at 37.8% of all construction vacancies proving HtF due to skill shortages, much higher than for other industries within the South East. Manufacturing also records a higher than average

SSV density at 27.6% of all vacancies, all other analysable industries are below the all industry South East percentage of 18.7%.

Table 30: Density of Recruitment Problems and Skills Shortages

Region	Total vac's as a % of emply	Total HtFVs as a % of emply	Total SSVs as a % of emply	HtFVs as a % of vac's	*SSVs as a % of vac's*
South East	**3.5%**	**1.5%**	**0.6%**	**42.5%**	***18.7%***
Construction	3.9%	2.1%	1.5%	55.1%	*37.8%*
Manufacturing[69]	1.7%	0.8%	0.5%	47.4%	*27.6%*
Hotels & Restaurants	5.9%	3.0%	1.1%	50.5%	*18.4%*
Miscellaneous Services	4.8%	2.2%	0.8%	46.3%	*17.5%*
Wholesale & Retail	3.2%	1.3%	0.5%	41.0%	*16.1%*
Education	2.1%	0.7%	0.3%	34.8%	*15.1%*
Health & Social Work	4.8%	2.8%	0.7%	58.8%	*13.9%*
Public Admin & Defence etc	2.3%	0.6%	0.1%	24.9%	*2.9%*
Financial Intermediation	4.2%	1.0%	*	25.1%	*
Transport, Storage & Communication	2.9%	1.2%	*	40.8%	*
Real Estate, Renting & Business Activities	3.8%	*	*	*	*

Source: NESS03, Employment Weighted
Notes: Industries ranked by SSVs as a % share of industry vacancies
**Not shown as unweighted sample is below 30 cases.*

Vacancies and Recruitment Difficulties by Occupation

Chart 14 reveals that recruitment problems and skill shortage issues are not only concentrated amongst higher skills level occupations such as managers and professionals, but are disproportionately high where skill levels required from employees are more modest, and where more generic skills such as communication, customer care etc are required.

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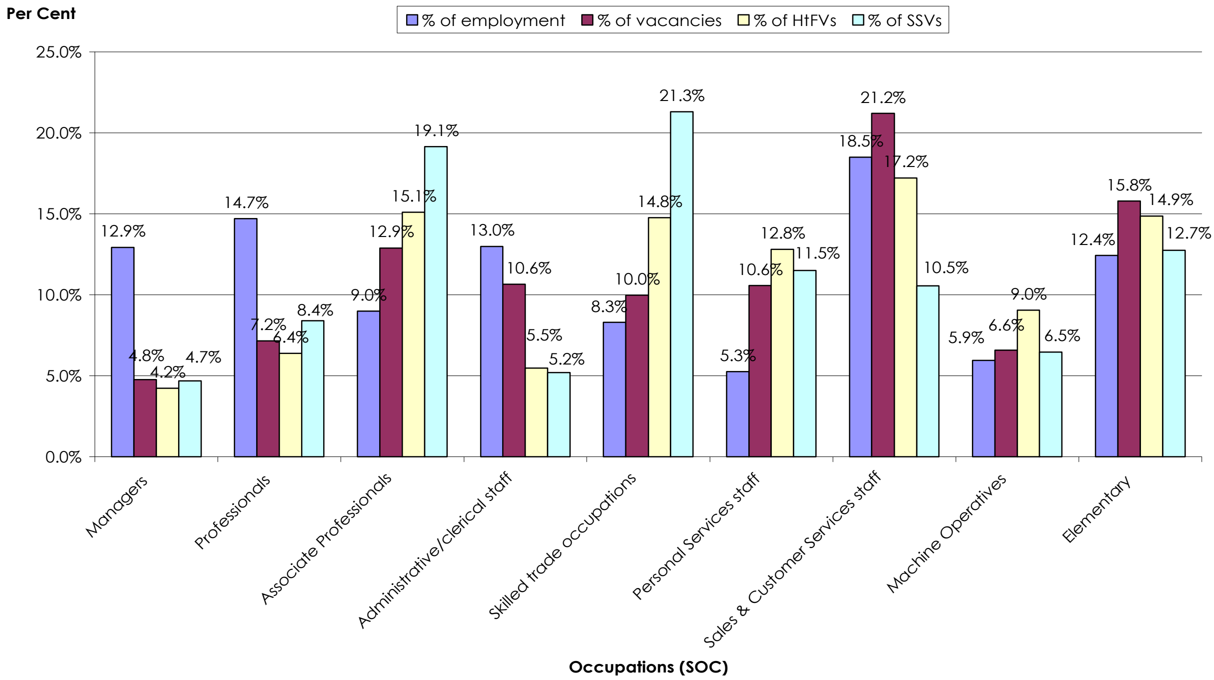
[69] Analysis of manufacturing using the 27 sector breaks was not possible due to insufficient unweighted sample bases i.e. less than 30 cases.

Chart 14: Distribution of employment, vacancies & recruitment problems by occupation within the South East



Source: NESS03, employee weighted

According to the ORC International report[70], occupationally there is a good degree of variation between LLSC areas in recruitment issues faced. For hard to fill vacancies the largest differences from the regional picture are as follows:

- Sussex: +21.2% HfFVs for managers and +17.2% for sales and customer service staff when compared to the regional percentage.
- Berkshire: -18.2% HfFVs for machine operatives when compared to the regional percentage.
- MKOB: -17.8% HtFVs for managers compared with the South East.

The largest LLSC differences in SSVs are as follows:

- Kent and Medway: +19.8% SSV for associate professionals compared with the South East regional percent.
- Hampshire and the Isle of Wright: +15.2% SSVs for machine operatives when compared to the South East region.

Skills Deficiencies in Job Applicants

Employers with SSVs were asked which particular skills they had found it difficult to obtain. In relation to SSVs, technical and practical skills other than IT were the most frequently mentioned problem, but with a smaller percentage of establishments at 37% within the South East compared to 50% for England as a whole. Generic skills such as communication,

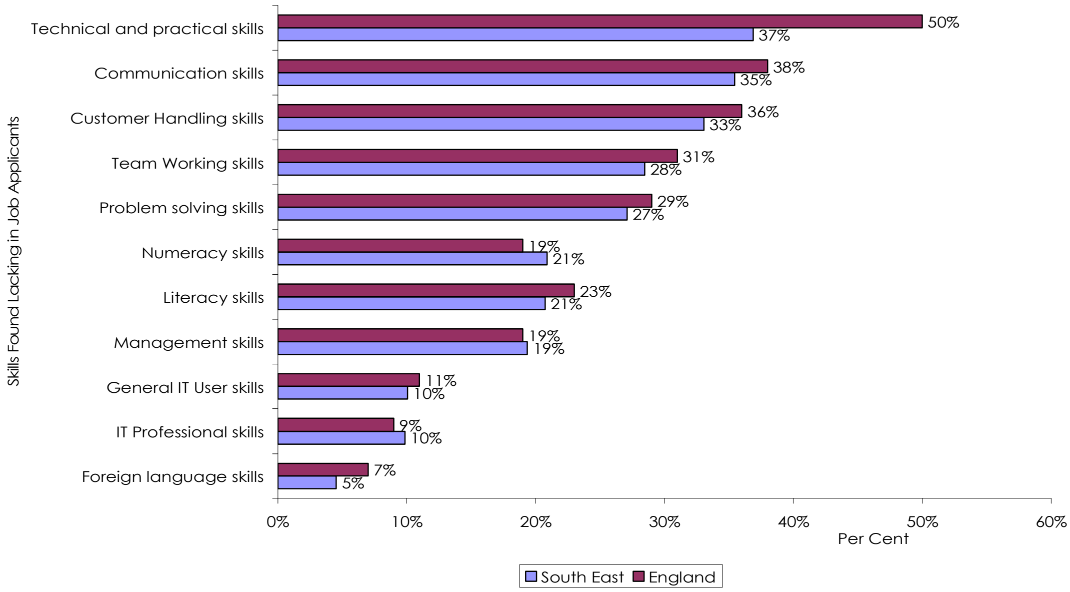
[70] Views and Attitudes of South East Region Employers on Skills and Training, January 04 (NESS03 Analysis)

customer handling, team working and problem solving were also commonly cited as lacking in job applicants.

By occupation, the key variations in skills which are lacking are as follows:

- Technical/practical skills are reported more amongst trade occupations and operatives.
- Lack of communication skills and customer handling skills were most important for sales and customer service vacancies, but also significant for managers, personal services and elementary occupations.
- Management and problem solving was mentioned mainly in connection with managers and senior officials.
- General IT skills were reported as a problem mainly for administrative and secretarial occupations as well as for managers and senior officials.

Chart 15: Skills sought in connection with skills-shortage vacancies



Source: NESS03

ii. Incidence and Extent of Skills Gaps

The previous analysis looked at external recruitment difficulties. However, it is equally important to assess employer demand for skills from within its own workforce and whether this demand is being met i.e. skill gaps.

In 2003 employer estimates of skill gaps account for 10% of the South East workforce, slightly less than that nationally at 11%. This equates regionally to approximately 380,000 employees rated as less than fully proficient to undertake their current role. Skill gaps as a percentage of employment vary little across the English regions, only the West Midlands and Yorkshire and Humberside display a higher percentage than the national average at 15% and 13% respectively.

Table 31: Distribution of Skill Gaps by Industry & Occupation

South East Region			
Industry	**% of establishments reporting skill gaps in workforce**	**Occupation**	***% of employees by occupation with skill gaps***
Agriculture etc	26%	Sales & Cust. Service	*14%*
Mining & quarrying	18%	Machine operatives	*14%*
Manufacturing	23%	Elementary	*12%*
Electricity, gas & water	37%	Personal service	*11%*
Construction	18%	Associate Professionals	*10%*
Retail & Wholesale distribution	26%	Skilled Trades	*9%*
Hotels & Restaurants	32%	Admin, secretarial etc	*9%*
Transport, storage & communications	16%	Managers & Snr Officials	*9%*
Financial intermediation	29%	Professionals	*8%*
Real estate, renting & business activities	17%	*All Employees*	10%
Public admin & defence etc	32%		
Education	33%		
Health & social work	29%		
Miscellaneous services	17%		
All Industries	22%		

Source: NESS03, Unit & Employment Weighted

Industries with a higher than average percentage of employers reporting skill gaps in their workforce are Electricity, gas and water, Education, Public Administration, Health & social work, Financial intermediation, Retail, Agriculture and Manufacturing.

Occupationally; Sales, customer service, machine operatives, and elementary and personal service occupations display a higher proportion of employees with skill gaps as a percentage of all employed. Nationally, a similar picture is apparent.

Sub-regionally[71], it is Sussex LLSC that displays the highest reported workforce skills gaps as a percentage of LLSC employment at 11.1 percent. The LLSC with the lowest percentage of skill gaps as a percent of all employed is Berkshire at 9.4 percent.

Causes of Skill Gaps & Skills Lacking in Workforce

Employers reporting workforce skills gaps were asked for the main causes of their staff not being fully proficient. Using an employee-based measure that shows the proportion of skill gaps which are attributed to various factors, as opposed to the proportion of establishments reporting these as causes, it can be seen that by far the greatest proportion of skill gaps are ascribed to employees lacking the necessary experience at 72% both nationally and regionally. This suggests that many employees reporting skills gaps are temporary in nature,

[71] ORC International Report January 04

which will lessen or disappear as the employee gains experience. More of a concern is that about 1 in 4 skill gaps are attributed to the establishments' own failure to train and develop staff. Other factors that were less reported were lack of staff motivation, workforce not keeping up with change, and high staff turnover.

Within the South East the key areas that employees were viewed as lacking skills in are, again, generic in nature, such as communication (60%), customer handling skills (55%), team working (50%), and problem-solving (49%). The South East picture is also in line with that for England.

Sub-regionally[72], MKOB had the highest percentage of establishments citing lack of experience/recent recruit as the cause of the skill gap at 78%, Berkshire showed the lowest percent citing this as the cause at 65%. Surrey LSC had the highest percent of establishments citing failure to train and develop staff as a cause of skill gaps at 30% compared to 24% for MKOB and Kent and Medway LLSC establishments, the lowest percent citing this as a cause.

iii. Impact of Skill Shortage Vacancies and Workforce Skill Gaps

Employers with skill shortage vacancies and skill gaps were asked to report what impact this was having on their business. By far the most reported impact of SSVs is an increased workload for other (current) employees (83%), next most reported are difficulties in meeting customer services aims at 51%. Only 6% of South East employers reported no difficulties; however, this is the highest for all regions and above the 4% for England. Differences by industry are not reported due to the small sample base sizes.

The impact of skill gaps among existing staff on an establishment is somewhat different to that for SSVs. Difficulties in meeting customer demands are once again high on the list of impacts albeit at a lower level than for SSVs at 35% of establishments. What is notable is that a much greater proportion of employers (31.1%) with internal skill gaps saw no impacts, the same as for England as a whole. This may suggest that employers adapt better to internal skill gaps, or they may be settling into a low skills business strategy, or just not recognise the limitations the lack of workforce skills is placing on their business.

72 ORC International Report January 04

Table 32: The Impacts of SSVs and Skill Gaps % by Establishments Region

Impact of SSVs	**Increased workload for other staff**	**Difficulties in meeting Customer service aims**	**Loss of business/orders**	**Delays in developing new products**	**Increased operating costs**	**Difficulties in meeting quality standards**	**Difficulties introducing new working practices**	**No difficulties (unprompted0**
South East	83	51	45	38	36	36	39	*6*
England	*83*	*52*	*44*	*41*	*38*	*37*	*36*	4
Impact of Skill Gaps	**Difficulties in meeting Customer service aims**	**Difficulties in meeting quality standards**	**Increased operating costs**	**Difficulties introducing new working**	**Delays in developing new products**	**Loss of business/orders**	**No particular difficulties**	
South East	35	35	34	29	22	20	31	
England	36	35	34	29	22	21	31	

Source: NESS03, All establishments with SSVs/Skill Gaps

Actions taken to Combat Skill shortage Vacancies and Workforce Skill Gaps

Table 33 shows how South East employers are combating SSVs and skill gaps with their workforce. Most regions follow the national pattern. The South East follows a similar pattern to that for England, with 56% reporting increasing advertising/recruitment as a response to SSVs, but with slightly lower percentages reporting increased workforce training or trainee programmes.

However, the most common response of South East establishments for identified skill gaps was to provide further training at 79%, slightly lower than for England (81%). Other additional strategies such as changing working practices (44%) and reallocating work within the company (40%) were also reported, again, in line with the national picture.

Table 33: Actions taken to combat SSVs and Skill Gaps – % establishments by Region

Action taken to Combat SSVs	**Increase advertising/ recruitment spend**	**Expand recruitment channels**	**Increased salaries**	**Redefine existing jobs**	**Increase training to the existing workforce**	**Increase trainee programmes**	**Do nothing (unprompted)**
South East	56	46	37	31	33	24	*10*
England	*56*	*49*	*37*	*36*	*35*	*28*	10
Action taken to reduce Skill Gaps in existing workforce	**Provide further training**	**Increase trainee programmes**	**Change working practices**	**Reallocate work within the company**	**Increase recruitment**	**Expand recruitment channels**	**No particular action taken**
South East	79	49	44	40	21	18	6
England	81	50	43	38	20	*18*	7

Source: NESS03, All establishments with SSVs/Skill Gaps

Employers were also asked what barriers they face to having and maintaining a fully skilled workforce. The South East profile almost mirrors the national picture. The most reported barrier was lack of time for training at 43% of establishments, followed by lack of cover for training (41%) and lack of funding for training (37%). However, 27% of employers with skill gaps reported there were no barriers to having a fully skilled workforce.

The next section looks at what employers are doing in terms of training and development to combat skill deficiencies.

f Extent of Employer Training

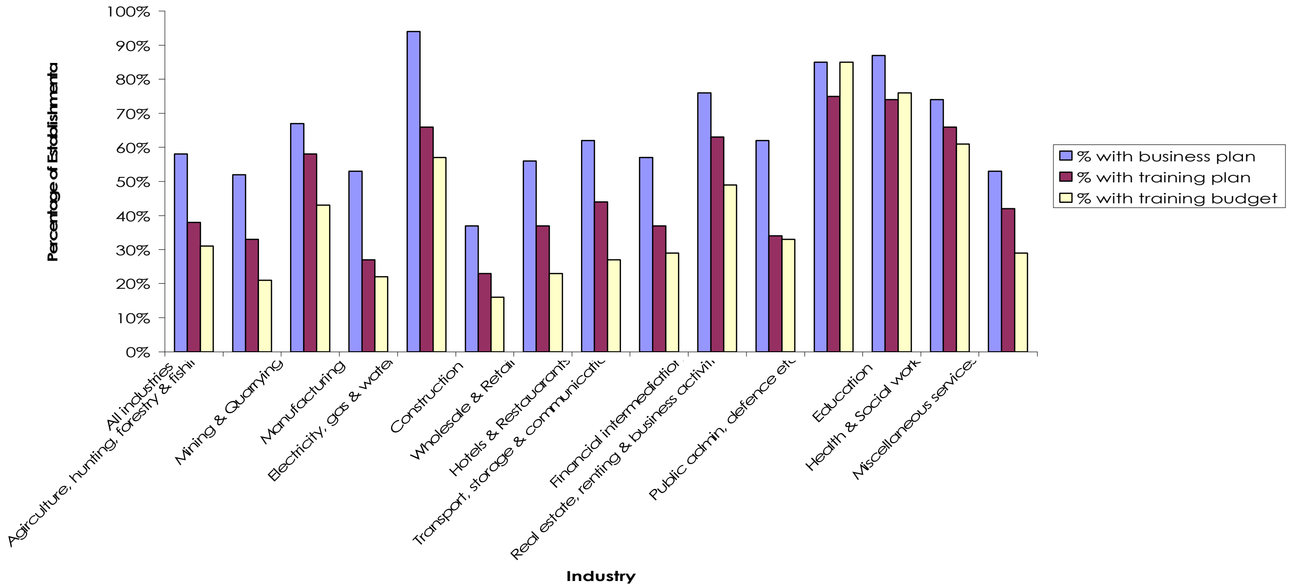
There is a growing body of evidence that points to employers' investment in training as a determinant of strong organisational performance. There are, however, questions around what type of training, who is trained and how much training employers are engaging in. Employers were asked a series of questions to gauge the extent, volume and type of training provided or funded. Data on these aspects are presented below.

Incidence of Training Plans and Budgets

Over half (58%) of businesses have a formal business plan, with 38% reporting a formal training plan and 31% with a dedicated training budget. This is in line with the national picture. By organisation, larger organisations are more likely to report formal planning and training budgets, rising from 53% of businesses with less than 5 employees with a business plan to 80% of 500+ employee establishments.

By industry, public service areas such as education, public administration and health & social work have higher reported levels of formal planning. Private sector areas that are more highly regulated such as electricity, gas & water and financial intermediation also display a higher percentage with formal plans etc. Interestingly, construction has one of the lowest percentages despite high levels of regulation and as one of the few industries with a training levy. The low proportion is probably a factor of the high number of very small establishments that exist within the construction sector.

Chart 16: South East – Incidence of business, training plans and training budget



Source: NESS03, unit weighted

Sub-regionally[73], compared with the South East as a whole:

- employers in HIOW were more likely to have a training plan (+3.5%) and a training budget (+2.1%).
- In Berkshire, employers were +2.6% more likely to have a training plan and +2.4% more likely to have some (any) aspect of formal planning for training.
- Conversely, Kent & Medway employers are less likely than the regional average at -4.5% to have a budget for training and
- those in MKOB were -2.5% less likely to have a training plan.

Other measures of the extent to which employers engage in performance planning are whether employees have a formal performance review and the extent to which current employees' skill gaps are assessed. Only 1 in 2 employers reported formally assessing skill gaps in their employees, similar to that for England (52%), and again related to business size.

Extent of training

Overall, 61% of establishments in the South East report having either funded or arranged training for some or all of their staff in the last 12 months, similar to that nationally. By industry, this again mirrors the sectors listed above that are more likely to formally plan. Ranging from 94% of all education establishments to 53% of manufacturing establishments reporting they have trained staff in the last year.

[73] ORC International Report January 04

Training by Occupation

As well as knowing whether the establishment is engaging in training it is also necessary to understand whom they are training.

Table 34: Incidence of Training by Occupation - % of all establishments which employ that occupation

Occupation	All	Managers	Professionals	Associate Professionals	Administrative	Skilled Trades	Personal Service	Sales	Operatives	Elementary
South East	61	51	60	61	45	48	68	52	*42*	43
England	59	52	60	61	47	49	68	51	45	44

Source: NESS03, Unit weighted

Generally, within the South East and across regions, where establishments are providing training personal service occupations are the most reported occupational group receiving training at 68%. Within the South East it is operatives who are reported as least likely to receive training at 42% of establishments that employ this occupation.

Number of employees, training days and type of training

On average, both regionally and nationally, 53% of employees are estimated to have received some form of training in the last year. The average duration of training to employees (in those companies that train) in the region was 5.5 days higher than for England as a whole but much lower than for the Eastern region at 6.8 days.

Table 35: Number of estimated trainees and days - % of establishments providing types of training

	Total number of trainees (000s)*	Trainees as a % of employment*	Average number of days training in all establishments	Average number of days in establishments that train	Job Specific	Health & Safety	Training in New Technology	Induction	Management	Supervisory	Training in Foreign Languages
South East	1,919,300	53	5.5	6.4	79	66	53	48	33	30	*2*
England	11,612,000	53	5.0	6.0	80	69	53	51	35	33	2

Source: NESS03, employee & unit weighted*

Looking at the type of training provided by establishment, job-specific was the most commonly mentioned form of training (79%), followed by health & safety training (66%), and then new technology and induction training.

Where training was provided 51% of establishments reported that some or all of their employees are training towards a formal qualification, again, no different to that nationally and variations are greatest by business size.

g Employer perceptions and engagement with local learning & training providers[74]

Overall, a quarter of establishments report being contacted by a local Further Education (FE) college for their views on the courses they provide, 28% reported they had been contacted by local training providers. However, almost two-thirds of establishments (61%) have not been contacted by either.

Table 36: Percentage of Establishments Contacted By Training Providers

	South East	England
Local FE College	26	26
Other local training providers	28	28
Either	39	38
Both	15	16
Neither	61	62
Average number of contacts by FE colleges where contacted	4.0	4.3

Source: NESS03, employee & unit weighted*

In terms of who Training Providers had contacted, there are no clear discernable patterns of contact by industry or by likelihood of industry providing training. Health and social work, education and Public Administration reported more establishments were contacted by local FE colleges or Training Providers.

Employer engagement in FE or local provider curriculum development

Employers were asked if a local FE College or training provider had involved them in developing their future curriculum. 86% of all establishments report not being contacted by local providers on curriculum development. By industry, the lowest percentage reporting they had not been contacted was education and health & social work both at 68%.

Employers' use and satisfaction of local FE Colleges & training providers

Employers were asked whether they had used Further Education establishments in the last 12 months to train and develop their staff, 28% of employers had. By industry, health & social work was the industry most likely to have used FE establishments at 49% of establishments. Retail and financial intermediation showed a low percentage of companies reporting they had used local providers to train and develop staff at 17% and 19% respectively.

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74 Training providers were self identified within the NESS study

Table 37: Satisfaction with services provided by Further Education Establishments

% of South East establishments that had used services					
	Very satisfied	**Fairly satisfied**	**Neither sat/ dissatisfied**	**Fairly dissatisfied**	***Very dissatisfied***
All establishments (that had used local providers to train staff)	*32*	50	8	5	4

Source: NESS03, employee & unit weighted*

Where employers had used local FE establishments they were in the main very or fairly satisfied (82%)with the service provided. Only 9% report being fairly or very dissatisfied. Satisfaction ratings are fairly constant across organisation size, industry and region.

h Regional Skills Priorities

In July 2004, the Regional Skills for Productivity Alliance agreed that the DFES's desire for individual region's to define and justify Level 3 skills priorities by November provided the Alliance with an ideal opportunity to review all post 19 skills priorities, and it therefore established a 'Task and Finish' group to:

- Define criteria for agreeing Level 3 skills priorities by sector (National Skills Strategy requirement);
- Undertake a review of post 19 skills priorities;
- Develop proposals for a regional framework that clearly defines, justifies and articulates skills priorities across partners, planners and providers.

The Task and Finish group developed a methodology for establishing regional priorities, both occupational and sectoral, based on a balanced scorecard approach.

The balanced scorecard approach clearly identified five regional priorities for action:

- Wholesale and Retail
- Manufacturing/ Engineering
- Business Services
- Construction
- Health and Care

In summer 2005, it was agreed that all Local Skills for Productivity Alliances would adopt these sector priorities, with the possible addition of local priorities.

4 Individuals, Skills and Learning

a Young People's educational achievement

i Performance at Key Stages 2 - 4

Schools in the South East achieve slightly better results than the national average in English, maths and science at Key Stage 2. However, of the 19 LEAs only 10 are above the England average in all 3 subject areas; English, maths and science. Results are particularly low In Medway, and the Isle of Wight; Slough and Reading also perform badly.

Across the board Wokingham has the highest results and Surrey, Buckinghamshire and Bracknell forest also perform well.

Table 38: Key Stage 2 results – Percentage achieving at least Level 4 – 2004

LEA	English	Maths	Science
England Average	**78**	**74**	**86**
MKOB			
Buckinghamshire	82	78	87
Oxfordshire	78	74	86
Milton Keynes	72	70	85
BERKS			
Bracknell Forest	83	76	90
Reading	74	70	83
Slough	75	69	79
West Berkshire	80	74	88
Windsor and Maidenhead	84	79	91
Wokingham	86	82	92
H/IOW			
Hampshire	80	76	89
Portsmouth	75	69	84
Southampton	73	71	87
Isle of Wight	75	70	87
SURREY			
Surrey	85	79	91
SUSSEX			
Brighton and Hove	77	72	85
East Sussex	78	74	87
West Sussex	78	75	88
K&M			
Kent	74	70	82
Medway	72	68	78

Source: DfES Performance Tables
Note: Boxes shaded grey show levels of performance below the England average

Key Stage 3 performance

As at Key Stage 2, the South East region achieves slightly better results at Key Stage 3 than the national average and at Key Stage 3 12 (as opposed to 10 at Key Stage 2) of the 19 LEAs perform at above the England average in all 3 subject areas due to the better performance in both Slough and Kent. There is some relative decline the results for maths and science in Southampton and on the Isle of Wight.

Table 39: Key Stage 3 results – Percentage achieving at least Level 4 - 2004

LEA	English	Maths	Science
England Average	**71**	**73**	**66**
MKOB			
Buckinghamshire	80	81	77
Oxfordshire	73	76	70
Milton Keynes	65	70	62
BERKS			
Bracknell Forest	77	77	70
Reading	61	67	60
Slough	76	77	68
West Berkshire	79	81	73
Windsor and Maidenhead	77	80	74
Wokingham	81	82	78
H/IOW			
Hampshire	76	78	72
Portsmouth	64	67	54
Southampton	64	66	59
Isle of Wight	65	70	64
SURREY			
Surrey	79	79	74
SUSSEX			
Brighton and Hove	70	69	61
East Sussex	72	76	68
West Sussex	76	76	70
K&M			
Kent	73	73	68
Medway	70	72	63

Source: DfES Performance Tables
Note: Boxes shaded grey show levels of performance blow the England average

Key Stage 2 and 3 results do, however, probably underestimate the educational achievements of the region's young people as they tend to exclude the cohort of young people who are educated in private schools, who do not generally undertake SAT tests. The South East has over 140,000 young people being educated in independent schools, the highest number in any region in the UK.

Key Stage 4 Performance

At Key Stage 4 the South East remains slightly above the England average and out-performs all other regions for the percentage of pupils achieving at least 5 A*-C grade GCSEs (or equivalent. Girls in the region outperformed boys by approximately ten percentage points overall, which is in line with observed national trends. This 10% gap between the performance of girls and boys is fairly uniform across authorities with the exception of Reading (and to some extent Brighton and Hove) where girls only marginally out-perform boys.

There is a considerable degree of variation between the best performing LEA areas and the worst in the region with the three worst performing LEAs all being in Hampshire and the Isle of Wight LLSC. An interesting point to note is that the results in Slough are similar to the SE average even though at Key Stage 2 the LEA shows poor results. (can Brian comment)

Table 40: GCSE and equivalent Results 2004 by gender - for each Local Education Authority and Government Office Region

Government Office Region Local Education Authority	Percentage of 15 year old pupils achieving at GCSE and equivalents:														
	5+A*-C grades			5+A*-G grades			5+A*-G inc English & Maths			Any passes			No passes		
	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total
Buckinghamshire	61.0	70.4	65.7	92.1	95.5	93.8	90.6	94.4	92.5	96.7	98.2	97.5	3.3	1.8	2.5
Oxfordshire	45.9	55.8	50.8	87.4	91.0	89.2	85.5	89.2	87.3	95.4	97.0	96.2	4.6	3.0	3.8
Milton Keynes	42.8	52.8	47.6	88.8	91.7	90.2	86.4	89.9	88.1	95.5	97.1	96.3	4.5	2.9	3.7
Bracknell Forest	47.2	57.3	51.9	92.9	95.8	94.3	89.4	92.8	91.0	96.7	98.6	97.6	3.3	1.4	2.4
Reading	44.4	45.7	45.1	78.4	84.6	81.5	77.0	81.5	79.2	92.8	94.4	93.6	7.2	5.6	6.4
Slough	52.0	59.7	55.8	86.7	91.7	89.1	86.1	89.2	87.6	95.6	96.7	96.1	4.4	3.3	3.9
West Berkshire	56.8	64.6	60.7	92.5	95.5	94.0	90.3	94.1	92.2	97.1	98.1	97.6	2.9	1.9	2.4
Windsor & Maidenhead	56.7	63.0	59.6	90.7	93.2	91.9	90.0	92.7	91.2	95.8	96.2	96.0	4.2	3.8	4.0
Wokingham	53.8	70.2	61.9	91.5	96.1	93.8	90.2	95.5	92.8	96.2	97.3	96.8	3.8	2.7	3.2
Hampshire	53.5	62.5	57.9	91.2	94.5	92.8	89.8	93.5	91.6	97.5	98.0	97.8	2.5	2.0	2.2
Portsmouth	33.4	47.9	40.6	78.0	85.1	81.6	75.3	82.3	78.8	91.6	95.0	93.3	8.4	5.0	6.7
Southampton	37.4	50.4	43.9	83.7	91.4	87.5	81.7	89.5	85.6	94.2	97.2	95.7	5.8	2.8	4.3
Isle of Wight	38.3	50.4	43.9	83.1	87.6	85.2	80.1	84.7	82.2	96.0	95.7	95.9	4.0	4.3	4.1
Surrey	52.6	64.3	58.3	89.1	93.0	91.0	86.8	91.5	89.1	95.7	97.1	96.4	4.3	2.9	3.6
Brighton and Hove	47.0	51.2	49.1	84.5	89.2	86.9	83.5	88.4	86.0	95.3	96.8	96.0	4.7	3.2	4.0
East Sussex	47.7	59.6	53.6	86.1	91.1	88.6	82.9	88.1	85.5	95.6	97.0	96.3	4.4	3.0	3.7
West Sussex	48.0	59.2	53.6	88.9	92.6	90.7	86.3	90.6	88.5	96.3	97.2	96.7	3.7	2.8	3.3
Medway	45.2	54.3	49.8	91.2	95.3	93.3	89.1	93.6	91.4	98.0	98.5	98.3	2.0	1.5	1.7
Kent	50.7	60.5	55.4	89.5	93.3	91.4	87.1	91.2	89.1	97.0	97.5	97.2	3.0	2.5	2.8
TOTAL (Maintained sector)	46.5	56.7	51.5	87.2	91.6	89.4	84.9	89.6	87.2	95.3	96.7	96.0	4.7	3.3	4.0
England Average[3]	48.4	58.5	53.4	86.3	91.1	88.6	83.9	89.1	86.4	94.9	96.6	95.8	5.1	3.4	4.2
SOUTH EAST	**49.9**	**60.0**	**54.8**	**88.8**	**92.8**	**90.8**	**86.7**	**91.1**	**88.9**	**96.3**	**97.3**	**96.8**	**3.7**	**2.7**	**3.2**
NORTH EAST	43.7	52.9	48.3	85.3	90.4	87.8	83.1	88.2	85.6	94.3	96.3	95.3	5.7	3.7	4.7
NORTH WEST	45.3	55.0	50.1	86.8	91.1	89.0	84.5	89.1	86.8	94.9	96.3	95.6	5.1	3.7	4.4
YORKSHIRE & HUMBER	41.8	51.9	46.8	85.4	90.2	87.8	82.9	88.0	85.4	94.2	96.1	95.1	5.8	3.9	4.9
EAST MIDLANDS	46.1	55.6	50.7	87.1	91.2	89.1	84.2	88.7	86.4	95.3	96.6	95.9	4.7	3.4	4.1
WEST MIDLANDS	45.0	56.1	50.4	86.8	91.8	89.2	84.1	89.2	86.6	95.5	96.9	96.2	4.5	3.1	3.8
EAST OF ENGLAND	48.6	59.8	54.1	88.6	92.4	90.5	86.7	91.0	88.8	96.1	97.0	96.6	3.9	3.0	3.4
SOUTH WEST	49.2	59.7	54.3	88.0	92.3	90.1	85.8	90.7	88.2	95.9	97.0	96.5	4.1	3.0	3.5
LONDON	46.6	56.9	51.7	86.8	91.3	89.0	84.4	89.5	87.0	95.0	96.7	95.8	5.0	3.3	4.2
Inner London	39.9	51.4	45.8	84.5	90.0	87.3	81.5	87.6	84.6	94.6	96.5	95.6	5.4	3.5	4.4
Outer London	49.5	59.5	54.4	87.8	91.9	89.8	85.7	90.4	88.0	95.2	96.8	96.0	4.8	3.2	4.0

Source: LEA Performance Tables, DFES 2004
Note: Analysis based on "early results" which change slightly following reassessment phase

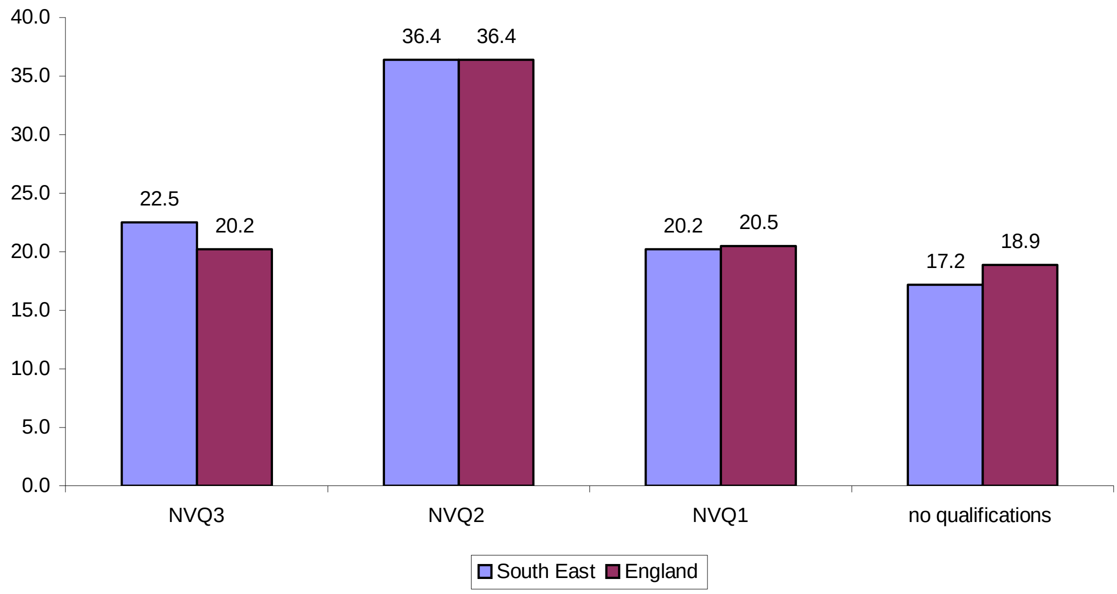
At the level of individual schools there is considerable differences in the attainment of year 11 pupils with the percentage achieving 5 good GCSEs ranging from 15% to 100%. Overall there are about 45 schools (not including special schools) where attainment is below 30% achieving 5 A*-C grades.

Whilst standards can always be raised further, the evidence presented above clearly shows that the region generates a comparatively well-educated supply of young people during the compulsory education phase, although in some areas/schools levels need to rise in order to ensure that all young people enter the labour market equipped with the skills required for employment in the 21st century

ii 16 – 19 Achievement

Data from the annual LLFS provides a picture of academic achievement across economically active young people in the region. As can be seen in Chart the region has slightly fewer young people with no qualifications and slightly more with a level 3 qualification.

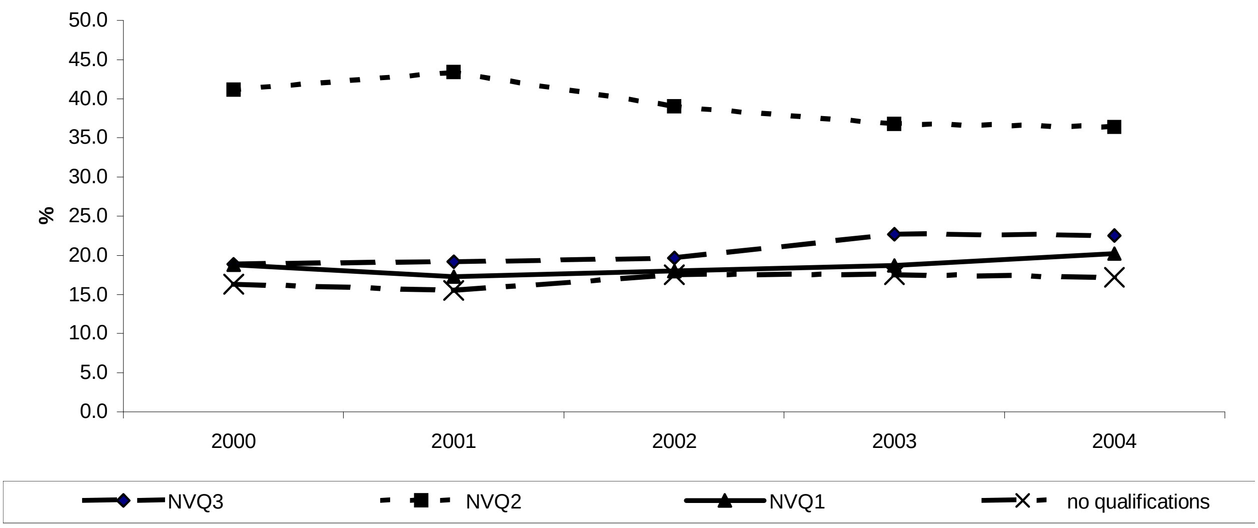
Chart 17: Qualifications Profile of 16-19 Year Olds



Source: Annual Local Labour Force Survey 2004

Trend data the qualification levels of young people in the south East reveals some issues of concern. Whilst the percentage of 16-19 year olds with a level 3 has risen over the past 5 years the number with a level two appears to have fallen and the net result of this is that although in the South East 58.9% of 16-19 year old are qualified to at least level 2 compared with 56.6 in England, in 2000 the South East figure was 60.1% compared with 54.6% for England. This represents both an absolute and relative fall in qualifications levels of young people in the South East.

Chart 18: Highest qualification held by 16-19 year olds – 2000 to 2004



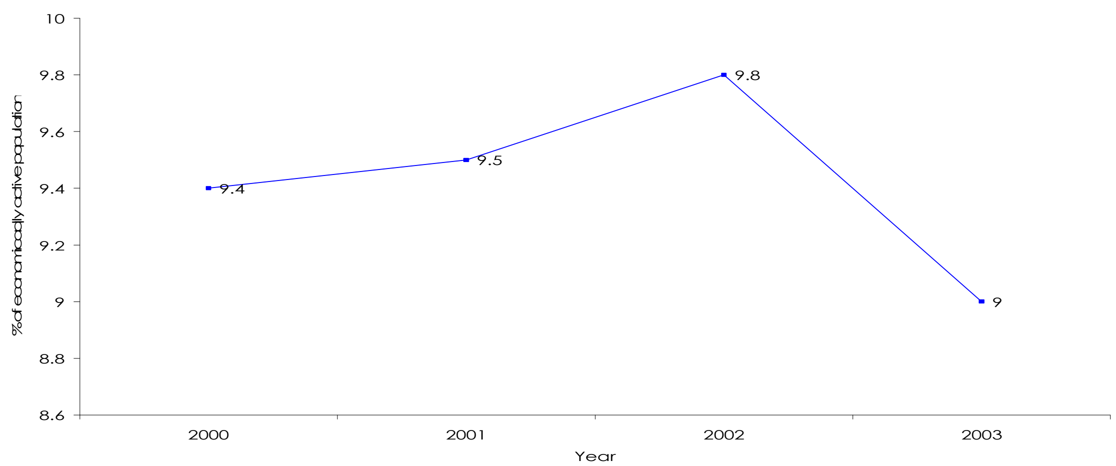
Source: Annual Labour Force Survey 2004

b Adults Educational Achievement

i Adults without qualifications

Information from the annual LLFS contained in Chart shows that approximately nine percent of the region's economically active workforce lack any qualifications. It also shows that this figure has remained fairly constant over recent years.

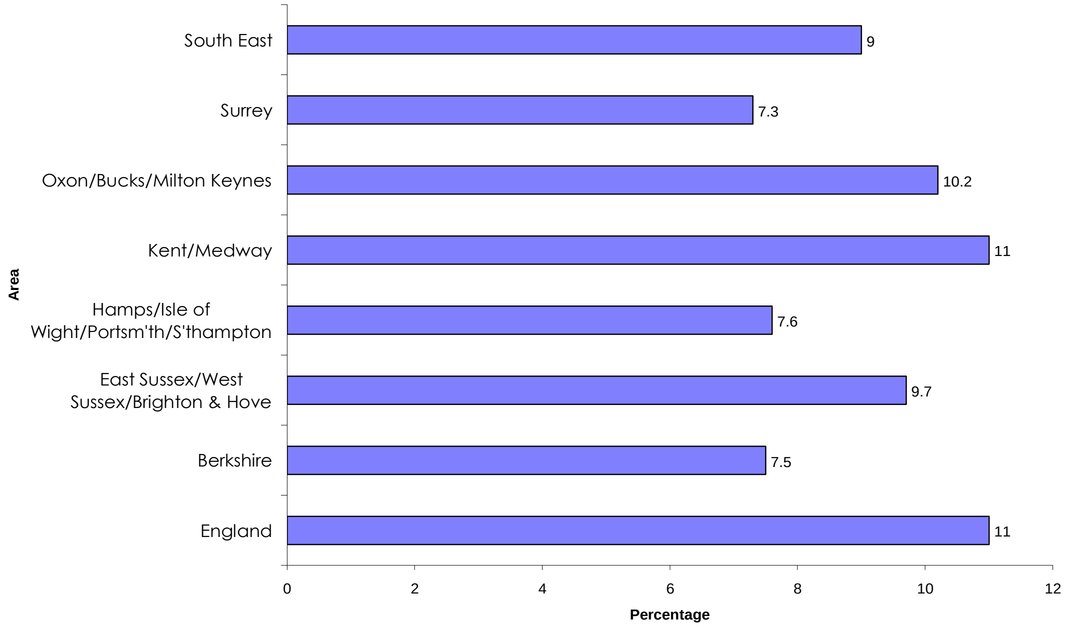
Chart 19: Percentage of Population with No Qualifications



Source: Annual Labour Force Survey 2003

As can be seen in Chart 20 the South East has fewer people without any qualifications than England as a whole. However, within the region the percentage of the population lacking any qualifications varies from only 7.3% in Surrey to 11 percent in Kent and Medway.

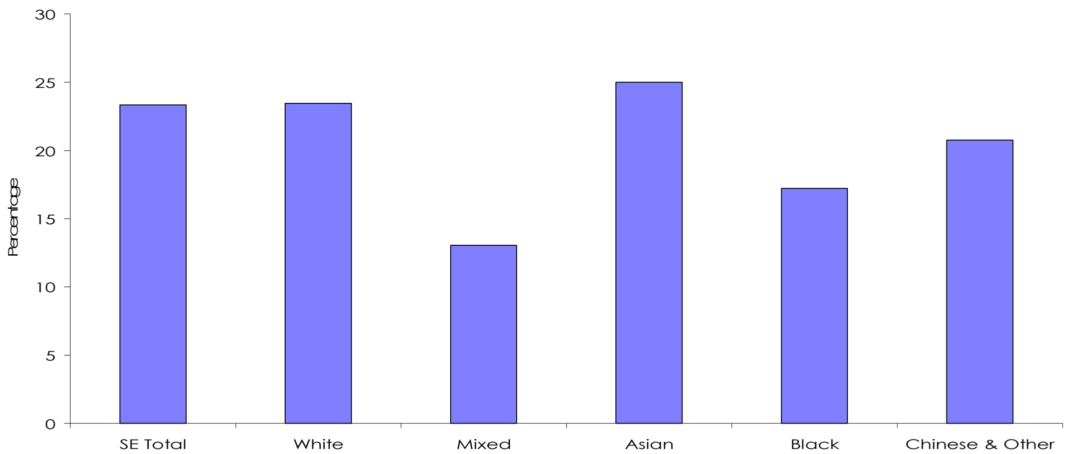
Chart 20: Percentage With No Qualifications



Source: Annual Local Labour Force Survey 2003

There is also a strong correlation between age and those lacking in qualifications. For example, only 6.5% of the region's 25-29 year olds have no qualifications whilst more than 20% of the region's economically active population aged 50+ have no formal qualifications.

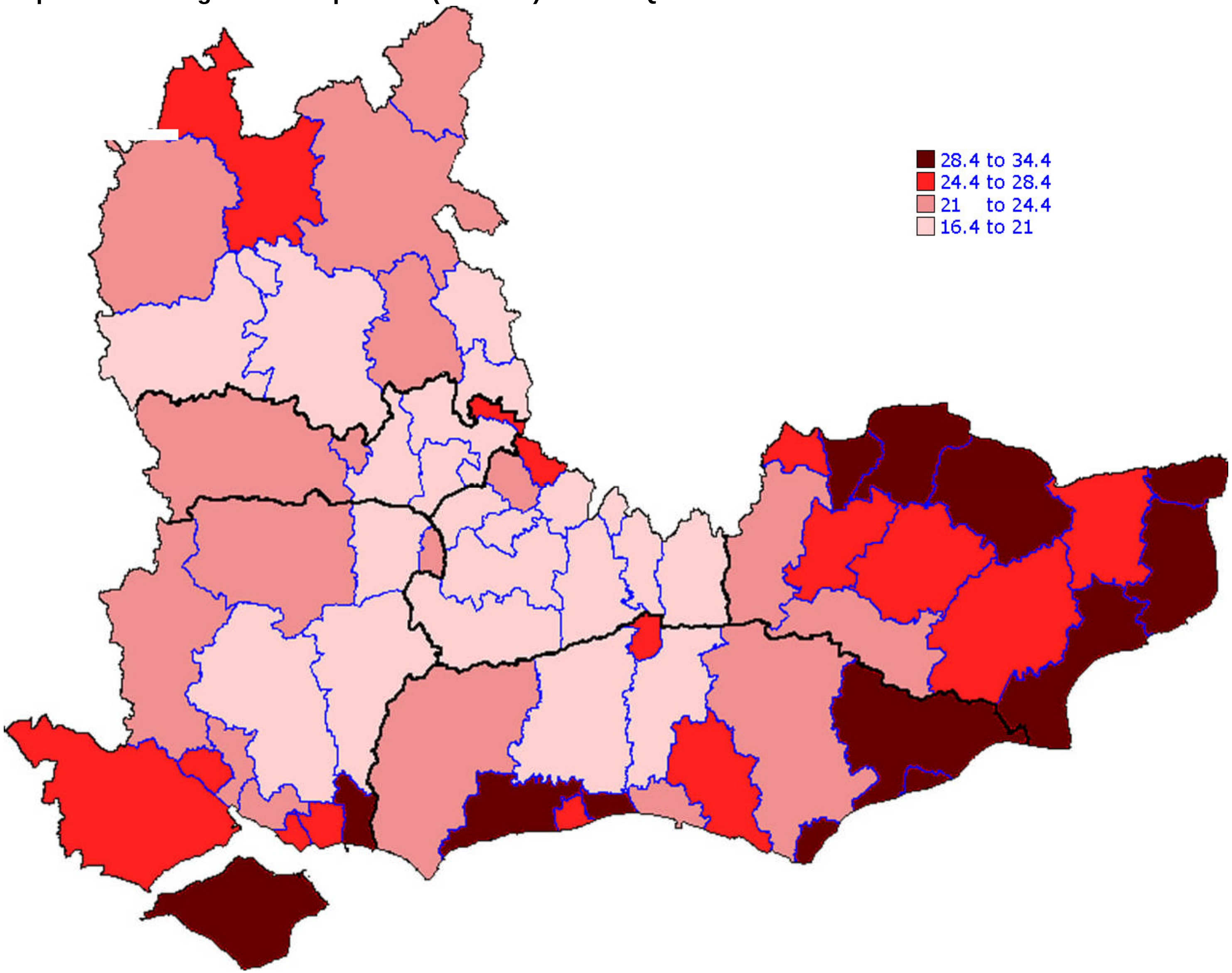
Chart 21: Percentage of South East Ethnic Groups with No Qualifications



Source: Census 2001. ONS

Information from the 2001 Census indicates, as can be seen in Chart, that ethnic minority groups within the South East have fewer people lacking in qualifications than the white population. Only in the Asian communities is there a greater share of the population lacking in any qualifications. More detailed analysis reveals that within the Asian population those of Indian extraction have considerably fewer people lacking in qualifications than in other Asian ethnic groups such as Pakistani and Bangladeshi. It should be noted that the data from the Census relates to the whole population and should not be compared with the data presented in Chart 20 and Chart 21 which was derived from the LFS.

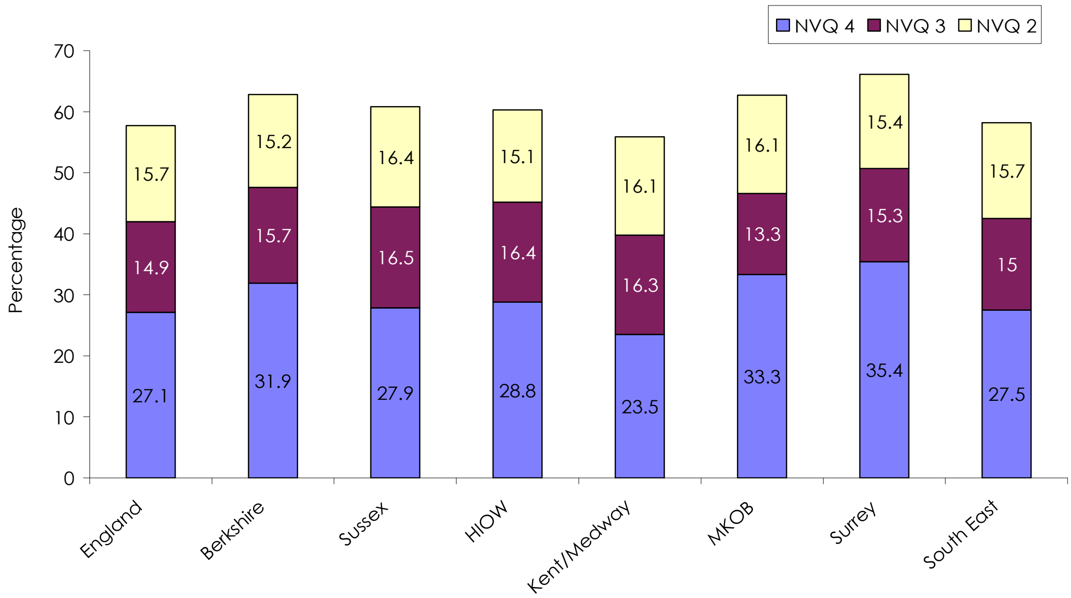
Map 3 – Percentage of the Population (16-59/64) with No Qualifications



ii Intermediate Level Skills

Overall 61% of the working age, economically active population of the South East is qualified to NVQ level 2 and above. This represents the highest percentage of any English region and is just over three percent higher than the England average of 57.7%. Within the region the level of achievement at NVQ levels 2 and 3 are broadly similar in all local LSC areas.

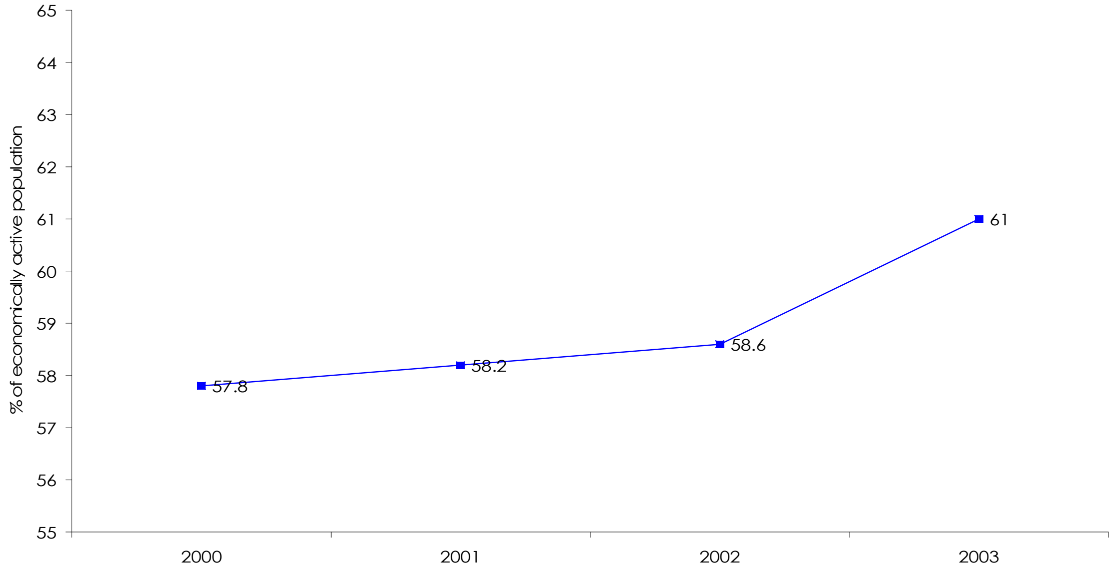
Chart 22: Percentage of Working Age Population with NVQ2 and above



Source: Annual Local Labour Force Survey 2003

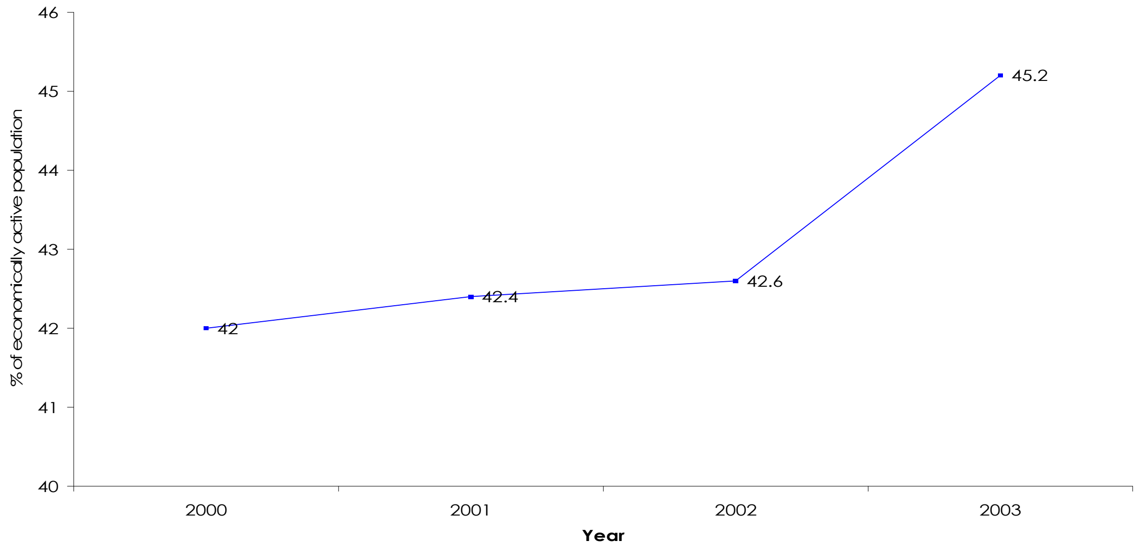
Chart 23 and Chart 24 show there has been a steady rise in the share of the regional economically active population qualified to NVQ levels 2+ and 3+ over recent years.

Chart 23: Percentage of Population with NVQ2 +



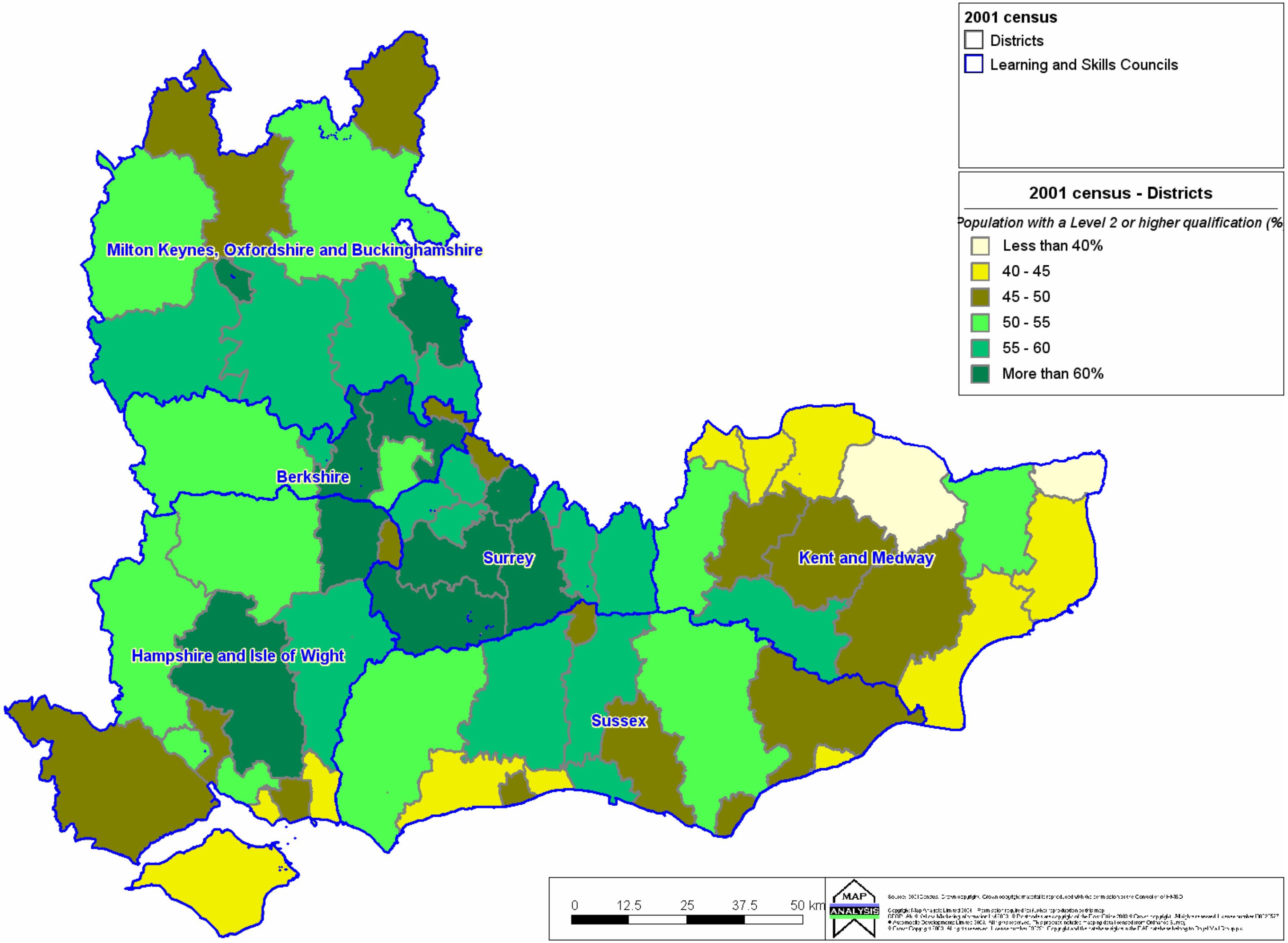
Source: Annual Local Labour Force Survey 2003

Chart 24: Percentage of Population with NVQ 3+



Source: Annual Local Labour Force Survey 2003

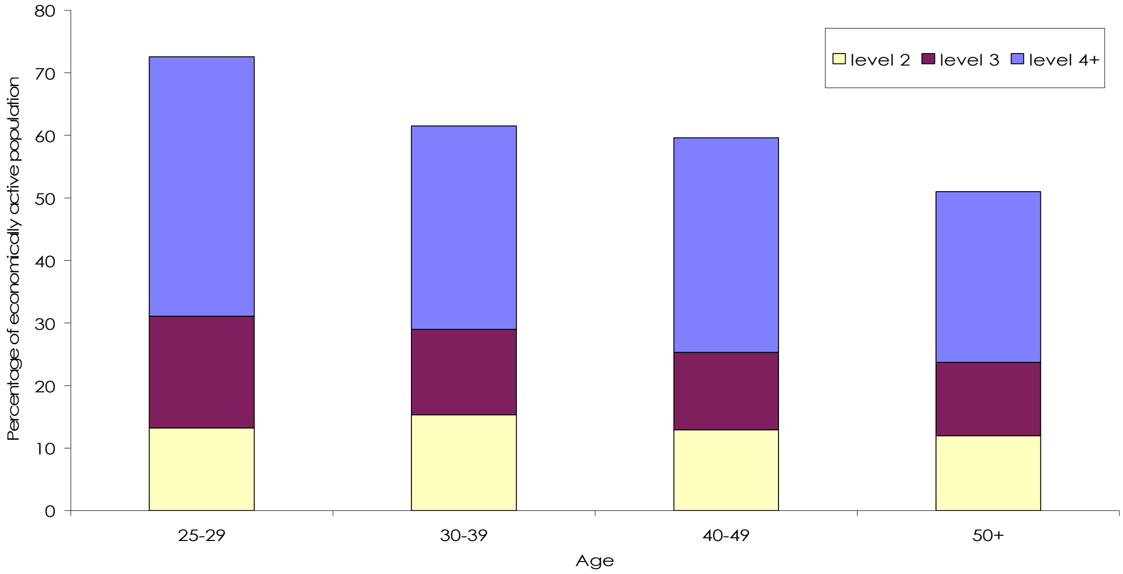
Map 4
Percentage of Population with a Level 2 or Higher Qualification
Source: 2001 Census



Overall 63% of economically active women and 59.5% of economically active men hold qualifications at NVQ level 2 and above in the region, although this gender pattern is reversed for those with NVQ level 3 and above, where 46% of men and 44% of women hold qualifications at that level.

The geographic distribution of intermediate and higher level qualifications across the South East can be seen in Map 4.

Chart 25: Qualification Profile by Age



Source: Annual Local Labour Force Survey 2003

As can be seen in Chart the share of the economically active population holding intermediate and higher level qualifications is significantly different when analysed by age. Over 20% more people aged 25-29 hold intermediate and higher level qualifications than those aged 50 and over. This indicates that, irrespective of any further improvements in the qualifications of new entrants to the labour market, the region's qualification profile is likely to continue to improve as older, less well-qualified workers leave the labour market.

Labour Force Survey Quarterly Sample

The following information provides supplementary information on skills and qualifications for residents in the South East from the labour force survey (LFS) quarterly sample survey data.[75]

In the South East region, 20.3% of respondents to the LFS are qualified to degree level and a further 8.8% have Higher Education qualifications. The proportion of people with qualifications from Higher Education ranged across the region. The highest proportion of

[75] This data is from the 2005 (April, May, June) Labour Force Survey (LFS) quarterly sample survey data, which is based on a sample of around 60,000 households, which is scaled up to the UK population as a whole. The quarterly LFS dataset is not seasonally adjusted.

people with degree or equivalent qualifications was in Surrey LSC. Over a quarter (26.8%) of respondents in Surrey LSC had a degree or equivalent qualification. The lowest proportion was in Kent & Medway where this figure was 16.0%.

For just under a quarter (24.0%) of people in the South East, their highest qualification was a GCE A-Level or equivalent. This proportion was lowest in Berkshire and Surrey LSC areas (21.7%) and highest in Hampshire & IOW LSC area where the proportion was over a quarter (26.4%).

The majority of respondents to the in the South East hold qualifications gained from school, college or university (30.6%). A further 17.3% of respondents hold qualifications that were gained connected with their work, 1.4% gained qualifications from government schemes and 0.4% gained qualifications from Modern Apprenticeships.

A total of 13.6% of people in the South East were currently working towards a qualification. The proportion of people working towards a qualification was slightly higher in Hampshire & IOW LSC (14.8%), MKOB LSC (14.8%), and Berkshire LSC (14.0%) and slightly lower in Sussex LSC (11.6%).

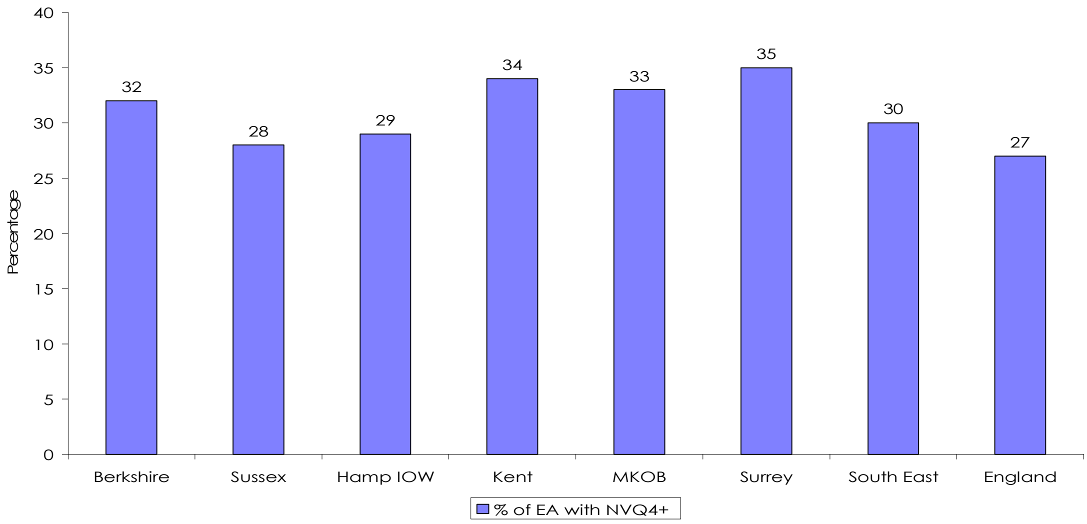
Of those people who were currently working towards a qualification in the South East, 30.2% were studying for a degree level qualification, 21.9% were studying for any other professional, vocational or foreign qualification, 14.6% were studying A-Levels or AS-Levels, 12.1% were studying for an NVQ qualification, and 7.6% were studying GCSEs.

A total of 18.1% of people in the South East had undertaken job-related training or education in the past 3 months. The proportion was highest in Berkshire LSC (19.6%) and lowest in Sussex LSC (16.9%). Of the people in the South East who had undertaken job-related training or education in the last 3 months, almost half (46.7%) had lead to a qualification and 3.6% had contributed to a credit towards a qualification. This means that 47.7% of this job-related training or education did not lead to any qualifications.

iii Higher Level Skills

Overall just under thirty percent of the economically active workforce hold NVQ level 4 equivalent and above qualifications. Once again the South East region is significantly above the England average, with only London (36.7%) having a greater share of its economically active population qualified to this level. Unlike at the intermediate skills level, there are significant intra-regional differences between the percentages of the population holding level 4 and above qualifications. As can be seen in
Chart , the Kent LSC area has nearly 12% fewer people qualified to NVQ 4+ than the best performing LSC area, Surrey.

Chart 26: Percentage of Working Age Population with NVQ4 and Above



Source: Annual Local Labour Force Survey 2003

iv BME educational achievement

Recently released data, specially commissioned by the LSC from the 2001 Census[76], shows that unlike in nearly all other areas of the UK, ethnic minorities in the South East are, on average, better qualified than the white population. In some ethnic minority groupings, such as Chinese, the share of the population with NVQ4 and above is virtually double that of the white population.

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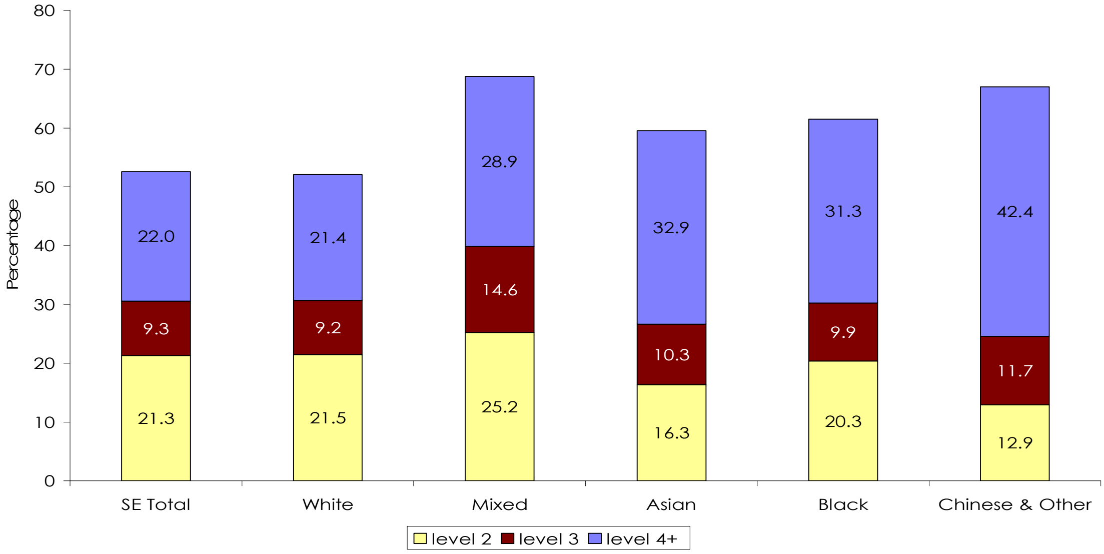
76 The data from the Census relates to both the economically active and inactive, and therefore is not comparable with the estimates produced from the LLFS.

Chart 27: Percentage of South East Ethnic Groups with NVQ 2+ Qualifications



Source: Census 2001, National Statistics

v Basic Skills

Reliable data on the scale and distribution of basic skills needs is difficult to obtain. Two sources of data on basic skills in the region are presented in this section. The first set of information comes from the Basic Skills Agency's National Skills for Life Survey 2003 which involved objectively testing the literacy and numeracy skills of respondents. The sample of over 1100 people in the South East does, it is believed, provide fairly robust regional estimates, but is insufficient to forecast demand at any level below the region. The objective nature of the testing does provide a level of rigour not evident in the second source.

Data on people without qualifications or with only level 1 achievement from the 2001 Census was used by BMG Research as a proxy measure for those with basic skills deficiencies. This data was then used to map out the scale of basic skills needs at a ward level across the South East. A number of methodological problems with this approach are identified in the BMG report, and it is therefore probably indicative rather than definitive in nature

Literacy

Data from the Basic Skills Agency's Skills for Life Survey[77] found that 12% of adults in the South East had literacy skills at entry level 3 and below. This represents the lowest proportion of any region in England.

If correct, the Basic Skills Agency data would suggest that approximately 580,000[78] working age adults in the South East have literacy skills at entry level 3 and below.

[77] Skills for Life 2003 N=1122
[78] Working age population 4.89 million

The South East is, according to the survey, the only region in England with more than half its population (SE= 51%) possessing literacy competency at Level 2 and above. Overall only 44% of the UK adult population is estimated to have literacy skills at this level.

Numeracy

The Skills for Life Survey also assessed numeric competency. It found that the South East has the smallest proportion of adults of any region (40%) with entry level 3 or below competency in numeracy. A further 27% had level 1 numeracy competency with the remainder (32%) possessing numeracy skills at level 2 and higher.

If correct, the Basic Skills Agency data would suggest that approximately two million[79] working age adults in the South East have numeracy skills at entry level 3 and below.

Explaining basic skills

Analysis of the Skills for Life Survey data has demonstrated that there is a strong correlation between the level of deprivation and the level of literacy and numeracy competency held by the local population. The low level of basic skills issues in the South East, vis-à-vis the rest of the country, can be explained by the relatively small level of deprivation in the region. However, using the index of multiple deprivation scores to select similarly deprived areas in the south east and elsewhere in England shows that in those deprived communities that do exist in the South East the scale of basic skills problems are comparable with all other regions. Whilst the magnitude of basic skills problems may not be as big as in other regions, in deprived areas of the South East the basic skills issues are just as prevalent.

Local Level Basic Skills Mapping

As outlined above, the BMG research provides a tool with which it is possible to map out a likely pattern of basic skills needs at a sub-regional level.

Map 4 shows the percentage of the adult population (age 16-74) of local authority districts in the South East Region without qualifications. It can be seen that there are probably two essential characteristics affecting the resulting picture. The first is socio-economic character – working-class/disadvantaged populations which leads to concentrations of 'no qualifications' in Southampton/Portsmouth, Crawley, and large areas of Kent. The second is age and retirement patterns which pick out the Isle of Wight, Eastbourne and other parts of the Sussex and Hampshire coast.

c Generic Skills Needs and Patterns

There is a growing body of evidence[80] that suggests that qualifications, whilst reasonably easy to measure, are a poor proxy for the stock of human capital in an area.

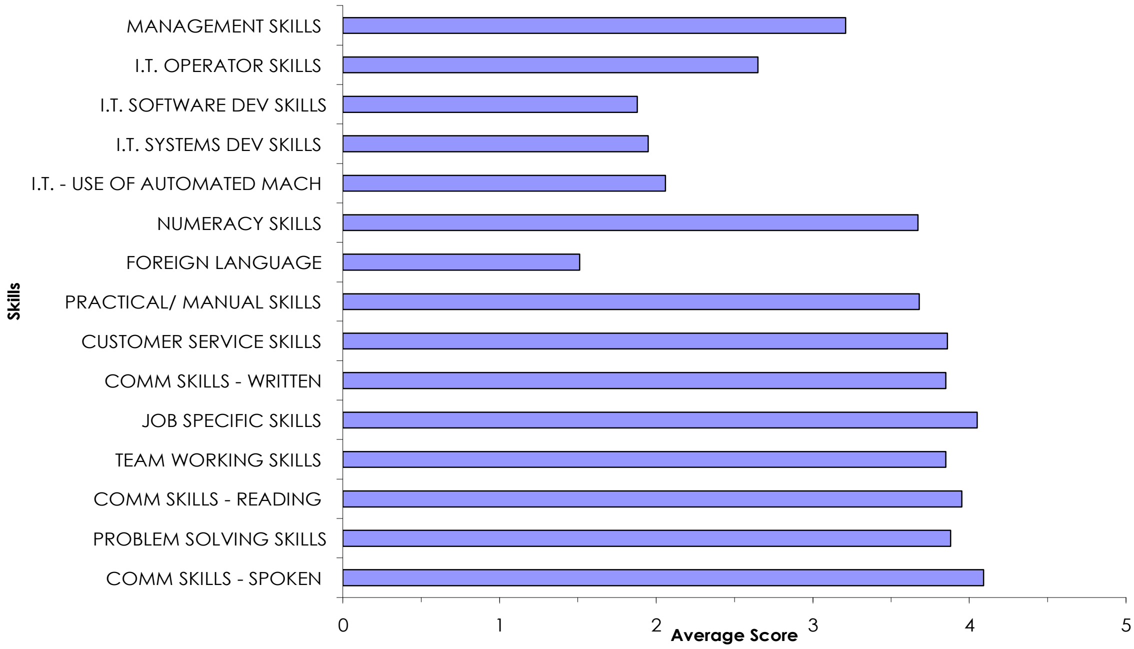
Other indicators such as the level of generic skills and competences may tell us more about the stock of skills in an area. The South East Skills Audit asked working individuals for their views on the level of certain generic skills needed to undertake their current roles. As can be

[79] Working age population 4.89 million
[80] Literacy scores, human capital and growth in 14 OECD Countries as quoted in the Economist August 2004

seen in Chart 28 below, communication and job specific skills are ranked as the most important overall, with mean scores of more than four[81]. A further seven generic skills all received mean scores of 3.5 or more.

Amongst the skills least important for all workers in the South East were foreign language, IT development and management skills. This probably reflects the fact that they are less required by all workers than a more general requirement to have low level competences in these areas.

Chart 28: Current Required Skills Level

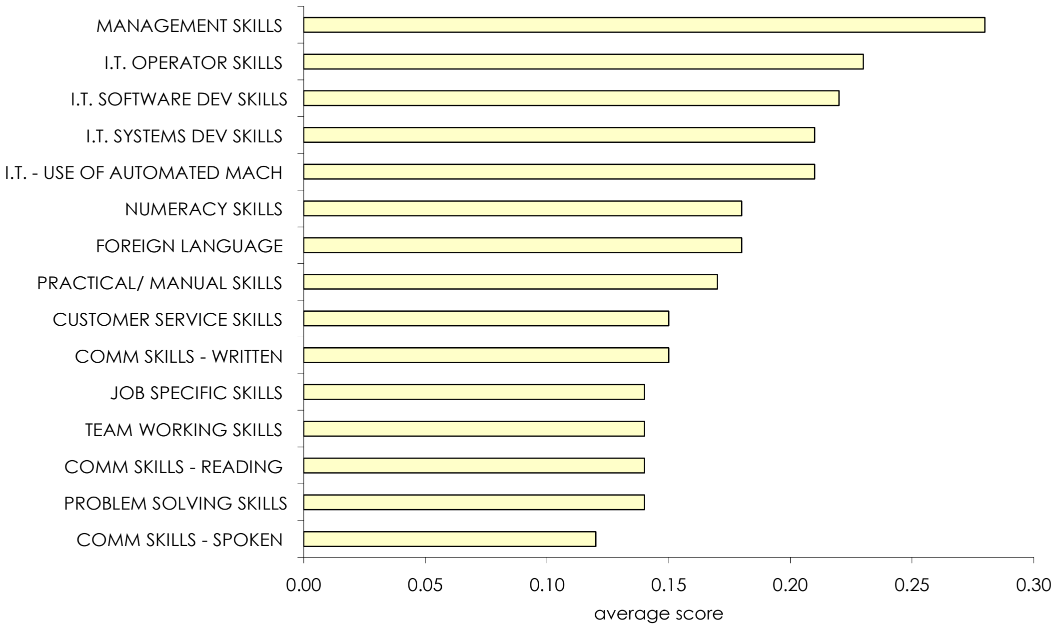


Source: South East Skills Audit 2003

Individuals were also asked for their perception of the level of generic skills people in their roles will need in the future. As can be seen below, the region's workers believe that the level of competence needed in all generic skills areas will rise over the next five years, with the greatest need for improvement being in the areas of management, IT development and numeracy.

[81] The survey used a likert scale where 1 was not important at all and five was very high

Chart 29: Individuals Perceptions of Skills Needing Improving Over the Next Five Years



Source: South East Skills Audit 2003

The level of generic skills required by workers varies considerably between different occupational areas. As can be seen in

Table 41 below, the Skills Audit found that the requirement for 'good' generic skills is highest amongst senior occupations and managers, who say they need a good level of competence in nine generic skills areas. The number of generic skills required at a high level falls as you move down the occupational groupings, with plant and machine operatives and those in elementary occupations stating they do not need any generic skills at high levels. Reassuringly, the table also shows that the level of management skills needed by managers is already high and that high level customer service skills are required by those in sales occupations.

Whilst there are undoubtedly methodological issues with this approach to assessing current skills competency and future requirement, it does perhaps highlight general patterns and identify generic skill priorities for regional partners.

Table 41: Importance of Skills By Occupational Category

	Managers and Senior occs	Professionals	Associate Professionals	Secretarial & clerical	Skilled Trades	Personal Service Occs	Sales and Customer Service	Plant and Machine	Elementary Occs
I.T. OPERATOR SKILLS	3.41	3.58	3.09	3.40	1.98	1.93	2.22	1.72	1.47
I.T. SYSTEMS DEV SKILLS	2.46	2.70	2.19	2.28	1.65	1.53	1.62	1.52	1.28
I.T. SOFTWARE DEV SKILLS	2.33	2.61	2.12	2.19	1.61	1.48	1.56	1.50	1.24
I.T. - USE OF AUTOMATED MACH	2.36	2.52	2.30	2.14	2.19	1.59	1.95	1.96	1.49
COMM SKILLS - WRITTEN	4.35	4.46	4.20	4.22	3.44	3.75	3.70	3.03	2.79
COMM SKILLS - READING	4.39	4.51	4.25	4.27	3.56	3.88	3.84	3.20	2.99
COMM SKILLS - SPOKEN	4.45	4.52	4.33	4.30	3.75	4.12	4.12	3.49	3.31
CUSTOMER SERVICE SKILLS	4.26	4.02	4.03	4.05	3.67	3.76	4.24	3.24	3.13
TEAM WORKING SKILLS	4.25	4.23	4.08	3.94	3.67	3.70	3.86	3.27	3.28
FOREIGN LANGUAGE SKILLS	1.81	1.84	1.65	1.59	1.45	1.54	1.59	1.47	1.33
PROBLEM SOLVING SKILLS	4.29	4.35	4.18	3.91	3.91	3.81	3.61	3.28	3.08
MANAGEMENT SKILLS	4.29	3.75	3.41	3.15	3.04	3.07	2.84	2.44	2.32
NUMERACY SKILLS	4.20	4.19	3.73	3.89	3.55	3.39	3.74	3.13	2.86
JOB SPECIFIC SKILLS	4.32	4.34	4.19	4.10	4.17	3.99	3.94	3.82	3.55
PRACTICAL/ MANUAL SKILLS	3.78	3.70	3.78	3.41	4.23	3.71	3.47	3.82	3.60

Source: South East Skills Audit 2003

Generic skills required at a good level and above

d Specific Interest Groups

i Older workers

The Government defines Older Workers as those aged 50 and over. Economic activity rates among the over 50s shows that a higher proportion remain economically active in the South East than in Great Britain as a whole.

The South East Skills Audit 2003/04 shows that 30% of the sample aged over 50 were retired prior to statutory retirement age, the lowest proportion being in Surrey, where only 21% had taken early retirement. Berkshire also had a figure marginally below the regional average. Of those aged 50 and over, 54% were still in some form of work (employed, self-employed or doing unpaid or voluntary work). 15% were employed in each of the SOC[82] categories Managers and Senior Officials, Professional occupations, Administrative and secretarial occupations and Skilled Trade occupations, while the smallest occupational grouping was Sales and customer service occupations, with 6%. Of those working, 26% worked 35 up to 40 hours per week, but 39% worked 40 hours or more per week.

[82] Standard Occupation Classification

Nearly 30% of the total sample aged 50 and over believed that learning was very important to them, but the overall figures masks differences by area, where Hampshire and the Isle of Wight have an older population that was the least convinced about the benefits of learning and Surrey and Sussex are the greatest advocates of learning. Looking at when people last undertook learning however, 44% had not undertaken any for at least 5 years. Looking at the existing level of qualifications, 35% of respondents aged 50 and over did not have any qualifications. Looking at the figures for the South East as a whole, positive attitudes to learning increase with the level of qualification already obtained and by the level of occupation.

The Third Age Employment Network has published reports that show that the past 25 years has seen a decline in those working after the age of 50, which has been fuelled by company restructuring, early retirement options and redundancy as well as perceived age discrimination[83]. Those aged 55 to 64 are twice as likely to be made redundant in restructuring exercises – 176,000 workers over 50 were made redundant in 2002. When considered against qualifications, there are more problems in that only 50% of men with no qualifications are in work, conversely those over 50 are less like to have qualifications, but are less likely to receive training. The decline in working after age 50 acts as a constraint on a local economy where there are labour shortages. However the benefits of using older people to respond to skills shortages are starting to become apparent. A study on training older people[84] shows that those over 50 years of age taking part in government training programmes are more likely to achieve, while 50% would welcome employment related training.

A major study by the Centre for Research on Older Workers[85] found that as with all age groups there is a distinct difference in attitudes and activity between those with higher level qualifications and those with no or low level qualifications. Those who are less qualified are more likely to leave work for reasons beyond their control, have less positive attitudes to work and want to leave work earlier. Those with high level qualifications are more likely to continue working after retirement age.

In slight contradiction to the TEAN work, this study shows that those who remain with large firms are more likely to continue to develop their skills in their 50s and 60s than those in SMEs – assuming the older worker survives the cull in reshaping exercises.

This study found evidence that the South East has the highest proportion of older workers reflecting the low unemployment rate and the unusually high proportion of highly qualified, high earning, and higher level professional people in the region[86]. CROW shows that there is significant fragmentation among the over 50s which will impact on learning and employment strategies for working with them:

1. Those who are highly qualified and in high level jobs – these have significant control over their working lives and are likely to regard new challenges such as training, learning and changing employment positively.
2. Those with low qualification levels in routine and semi-routine jobs – these have little control over their working lives and are more likely to leave work early. They can be difficult

[83] Briefing: Key Fact on Age Diversity and Employment, Third Age Employment Network, www.tean.org.uk, October 2003.
[84] Training Older People, QPID, DfEE.
[85] Changing work in later life: A study of job transitions, McNair et al, Centre for Research on Older Workers, University of Surrey
[86] The South East Regional Skills for Productivity Alliance Proposal by the Action South East Partnership states that people aged 45 and over are relatively less likely to be in employment in Surrey and Kent and Medway.

to encourage back to work unless the money is worthwhile, so encouraging them into learning is even more difficult.
3. Women in intermediate occupations – these are likely to have their propensity to work conditioned by caring and domestic responsibilities.

The CROW report raises some important implications for policy which can make a significant impact at the local level, but the broad principles will be important for workforce development.

This analysis can be set in context with forecasts for employment growth and the opportunity cost of not utilising older workers. It can also be compared with provider information on learners to understand the take up of learning opportunities.

The National Audit Office[87] has reported that the UK economy could be losing up to £31 billion a year via lost output and taxes, and increased welfare payments, due to the low level of employment among people aged over 50. Additionally they comment that local LSCs are required to address inequality in education and training by setting targets for under-represented groups, however to date, only 7 local councils have specifically addressed issues relating to older learners.

ii LLDD

In 2001 the Government set out its plans and vision for those with learning disabilities in the White Paper Valuing People. There they define learning disability as including the presence of:

- A significantly reduced ability to understand new or complex information, to learn new skills (impaired intelligence), with;
- A reduced ability to cope independently (impaired social functioning);
- Which started before adulthood, with a lasting effect on development

An IQ of 70 or less is not an automatic criterion for being labelled as having learning disabilities, those with forms of autism who have average or above average intelligence are not encompassed by this term. Also learning disability does not cover automatically all those with a learning difficulty which is considered to have a wider definition.

The White Paper estimates that there are about 210,000 (65,000 children, 120,000 adults of working age and 25,000 older people) with severe and profound learning disabilities. They also assume a prevalence rate of 25 per thousand population to have mild or moderate learning disabilities, equating to 1.2 million people in England. Severe learning disabilities are assumed to have a uniform distribution geographically and across socio-economic groups. However mild/moderate learning disabilities are linked to poverty and thus rates are higher in areas of deprivation and urban areas. In terms of expected changes, the number with severe learning disabilities is expected to increase by 1% per annum over the next 10 years. This increase is due to improved survival rates and life expectancy, greater reported numbers of children with autism and more people of South Asian origin.

Any regional disaggregation is problematic. One reason for this may be illustrated with reference to autism. The National Autistic Society states[88] that while the most frequently asked question is how many people have autism, it is the most difficult question to answer,

87 Welfare to Work: Tackling the Barriers to the Employment of Older People, Report by the Comptroller and Auditor General, National Audit Office, September 2004
88 How many people have autistic spectrum disorders? www.nas.org.uk/nas/jsp/polopoly.jsp

not least as there is no central register of everyone who has autism, therefore numbers can only be estimated on the results of surveys. Local LSCs may need to work closely with LEAs and Social Services if they wish to gain a robust understanding of the scale of the population with learning difficulties and disabilities in their area and the impact that may have on providers and provision.

A study on Learning Difficulties and Ethnicity[89] stated that the prevalence of learning difficulties among South Asians aged between 5 and 32 is up to three times higher than in other communities (although we have already discussed the difficulty in finding robust statistics on this). The report then comments that this group faces particular problems in accessing the right services due to covert discrimination from service providers seeing this as the result of consanguineous marriages. While there are lower proportions of people from minority ethnic backgrounds in the South East, some local areas may need to pay particular heed to this issue.

In the South East, 3% of pupils have Statements of Education Need as at 2003[90], a proportion that has not changed significantly since 1998. Within the region there is some variance, from 1.8% in Southampton, to 4.1 in West Berkshire.

iii Offenders

During 2002, 137,419 people aged 21 and over were found guilty of offences including motoring offences and were sentenced. The majority (75%) were fined, but 8,679 males and 785 females were sentenced to immediate imprisonment, see

[89] Learning Difficulties and Ethnicity, Mir, Nocon, Ahmad and Jones, Department of Health.
[90] Statistics of Education: Special Education Needs in England: January 2003, Issue 09/03, November 2003, DfES/National Statistics, Crown copyright. Table 2, based on where the pupil attends school.

Table 42. Three quarters of sentences were for one year or less, but London and the South East stand out as having far higher proportions of people sentenced to four years or more imprisonment and this difference is particularly marked for women. The prison population in the South East at April 2003 stood at 11,800, 16.6% of the total England prison population (this is of course spatially determined by location of prisons).

The DfES recognises that offenders make up the hardest to reach groups for learning but are also a group that have the greatest level of need[91]. For England as a whole, the following information has been derived:

- 52% of male and 71% of female adult prisoners have no qualifications
- Half of all prisoners screened on reception are at or below level 1 in reading, two thirds are at or below level 1 in numeracy, and four fifths are at or below level 1 in writing (level 1 is what is expected of an 11 year old)
- 30% of all prisoners have been regular truants
- Nearly 80% of prisoners have been excluded from school, with nearly half losing at least 6 months' education
- 89% of male prisoners and 84% of female prisoners have left school at 15 or 16 compared to 32% of the general population

[91] Improving Offenders' Learning and Skills: delivery plan 2003/04 – 2005/06, Department for Education and Skills, 2003.

Table 42: People aged 21 or over sentenced to immediate imprisonment: by gender and length of sentence imposed for principal offence, 2002.

	Length of sentence (%)			Total sentenced to immediate imprisonment (numbers) (=100%)
	One year or less	Over one year but less than 4	Four years or over	
Males				
South East	72	18	10	8,679
England	74	18	8	75,196
Females				
South East	75	14	11	785
England	80	14	5	6,939

Source: Regional Trends 38: 2004 edition, chapter 9, extract of table 9.11

Table 43: Prison population in the United Kingdom: by prison service region, 30 April 2003.

	Prison population (thousands)
Kent, Surrey & Sussex	6.2
Thames Valley & Hampshire	5.6
Proxy South East total	11.8
England	71.0

Source: Regional Trends 38: 2004 edition, chapter 9, extract of table 9.12

A report by MKOB LSC[92] as part of their strategic area review exercise sets out the general rates of re-offending and the cost of crimes committed by ex-offenders. It also highlights the general issues on offenders set out above, concluding, in line with a report from the Social Exclusion Unit, that the task with ex-offenders is to help them settle into society, quite possibly for the first time in their lives.

iv Asylum seekers and refugees

In the 2001/2 Tax Year[93], there were 21,300 migrant workers registered on the National Insurance Recording System resident in the South East. This proportion made up 13.6% of the United Kingdom total and was the second highest in terms of absolute numbers of the planning regions of the UK after London (70,700 individuals).

According to the Home Office[94], as at the end of December 2003, there were 3,205 asylum seekers including dependents in receipt of support from the National Asylum Support Service in the South East, of which 1,935 were in receipt of subsistence only, and 1,270 were supported in NASS accommodation: this is 4.5% of the England total. The 2003 figure has reduced from the 5,085 seen in December 2001. The largest numbers of asylum seekers are from Africa.

92 Offenders and Ex-offenders in Milton Keynes, Oxfordshire, Buckinghamshire and Berkshire: the role of the local LSCs in the provision of education, employment and information, advice and guidance, MKOB LSC, May2004.
93 Table 4, Migrant Workers Area of Residence by Sex: Tax Year 2001/2, data from NIRS2.
94 Control of immigration: statistics 2004, table 2.4

The main requirements of asylum seekers in terms of learning opportunities are those skills that will help them gain employment once they are given leave to stay. In most cases this will include English Language training, but may also relate to accreditation of prior learning (asylum seekers often leave their country of origin without their qualification certificates)[95].

e Young people learning, non-learning and participation

i Post 16 destinations

Participation in post compulsory full-time education rose in the South East from 75.9% in 2003 to 76.3% in 2004, although a small fall in the percentage participating in training means that overall there has been a small fall in the percentage in learning. This means that whilst the South East is in line with the national picture in terms of learners the nature of the learning is more likely to be through the educational rather than vocational routes.

Within the area there is considerable differences in percentage participation especially when viewed at individual LEA level. In Buckinghamshire and Surrey more than 9 out of 10 year 11 leavers are in some form of learning , but in Reading and Kent the figure is less that 8 out of 10.

Table 44 First Destination after Compulsory Education

	In Learning	Total Number	In Education	GST - non employed	GST - employed	Employment with training	Employment without training	Not settled
ENGLAND	**84.9**	**625,998**	**73.3**	**3.5**	**3.1**	**4.9**	**3.2**	**7.5**
SOUTH EAST	**85.0**	**96,421**	**76.3**	**1.4**	**2.6**	**4.6**	**2.7**	**6.1**
Berkshire	83.6	9,609	77.3	1.2	0.6	4.5	3.7	6.5
Hampshire/IOW	86.1	21,678	76.4	1.3	3.4	5.0	2.8	6.9
Kent & Medway	79.9	21,898	72.1	1.6	2.2	4.0	1.2	6.2
MKOB	86.9	15,837	76.3	2.0	3.7	4.8	4.3	5.6
Surrey	90.1	10,847	80.0	0.7	2.7	6.6	1.7	5.0
Sussex	85.8	16,552	78.7	1.0	2.3	3.7	3.1	6.1

Source: GOSE - Annual Activity Survey 2004 by Connexions Partnership

iii NEETS

In July 2005 the NEET[96] figure for the South East was 6.0% compared to a figure for England of 8.7%[97]. The highest percentage NEET was in Berkshire LSC with 8.4% (a rise of 14% on 2004) while the lowest was Surrey with 4.0% (although this was also up on the previous

[95] J Phillimore et al, 2003, Asylum seekers and refugees: education, training, employment, skills and services in Coventry and Warwickshire/ Asylum Seekers and Refugees in Milton Keynes, Oxfordshire and Buckinghamshire: the role of the local LSC in the provision of education, employment and information, advice and guidance.
[96] Not in Education, Employment or Training.
[97] Taken from NEET spreadsheet supplied by GOSE using the Adjusted NEET percentage figure – note the adjustment method has changed since 2004 and figures quoted last year have been altered to account for this.

year). Over the South East as a whole there has been little change in the number percentage of NEET young people although the position varies between LSCs. The have been significant reductions of NEETs in both Hampshire and the Isle of Wight and Sussex , but these improvements have been more than wiped out by the higher figures in Berkshire and MKOB.

Table 45: July 2005 NEET figures

	July '04			July '05			
	EET adj	NEET adj	% NEET	EET adj	NEET adj	% NEET	% change
Bracknell - Forest LMC	-	-	0.0%	1,903	207	9.8%	
Reading LMC	-	-	0.0%	3,744	469	11.1%	
Windsor & Maidenhead LMC	-	-	0.0%	2,899	129	4.3%	
Slough LMC	-	-	0.0%	3,192	379	10.6%	
West Berkshire LMC	-	-	0.0%	3,441	262	7.1%	
Wokingham LMC	-	-	0.0%	2,487	176	6.6%	
Berkshire	**17,103**	**1,366**	**7.4%**	**17,665**	**1,623**	**8.4%**	**14%**
Kent LMC	31,864	2,181	6.4%	33,675	2,178	6.1%	-5%
Medway LMC	6,491	443	6.4%	6,879	710	9.4%	**47%**
Kent	**38,355**	**2,624**	**6.4%**	**40,554**	**2,888**	**6.7%**	**5%**
Buckinghamshire LMC	11,394	368	3.1%	10,389	455	4.2%	**36%**
Milton Keynes LMC	5,140	517	9.1%	5,164	527	9.3%	**2%**
Oxfordshire LMC	13,413	648	4.6%	13,244	707	5.1%	**11%**
M K Ox & Bucks	**29,946**	**1,534**	**4.9%**	**28,796**	**1,689**	**5.5%**	**12%**
Portsmouth LMC	3,801	518	12.0%	3,565	376	9.6%	-20%
Southampton LMC	4,240	542	11.3%	4,598	608	11.7%	**4%**
Isle of White LMC	3,045	204	6.3%	3,305	165	4.7%	-25%
Hampshire LMC	28,116	1,746	5.8%	29,485	1,566	5.0%	-14%
South Central	**39,203**	**3,009**	**7.1%**	**40,953**	**2,715**	**6.2%**	**-13%**
Surrey	**20,786**	**811**	**3.8%**	**22,188**	**917**	**4.0%**	**5%**
Brighton & Hove LMC	4,932	509	9.4%	4,793	497	9.4%	0%
East Sussex LMC	9,772	815	7.7%	10,558	754	6.7%	-13%
West Sussex LMC	16,062	685	4.1%	16,807	647	3.7%	-10%
Sussex	**30,766**	**2,009**	**6.1%**	**32,158**	**1,898**	**5.6%**	**-8%**
South East	**176,159**	**11,353**	**6.1%**	**182,314**	**11,730**	**6.0%**	**-2%**
ENGLAND	**1,076,876**	**103,829**	**8.8%**	**1,115,940**	**106,705**	**8.7%**	**-1%**

Source: GOSE data

iii Learner satisfaction

The 2002/03 National Learner Satisfaction Survey[98] has just over 2,500 responses for learners who have experienced further education in the South East. Of the respondents, 787 or 31.2% were aged 16 to 19, allowing some tentative conclusions to be drawn about satisfaction with the FE provision in the South East.

Of the respondents, 86.5% were fairly satisfied or better with the quality of teaching and training at college, and only 8.8% expressed some level of dissatisfaction. Looking at wider

98 National Learner Satisfaction Survey data set for FE in the South East and National Learner Satisfaction Survey: Data on SPSS – LSC/NOP

satisfaction with the current learning experience, 88.4% were satisfied or better, while only 7.1% expressed any form of dissatisfaction. In terms of "repeat purchase" or those who were likely to undertake further learning in the next 3 years, 83.9% of young people were likely to participate again, but 15.4% were unlikely to participate in the foreseeable future. More detail is shown in the Annex.

iv IAG

Action South East Partnership believe that IAG services need to be improved to reduce high drop-out rates from work-based training and to assist individuals in making learning and employment decisions[99]. They cite that 35% of young people on work based training in the South East leave before completing their training or gaining an NVQ[100]. This data predates the Learning and Skills Council and the policies for improvement implemented through Success for All. The latest edition of Apprentice[101] indicates that starts and success rates in apprenticeship schemes are up significantly. Success for All has dealt with a wide range of delivery issues, not just the quality of careers advice, which are having a significant effect on work-based learning.

The only publicly available satisfaction survey for Connexions covers Hampshire and the Isle of Wight[102]. This shows an 82% satisfaction rating with the careers interview process. It also highlights areas where the service needs to improve and ways in which they plan to improve the survey methodology as well. Comparisons of such surveys may be a way to improve Connexions performance across the region, which should in turn further improve NEETs.

f Adults learning, non-learning and participation

i Motivations and participation in learning

The Skills Audit for the South East 2003/04 describes the characteristics of learners and non-learners in the Region. Of the total sample, 41% were classified as learners (i.e. they had undertaken some form of learning in the preceding 3 years). People were more likely to be learners if they:

- Lived in Berkshire or Milton Keynes/Oxfordshire and Buckinghamshire
- Were aged 24 or under
- Already had a level of education equal to at least level 3
- Worked in the public sector
- Had a higher order occupation

Conversely, and equally importantly, 59% of the sample were classified as non-learners, and were more likely to be non-learners if they:

- Lived in Kent and Medway
- Were aged 50 or over
- Had a level of educational attainment to level 1 only
- Worked in lower order occupations

[99] South East Regional Skills for Productivity Alliance Proposal, Action South East Partnership.
[100] taken from TEC/CCTE performance indicators 2000/01
[101] Apprentice 6, Apprenticeship News, Issue 6, September 2004
[102] Careers Guidance Interview Survey, Connexions South Central, January 2004.

These characteristics are not unique to the South East (with the exception of the spatial indicators), but do highlight areas where policy interventions are required.

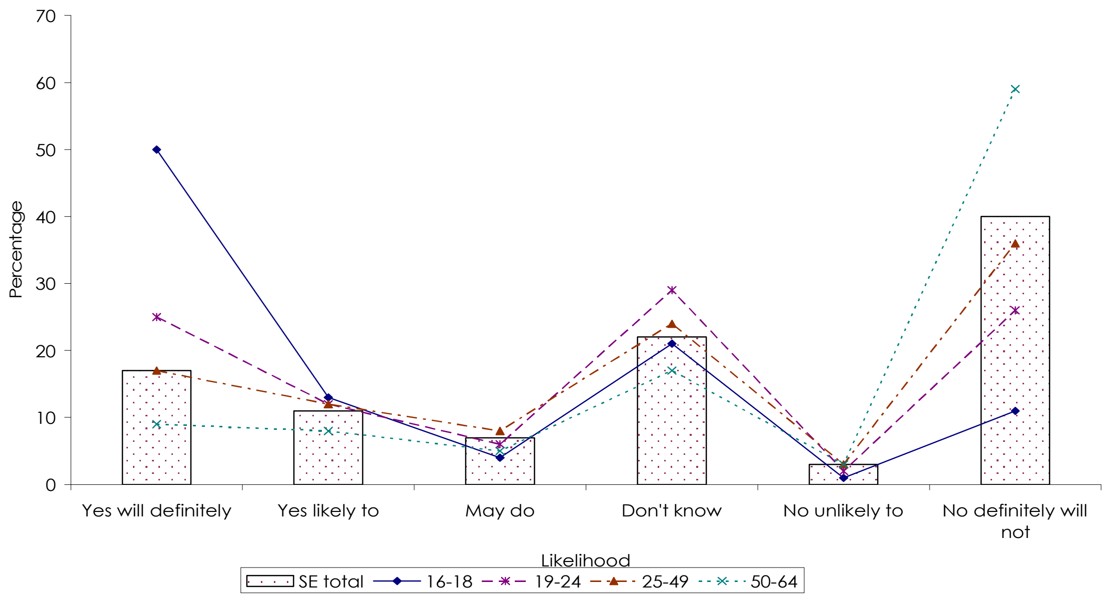
Of the learning that had been undertaken in the previous 3 years, 59% was in three key areas of learning – ICT; Business Administration, Management and Professional; and Health, Social Care and Public Services; with ICT accounting for nearly a quarter of all reported learning.

The motivation to learn is covered obliquely in the question looking at how learners chose their course of learning activity. Of the respondents who had done any learning over the past 3 years, 61% knew exactly what they wanted to do, 15% needed some assistance, and 16% had their course chosen by their employer. Looked at by age group, for 1 in 5 of those aged over 25, the course had been chosen by their employer, whereas those aged 16 – 24 were much more sure of what they wanted to do. Thus for those over 25, there is a significant minority whose learning is decided by their employer, questioning whether the employer has sufficient information to make informed choices on this.

Motivation to learn is covered by questions looking at what has influenced someone to be involved in learning over the past 3 years. The four key influences are personal interest, to help with the individual's job, to improve job satisfaction and for social interaction. Learners in Sussex and in Hampshire and the Isle of Wight are particularly motivated by personal interest, while learners in Berkshire are most motivated by job reasons.

Over a quarter of all respondents to the survey said they would definitely undertake learning in the coming 12 months, with those living in Berkshire and Surrey more likely to respond in this way (one in three) but those in Kent and Medway least likely. However this masks enormous variation by age group, with 63% of the 16-18 year olds likely to do some form of learning, but only 17% of those aged over 50, in fact 59% of these said they would definitely not be doing any learning over the coming 12 months. It is illustrated in **Table** , and is a particularly problematic finding when set in context of the importance of the older workforce to potential further growth in the region.

Chart 30: Likelihood Of Undertaking Learning in the Coming 12 Months



The Skills Audit asked respondents about their attitude to training per se, and 63% expressed a positive and proactive response to this question (either that learning is very important to them or that learning is useful but they don't do as much as they would like). Again there are variances between local areas, with only 56% of those in Hampshire and the Isle of Wight being positive compared with 73% in Surrey. Attitudes to learning also vary widely by age, with 85% of those aged 16-18 giving a positive view compared with 50% of those aged 50 and over. Positive attitudes therefore decline with age as other priorities and responsibilities emerge. There is no difference in attitude to learning by gender.

ii Barriers to learning

Overall in the 2003/04 Skills Audit, 54% of respondents said that nothing prevents them from participating in learning, but this general figure conceals differences by geography and by gender. Those living in Kent and Medway are least like to say there are no barriers to learning (only 45%), while those in Berkshire are most likely to say there are no barriers (63%). Women are more likely to have barriers to learning (49%) compared to men (58%).

The difference in gender becomes more apparent when looking at individual barriers to learning. There is no significant difference between the sexes when considering the cost of learning, lack of interest in learning or preferring to do other things with their spare time. However women are far more likely than men to say that they have many responsibilities and commitments which take up their time (35% compared with 22%). Other regions have shown similar responses (West Midlands Household Surveys) referring to the caring responsibilities for children and other dependents that women take on.

There is also a significant difference between sub-regions when looking at the barrier of responsibilities and commitments, with those in Kent and Medway (39%) much more likely to cite this as a barrier and those in Hampshire and the Isle of Wight least likely (23%). In terms of age groups, those aged 16-18 are least likely to see any barriers to learning, while those aged 25 to 49 are most likely to face barriers (49%) – this age group being most likely to have family responsibilities that mean that having too many responsibilities and commitments is their main barrier (35%). Those aged 50 and over were most likely to state as a barrier that they were not interested in any learning activity (15%).

iii Learner Satisfaction

In the National Learner Satisfaction Survey, there are 1,738 responses from those aged 20 and over who have attended some form of further education provision in the South East. Overall they were very happy with the quality of teaching and training at the colleges, with 88.8% saying they were at least satisfied and only 7.4% expressing any form of dissatisfaction. They were marginally more satisfied with the overall learning experience, with 89.4% expressing some level of satisfaction and only 5.9% expressing any form of dissatisfaction.

In terms of "repeat business" and how likely learners are to undertake more learning in future, given their recent learning experience, 90.2% of adults said they were likely to undertake further learning within the next 3 years. There is no significant variation by whether the existing learning has been part time or full time or by the level of existing qualification of the individual.

g Higher Education

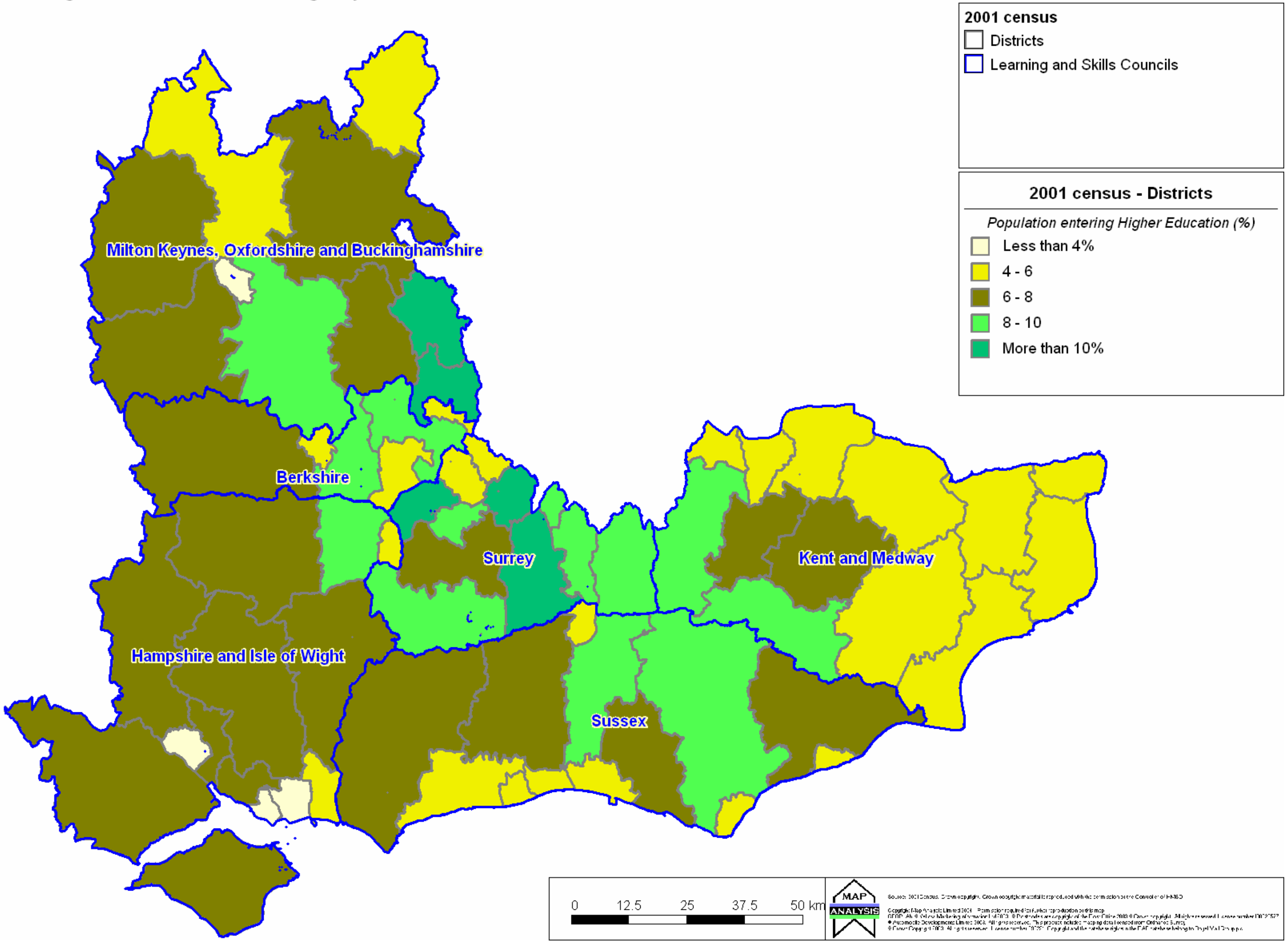
During the 2001/02 academic year, there were 209,400 Higher Education students whose home domicile was in the South East – 16% of the England total[103] Students from the South East are the second least likely to stay in their home region to study (after the East Midlands) with 48.2% staying in the region (East Midlands 48.0%). Other preferred regions are London (16.6% of South East students) and the South West (9.0% of South East students), which as they are co-terminus, indicate easy travel to learn patterns.

Data released by HESA has been used to create Map 5, which shows how the density of HE students varies between local authority areas. Once again it is possible to discern distinct patterns of educational participation across the South East. There is a central swath of the region, cutting down through Buckinghamshire in the North West to East Sussex in the South that exhibits a high level of HE participation, vis-à-vis the rest of the region.

[103] Region in Figures – South East, Crown Copyright 2004, Table 5.10 Home Domiciled higher education students: by region of study and domicile, 2001/02.

Map: 5

Percentage of Population Aged Under 20 Entering Higher Education
Source: Higher Education Statistics Agency



5 Glossary

ABI	Annual Business Inquiry
Activity Rate	The proportion of the population either in work or activity seeking work
AES	Annual Employment Survey
Claimant Count	The official measure of unemployment which refers to people claiming Job Seekers Allowance
DfES	Department for Education and Skills
Employment Rate	That proportion of the Economically Active population who are in paid work
NESS	National Employer Skills Survey
FRESA	Framework for Regional Employment and Skills Action
GDP	Gross Domestic Product
GVA	Gross Value Added
Hard-to-fill-vacancies	(HfFV) are those vacancies which the respondent company finds hard to fill
IER	Institute for Employment Research, University of Warwick
IES	Institute for Employment Studies (University of Sussex)
LFS	Labour Force Survey
LLSC	Local Learning and Skills Council
NVQ	National Vocational Qualification
ONS	Office of National Statistics
SIC	Standard Industrial Classification
Skill deficiencies	The sum of skills gaps and skill shortage vacancies
Skill gaps	The extent to which an employer perceives that their current employees skills are insufficient to meet their current business objectives
Skill shortage vacancies (SSV)	Hard to fill vacancies which are skill related
SOA	Super Output Areas (Census 2001)
SOC	Standard Occupational Classification
Weighting	This is undertaken to adjust for sample design and non-response to ensure that the survey results are representative of the population of employers
Weighted Base	This refers to the base for percentages according to whether it has been weighted according to the employee or employer based measure