Coast to Capital LEP Skills Advisory Panel

Skills and Labour Market Research:

Baseline Report – Final Report

September 2019

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Introduction

Introduction

Coast to Capital LEP has an ambitious vision to become the most dynamic non-city region in England and to be known around the world as a place to live, grow and succeed.

As part of the Gatwick 360 Strategic Economic Plan (SEP) the LEP identified eight priorities to achieve this vision: This includes:

1. Deliver prosperous urban centres
2. Develop business infrastructure and support
3. Invest in sustainable growth
4. Create skills for the future
5. Pioneer innovation in core strengths
6. Promote better transport and mobility
7. Improve digital network capability
8. Building a strong national and international identity.

The skills and labour market research project is an opportunity to gain valuable intelligence and build an evidence base concerning the Coast to Capital Skills and Labour Market, delivering against priority number 4 to create skills for the future.

To develop and strengthen the capabilities of LEPs to respond to the skills challenges faced locally, the Department for Education (DfE) has set up Skills Advisory Panels (SAPs), with the aim of carrying out high quality analysis which will be used to identify their skills and employment needs and priorities, as well as inform their skills agenda, and improve their economic outcomes.

The Skills 360 Board is the Coast to Capital area's SAP.

This report follows the structure set out in the Analytical Framework and Toolkit (shown on the following page) to analyse the current skills profile of the Coast to Capital LEP and identify the skills challenges faced locally.

Introducing Skills Advisory Panels (SAPs)

In building guidance on the development of SAPs, the Department for Education (DfE) has produced an Analytical Framework and Toolkit designed to support LEP areas to carry out high quality local skills analysis. This is then used by SAPs to identify their existing and future skills gaps and employment priorities.

This focuses around five key stages, with further analysis accompanying each of these stages. Within each stage, a list of data sets has been provided that, whilst not exhaustive, provides a reasonable baseline from which skills performance can be measured.

This report follows the structure set out in the Analytical Framework and Toolkit to ensure it addresses many of the key questions on skills in the Coast to Capital region.

	Skills and Labour Supply	Economic and Labour Demand	Cross-cutting
Stage 1: Analysis and definition of local landscape	Sector and occupational employment; Specialised skills External and local providers of learning Employment, Not in Education, Employment or Training (NEET) Employment, NEET; Demographics Migration; Workforce conditions and patterns	Productivity Growth Wages Job and business creation	Housing Social mobility Deprivation Poverty Geography
Stage 2: Analysis of skills demand	Occupation and sector demand Workforce skill needs Stock of employment Workforce share	Business growth Recruitment Vacancies Redundancies	Barriers to training Employment investment in training Technological change
Stage 3: Analysis of skills supply	Provider participation rates; Qualifications Education leaver preparedness Mismatches and underutilisation Learner starts; FE outcomes Graduate destinations; Labour migration	Sector growth and decline	Demographics Travel to work Migration / EU Exit
Stage 4: Mapping of demand and supply	Skills shortages; Skills gaps Mismatches and underutilisation Labour force participation rates Further education outcomes	Wage Competition Concentration of employment in employers Productivity	Travel to work Learner behaviour and destinations Travel to education

Geographies

The Coast to Capital LEP area was established in 2011. Coast to Capital partners cover a range of local government tiers as set out in the table below.

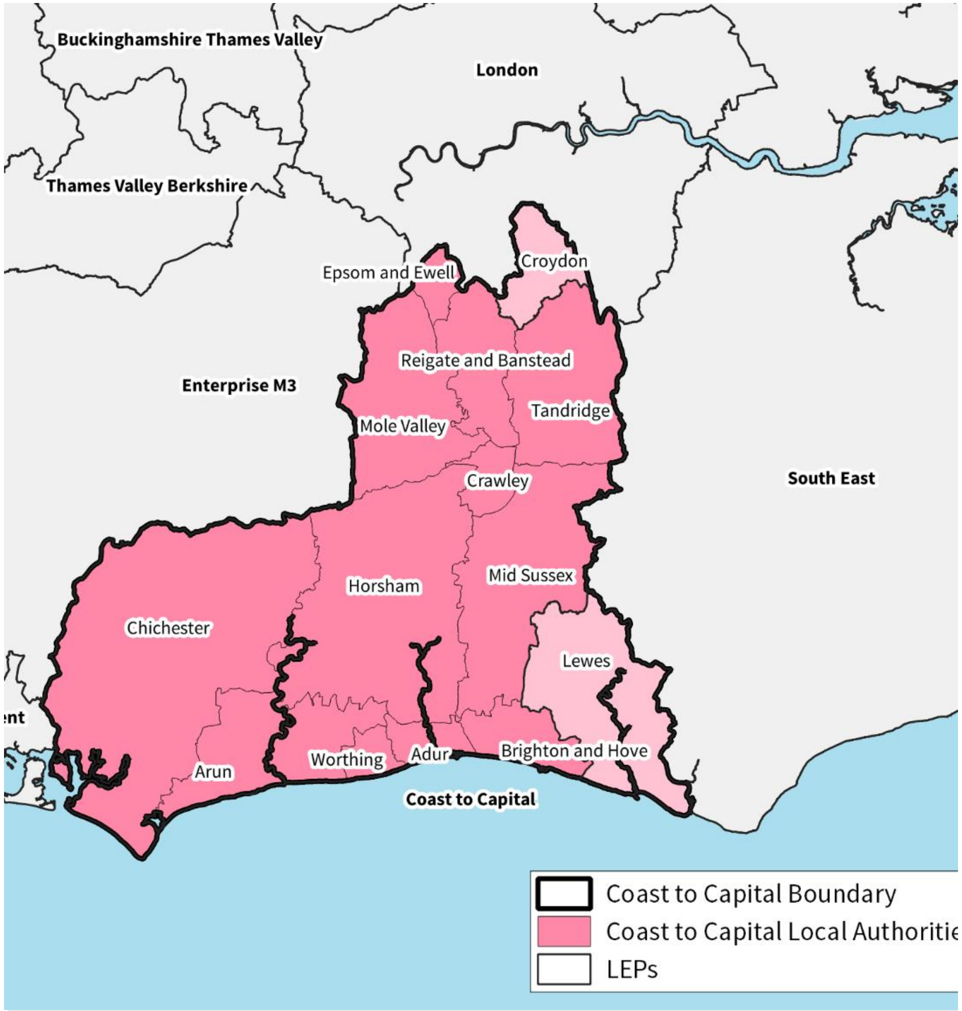
Local Government Structure	Coast to Capital's Partners
Upper Tier Authorities	• West Sussex County Council • Surrey County Council
Lower Tier Authorities	• Adur and Worthing Council (District and Borough) • Arun District Council • Chichester District Council • Crawley District Council • Epsom and Ewell Borough Council • Horsham District Council • Lewes District Council • Mid Sussex District Council • Mole Valley District Council • Reigate & Banstead Borough Council • Tandridge District Council
Unitary Authorities	• Croydon Borough Council • Brighton & Hove City Council

For the purposes of this study, data for lower tier authorities and unitary authorities are referred to as "local authority areas" (see map adjacent for local authority area boundaries). Data for Coast to Capital LEP includes all local authority areas excluding Lewes District council and Croydon Borough Council.

In order to gauge Coast to Capital's performance a number of comparator LEPs have been identified and used across a range of metrics. These are:

+ Buckinghamshire Thames Valley LEP
+ Cheshire and Warrington LEP + Enterprise M3 LEP
+ South East LEP (Essex Only) + Thames Valley Berkshire LEP

Coast to Capital Geography and Local Authority Areas



Stage 1: Analysis and Definition of Local Landscape

Key Findings for Coast to Capital LEP's Employment and Skills 360 Board

The LEP area is diverse and covers urban, rural and coastal locations. The data suggests that each has distinct challenges and requires bespoke interventions.

There is a significant **labour productivity** gap in the LEP area holding back economic growth potential.

Employment rates for the LEP area are above the national average, but the difference between local authority areas is 14%. Rates are lowest in coastal areas.

1 in 3 residents work in high level **occupations** which does not match employment opportunities in the LEP. This suggests out commuting for higher value roles. The proportion of 20-40 year olds is also lower than in other areas. This has obvious implications for meeting employer demand.

Around 1 in 4 residents living in the region are **commuting** outside the LEP area for work, with higher proportions found in the northern areas compared to Coastal areas.

Residents living in the LEP area have higher **salaries** on average than workers in the LEP, suggesting higher salaries can be found outside Coast to Capital.

The breakdown of **business sizes** differs across local authority areas and will have implications on business engagement. Crawley has a higher proportion of large businesses.

Educational deprivation is most pronounced in coastal areas, including attainment, post 16 education and entry to higher education.

House prices are 9 times the average salary in the LEP area and the difference in house prices between northern and coastal areas is double.

Business churn is average compared to the average across England. The skills system needs to adapt to the large number of businesses that start and close down on an annual basis.

Introduction

The analysis in Stage 1 provides an overview of the current economic and skills landscape in the Coast to Capital LEP area and how it performs relative to other geographical areas, including comparator LEPs, the South East Region and England. This seeks to identify particular strengths and weaknesses facing the Coast to Capital economy and labour market.

According to the SAP Analytical toolkit there are three key questions to be answered:

+ What is the labour market and skills performance of the local area?
+ How does that compare with neighbouring or similar areas, and how does it sit regionally and nationally?
+ Is there potential for the local area to be comparable to various geographical levels (e.g. international, national and regional)?

Through addressing these questions analysis in stage 1 aims to deliver against the following key objectives:

+ Increasing awareness of the volume and depth of strengths and weaknesses in the local area.
+ Understanding factors that influence labour demand and supply.
+ Increasing awareness of the volume and depth of strengths and weaknesses in the local area.

People live across urban, rural and coastal locations with a high proportion of older working age population...

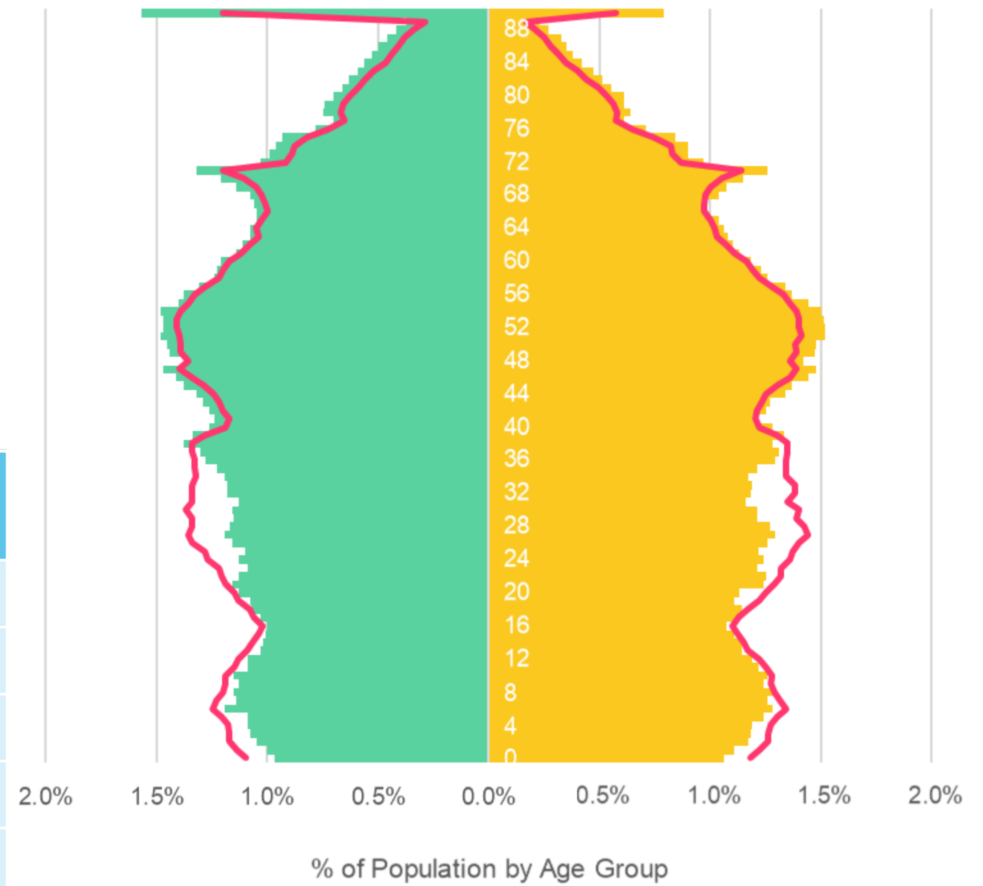
There are around 1.54 million people living in the LEP area, covering a diverse area of urban, rural and coastal locations.

Around 1.26 million of residents are of working age (aged 16 – 64), of which a slightly higher proportion are aged 44 – 56 compared to the average across England. Most importantly, the proportion of 20-40 year olds is lower than in other areas. This has obvious implications for meeting employer demand.

The working age population differs across local authority areas. Brighton and Hove, Crawley and Croydon have the highest proportions of working age populations, particularly those aged 24 to 49. Across the LEP area Brighton and Hove accounts for a fifth of all working age residents.

Name	WAP Total (% of Coast to Capital)	Name	WAP Total (% of Coast to Capital)
Adur	37,200 (4%)	Horsham	83,500 (9%)
Arun	87,900 (9%)	Lewes	58,800
Brighton and Hove	204,400 (21%)	Mid Sussex	89,300 (9%)
Chichester	68,400 (7%)	Mole Valley	51,500 (5%)
Crawley	72,400 (8%)	Reigate Banstead	90,000 (9%)
Croydon	248,200	Tandridge	52,700 (6%)
Epsom and Ewell	48,800 (5%)	Worthing	65,800 (7%)

Population Breakdown in Coast to Capital by Age vs England, 2017



Source: Mid-Year Population Estimates, ONS, 2007 - 17

Below average productivity in Coast to Capital is holding back growth potential…

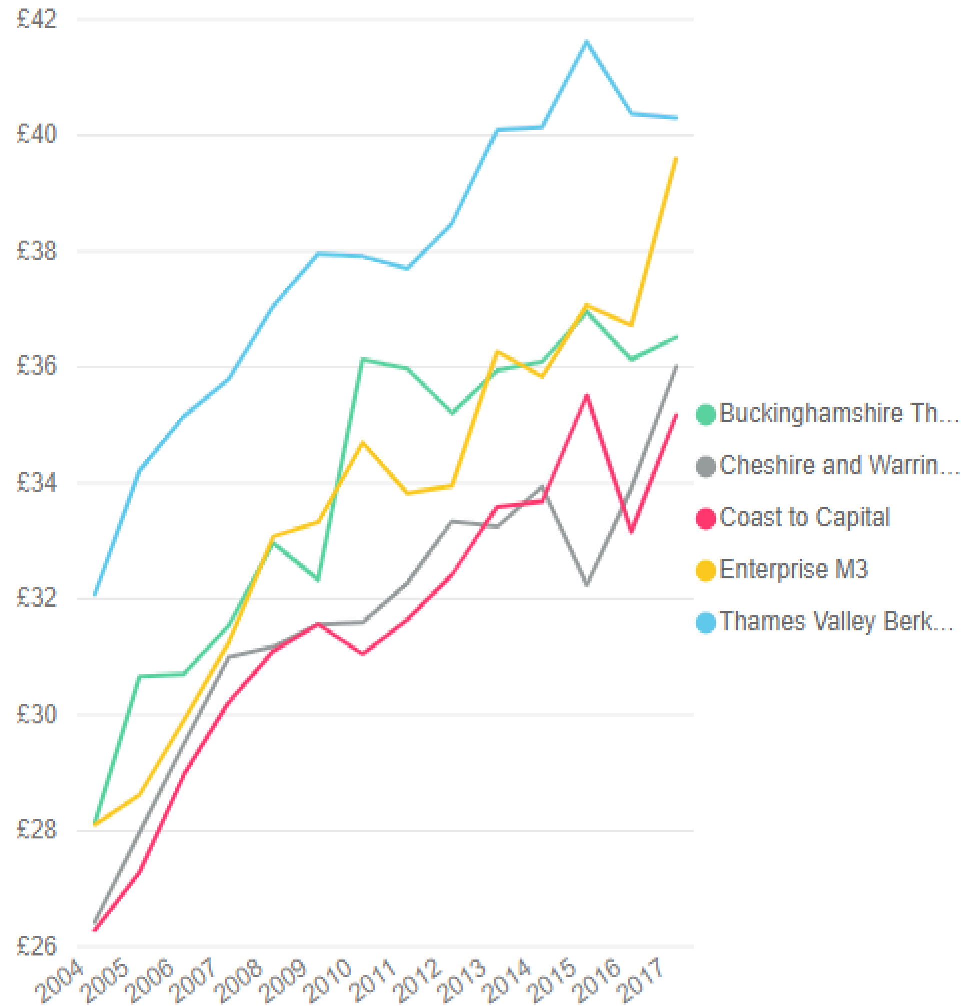
The LEP area's economy produced a total of £43 billion GVA (Gross Value Added)* in 2017, the second highest output compared to comparator LEPs. GVA output has grown +12% over the last five years, lower than other LEPs such as Cheshire and Warrington and South East LEP.

Despite having the second highest GVA output the average output per worker (productivity) is the lowest compared to other comparator LEPs at around £35 per hour. There have been a number of peaks and troughs within this productivity over the last 10 years, including a sharp decline in 2016.

Economic Output (GVA) and Growth, 2013 - 2018

LEP Area	Total GVA Output (£ billion)	% GVA Growth 2013 – 18
Enterprise M3	£55	11%
Coast to Capital	£43	12%
Thames Valley Berkshire	£38	10%
South East (Essex Only)	£33	18%
Cheshire and Warrington	£31	19%
Buckinghamshire Thames Valley	£16	13%

Nominal Economic Output (GVA) per hour worked, 2017



Source: Labour Productivity Statistics, ONS (2018) ***Note:** Gross Value Added is a standard measure of total economic output.

Employment rates for the LEP area are above the national average, but rates are below average for some local authority areas…

The LEP area has an economic activity and employment rate slightly above the average in England but lower than comparator LEPs. At the LEP level around 80% of the working age population are economically active*, with 77% of these in employment.

There is a wide disparity in employment rates across local authority areas. The highest employment rates are found in Worthing (86%), Mid Sussex (85%) and Chichester (82%) whilst the lowest are in Brighton and Hove (71%), Crawley (73%) and Reigate and Banstead (74%) (see appendix figure 1.7).

	Name	All working age population	Economically Active	Economically Active (%)	In Employment	Employment Rate (%)	Economically inactive	Economically Inactive (%)
Coast to Capital LEP vs Comparators	Enterprise M3	1,027,000	858,100	84%	837,900	82%	168,900	16%
	Buckinghamshire Thames Valley	322,100	265,500	82%	259,300	81%	56,600	18%
	Thames Valley Berkshire	569,700	469,200	82%	454,900	80%	100,600	18%
	South East (Essex Only)	891,700	720,300	81%	696,500	78%	171,400	19%
	South East Region	5,559,000	4,493,200	81%	4,335,900	78%	1,065,500	19%
	Coast to Capital	945,100	760,100	80%	729,400	77%	184,900	20%
	Cheshire and Warrington	559,200	444,400	79%	429,300	77%	114,800	21%
	England	34,404,000	27,064,200	79%	25,915,300	75%	7,337,500	21%

Source: Annual Population Survey, ONS (2018) ***Note:** Economically active includes those in employment and looking for work

A third of residents work in "high level" occupations and the number working in these roles has grown in recent years…

Over 1 in 3 residents living in the LEP area work in high level occupations (either managerial or professional roles), higher than the average for England. Residents working in these roles may live in Coast to Capital but work elsewhere, taking into account out commuting.

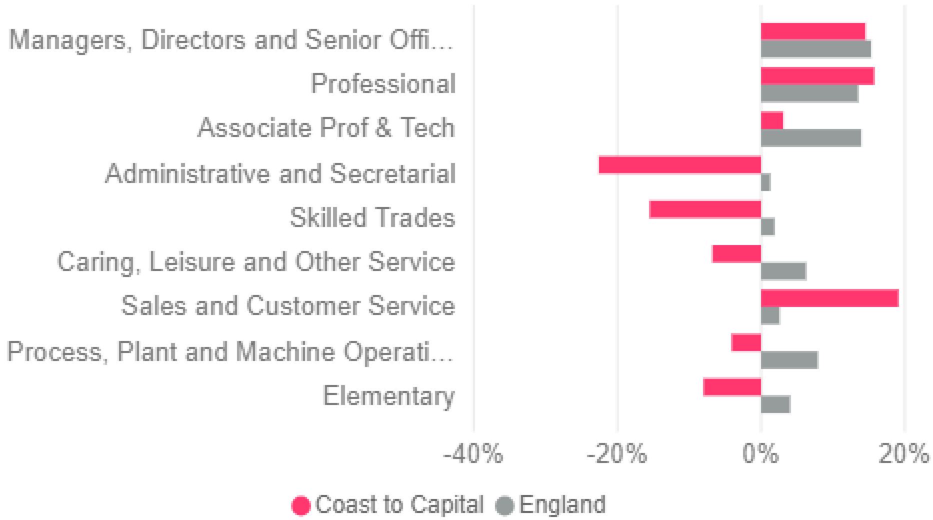
The number of residents working in managerial and professional occupations has grown in line with the average across England in the last five years. The notable trends in contrast to national averages is the growth in sales and customer service level roles (+20%) and declines in administrative and secretarial roles (-22%), skilled trades (-15%) and care and leisure roles (-7%).

Definitions Explained…

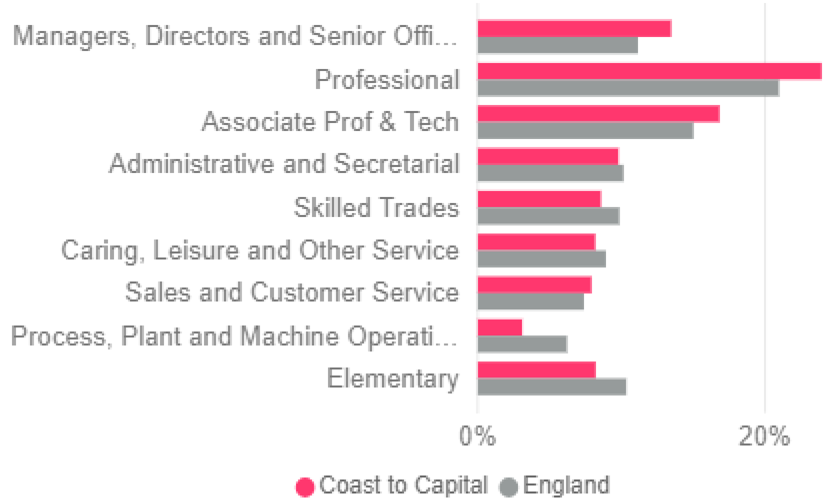
Associate professional and technical occupations:

- **Experience:** Requires experience and knowledge of principles and practices to assume responsibility and support to professionals and managers.
- **Activities:** include legal, business, financial and design services; provision of information technology services; providing skilled support to health and social care professionals; serving in protective service occupations; and managing areas of the natural environment.
- **Education:** Most occupations in this major group will have an associated high-level vocational qualification, often involving a substantial period of full-time training or further study.

Proportional Growth by Occupation, 2013 - 2018



Share of Employment by Occupation, 2018

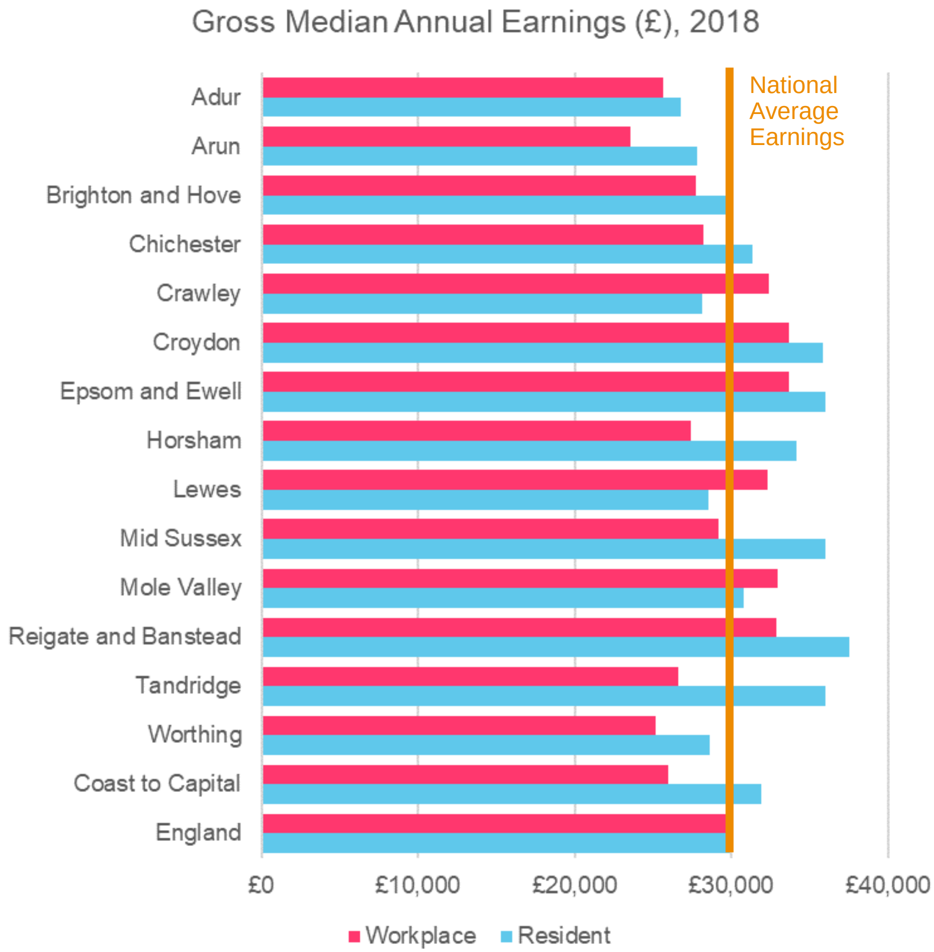


Source: Annual Population Survey, ONS (2019)

Coast to Capital residents earn more than those working in the area, suggesting out commuting for higher salaries…

The average earnings of residents in the LEP area (£32,000 per year) is above those paid at the national level (£30,000). Resident earnings are also higher than the average worker across Coast to Capital (£26,000). This suggests that residents working in Coast to Capital are able to achieve higher wages outside the LEP area (i.e. London).

Despite above average earnings for residents in LEP area, residents in the five coastal local authorities (including Adur, Arun, Brighton and Hove, Lewes and Worthing) earn below the national average.



Source: Annual Survey of Hours and Earnings, ONS (2018)

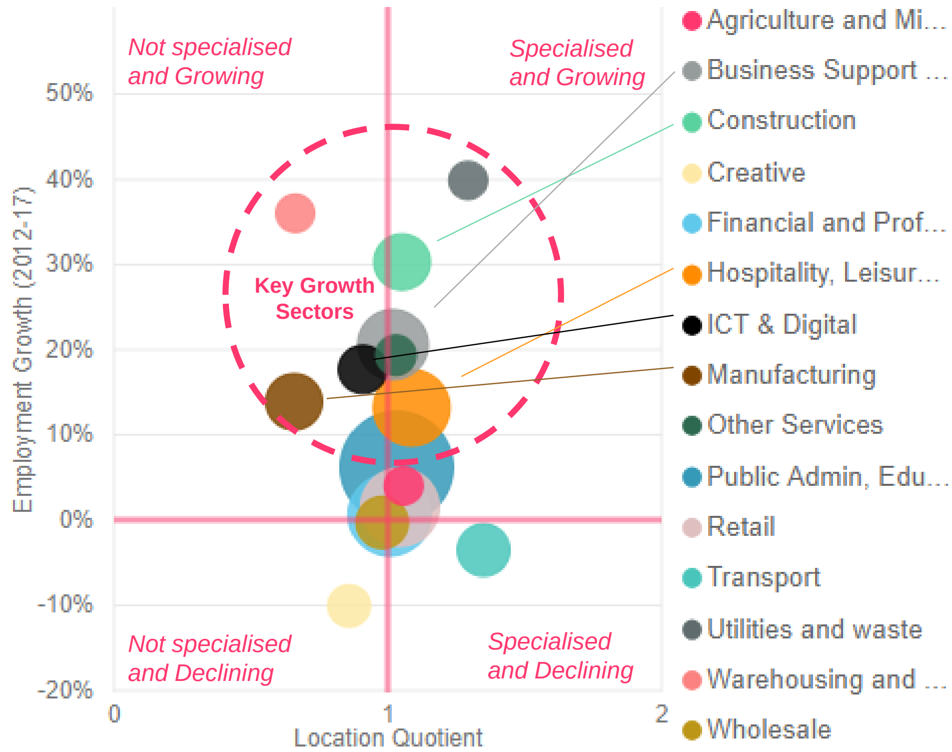
Key growth sectors are in a range of low and high value activities…

There are around 710,000 people employed in the LEP area. Economic performance has been average in the last five years as employment has grown by 8%, lower than the average for England and other comparator LEPs (see appendix figure 1.16).

Analysis of employment data identifies several key sectors:

+ **Business support:** Accounts for around 10% of jobs in the economy and has grown +20% in recent years. Key growth sector which is likely to attract back office functions from businesses operating in London.
+ **Hospitality, leisure and recreation (visitor economy):** A growing and specialised sector, accounting for over 1 in 10 jobs in the LEP area. Activities include a wide range of visitor economy and support services.
+ **ICT & Digital:** Currently accounting for a small proportion of employment, but has experienced +18% growth in recent years. Activities include computer software programming and publishing, data processing and hosting.
+ **Construction:** +30% growth in recent years and supports over 5% of all jobs in the LEP area. Key driver of growth in an economy, supporting infrastructure, commercial and housing development.
+ **Transport:** Specialized sector which accounts for a small proportion (4%) of employment. This is an important sector given the role of Gatwick Airport in supporting jobs and the wider airport economy. There is a wide range of roles and sectors in the airport economy which will not be included in this sector definition.

Employment Sector Strengths: Size, Growth and Specialisation



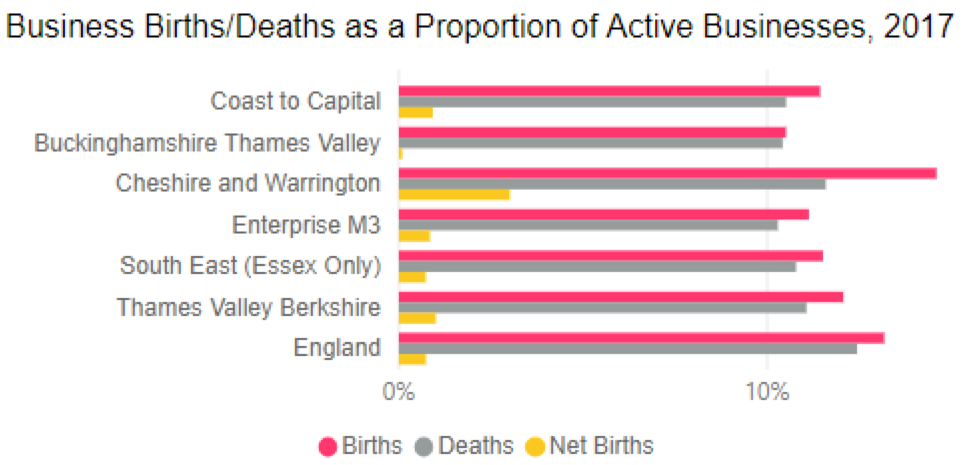
Employment Size: Total jobs in the sector in 2017, denoted by size of bubble.
Employment Growth: % growth in employment between 2012 - 2017 by sector
Location Quotient: Specialisation of sector (proportion of employment for total economy) compared to England average (i.e. LQ of 2 = 2 times more specialised).

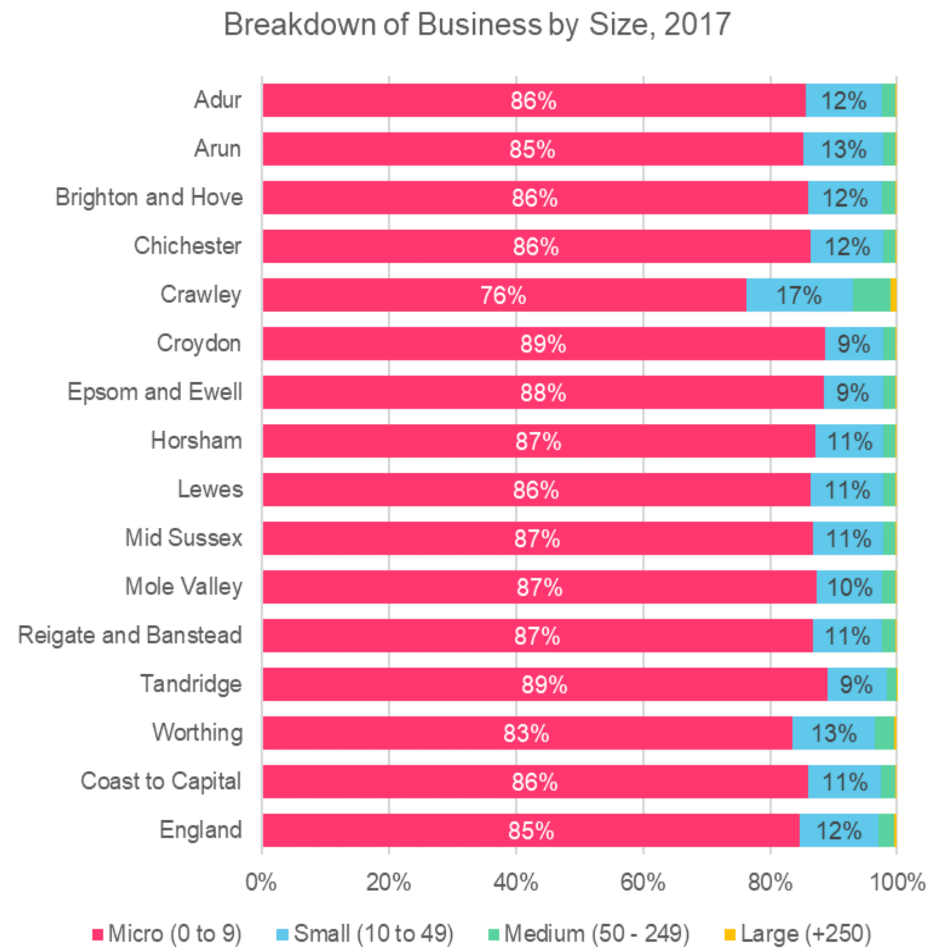
Source: Business Register and Employment Survey, ONS (2017)

The average business size differs across local authority areas. Areas around Crawley (i.e. Gatwick Airport and Manor Royal Business Park) have larger businesses on average…

The average business size across the LEP area are similar to England as a whole, with the majority either "micro" businesses employing 0 to 9 employees (86%) and or "small" businesses 10 to 49 employees (12%). Crawley is the only notable contrast to this trend, with a higher proportion of "medium" businesses employing 50 – 249 employees (17%) and "large businesses employing over 250 employees (1%). Gatwick Airport and Manor Royal is likely to be home to a large proportion of medium and large size businesses.

The percentage of businesses that are born minus the businesses that close is known as business churn. In Coast to Capital last year around 9,000 businesses started and 8,300 closed, providing 700 net additional businesses. This is the equivalent to 11% of all businesses starting and 10% of all business closing. This level of business churn is slightly below the level seen across England (13% closure).





Source: UK Business Count (2018); Business Demography (2017)

Around a quarter of residents living in the LEP area work outside the LEP. Out commuting is higher in northern areas compared to Coastal Areas…

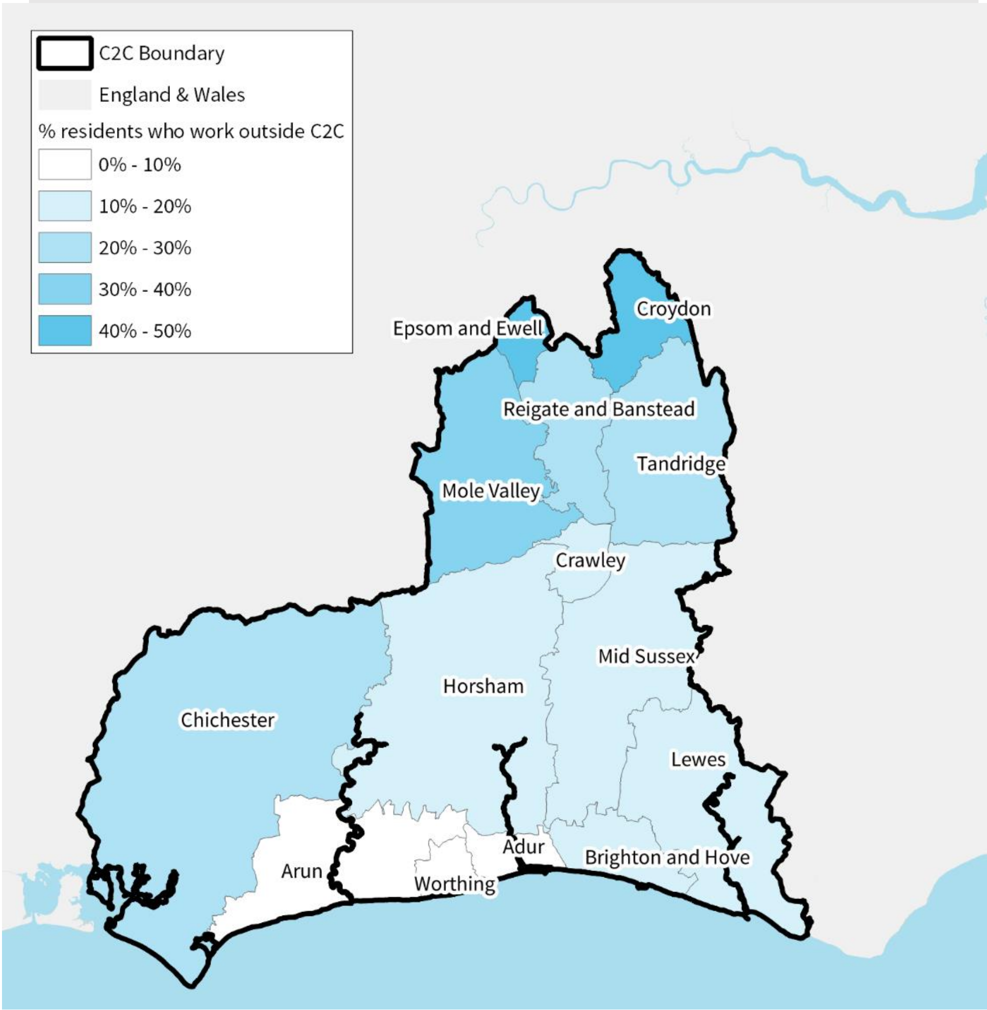
The most robust information on commuting patterns is drawn from the 2011 census, providing data on place of residence and place of work. Whilst this dataset is nearly 10 years old it does provide a rough indication of the commuting trends used in conjunction with anecdotal evidence.

The data suggests that residents in the LEP area work on the following places:

+ 56% of residents work in the LEP area (not including working from home)
+ 23% of residents work outside the LEP Area
+ 12% of residents work from home, higher than the average for the UK (10%)
+ 9% either work in offshore locations or have no fixed workplace

The proportion of residents commuting outside Coast to Capital is higher in local authority areas to the north of LEP in closer proximity to London, such as Epsom and Ewell (49%), Croydon (47%), Mole Valley (31%), Reigate and Banstead (27%) and Tandridge (29%) (See appendix 1.23 for a detailed breakdown).

Out commuting is lowest in Coastal areas, particularly Adur (5%), Worthing (6%) and Arun (5%). Low proportions of out commuting correlates with high levels of deprivation in education and employment.



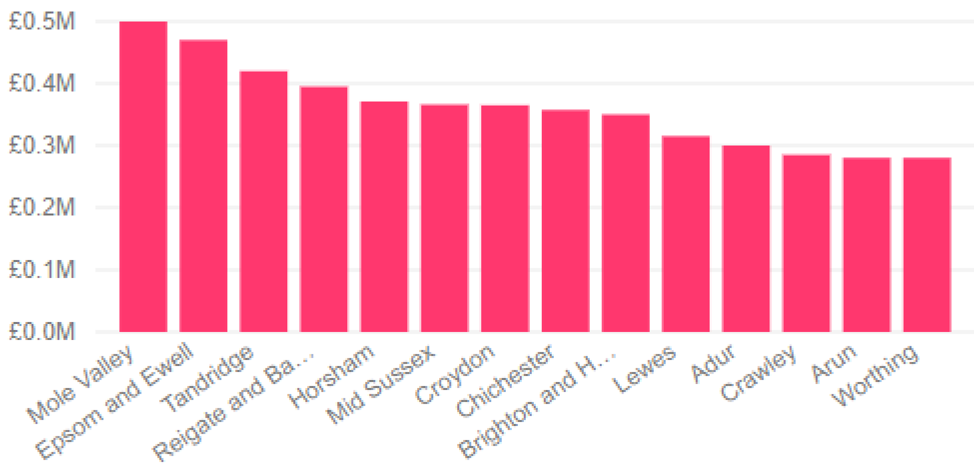
Source: Place of work and residence, Census, 2011

House prices are nine times higher than average salaries, with the highest house prices in areas to the north…

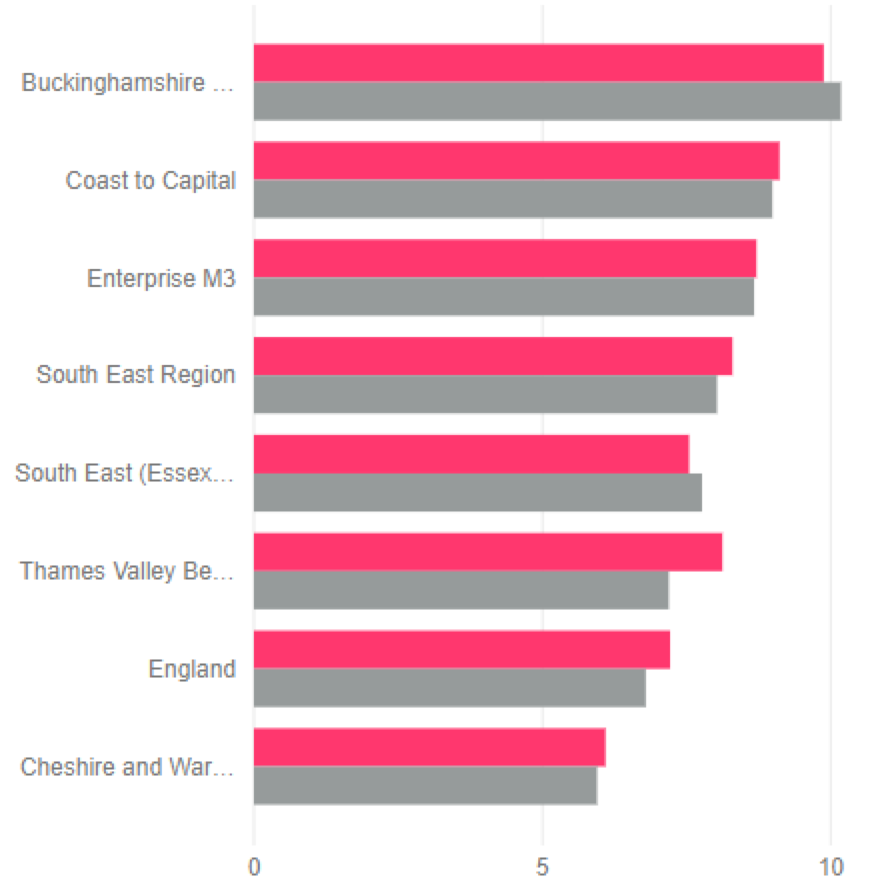
Housing in the LEP area is relatively unaffordable compared to comparator LEPs. The average house price is around 9 times the average annual salary across the region. By comparison, the average house price is 8.3 times the average annual salary across the South East Region and 7.2 times nationally.

In 2017 the average house price in the LEP area ranged from £500,000 in Mole Valley to £280,000 in Worthing (nearly double the average). House prices are higher in northern local authority areas in the LEP area, serving as commuter hubs into London. House prices are lowest in local authority areas along the coast in addition to Crawley.

Median House Prices by LEP, 2018



Housing Affordability for Resident and Workplace by LEP, 2018



Source: ONS Housing Affordability, 2018

Educational and employment deprivation is most pronounced in coastal areas…

The Index of Multiple Deprivation ranks every Lower Super Output Area (LSOA) in England (small statistical areas of around 1,000 people) in terms of seven sub domains: overall, employment, income, education, environment, barriers to housing, barriers to services.

The education, skills and training deprivation domain is comprised of the following indicators:

+ Key stage 2 and 4 attainment, and secondary school absence; Staying on in education post 16; Entry to higher education; Adult skills and English language proficiency

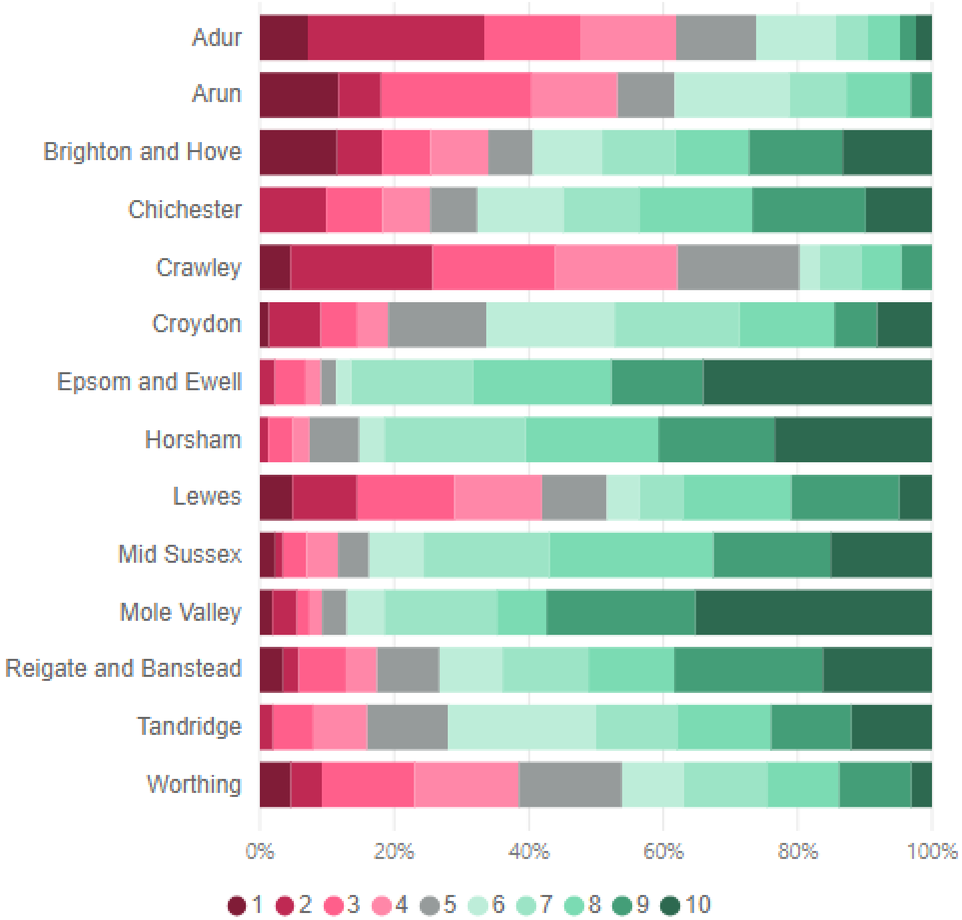
The most notable areas of education deprivation are found in all Coastal areas and Crawley, with large proportions of areas in the top 20% most deprived nationally.

Similarly to the education domain, the employment domain also takes into account a number of indicators relating to lack of employment and barriers to participation. These include:

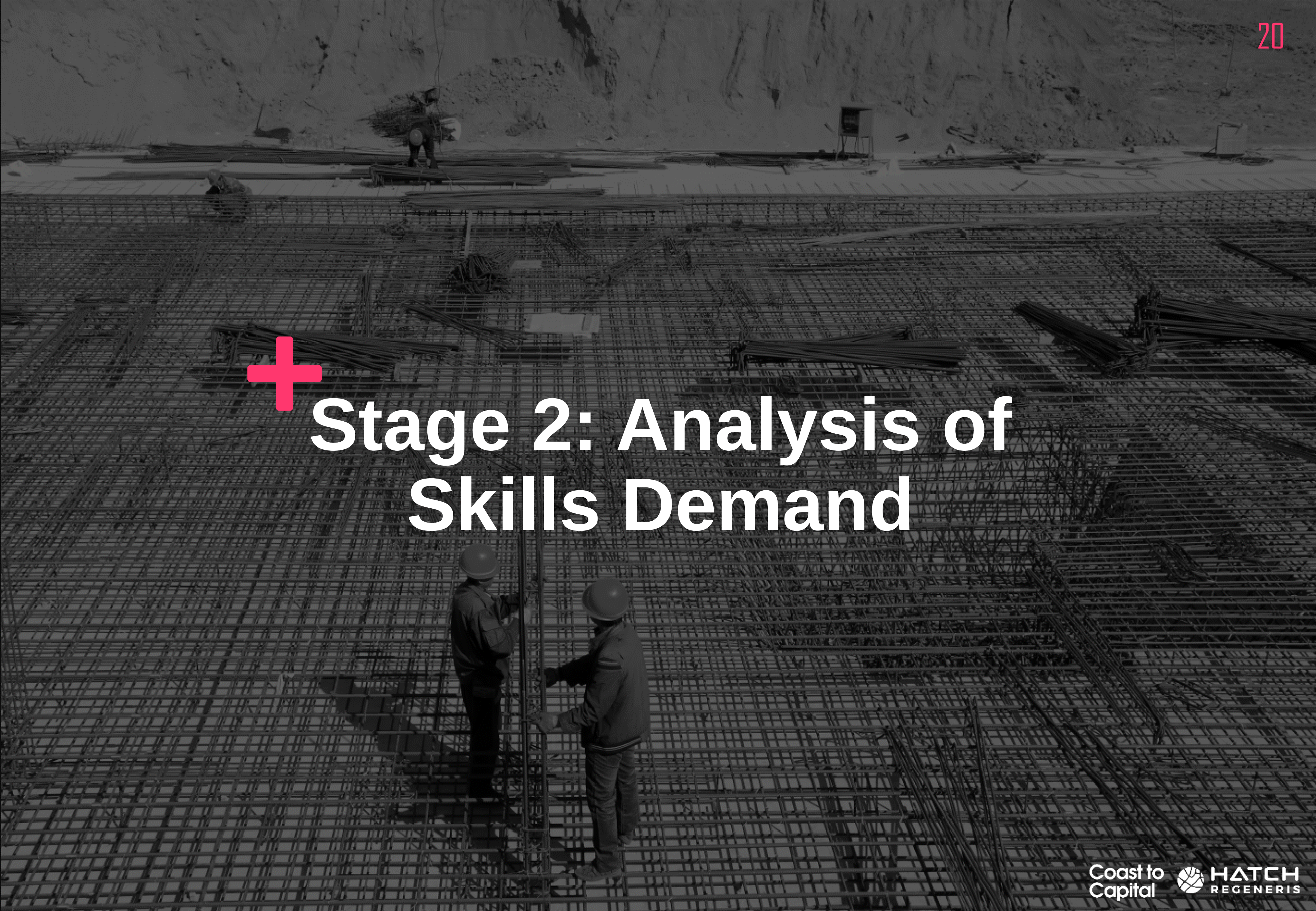
+ Claimants of government benefits, including Jobseeker's Allowance, employment and support allowance, incapacity benefit, severe disablement allowance and carer's allowance.

Data on employment deprivation shows a similar picture to education deprivation, with higher levels of deprivation found in coastal areas. In contrast, Croydon is also shown to have a high proportion of areas in the top 20% most deprived nationally relative to the rest of the LEP. (see baseline appendix figure 1.21).

Education Deprivation: Breakdown of LSOAs by local authority, 2015



Source: Index of Multiple Deprivation, MHCLG (2015)



Stage 2: Analysis of Skills Demand

Key Findings for Coast to Capital LEP's Employment and Skills 360 Board

In general many businesses across the LEP area can access the skills they need to grow and expand. However, over 10% of businesses report a **skills shortage**, with demand for specialist skills and general 'work readiness' their greatest priority. Tackling skills gaps and shortages is key to enhancing business competitiveness and improving productivity.

Sectors which have experienced strong employment growth in recent years include business support, construction, the visitor economy, manufacturing and IT and Digital. Changes in skills needs and the shift in the occupational profile means that meeting future skills remains a challenge.

Mid-level **occupation** roles such as associate and technical professions, skills trades and caring, leisure and other services are the hardest occupations for employers to fill. This reflects sector strengths in construction, manufacturing, visitor economy and transport.

Nearly half of all employers provide **staff training** to all employees, but funding, time and expertise are key barriers to providing more. This is a particular challenge for SMEs where training and HR practices are not as well established as larger businesses. Addressing this will enable employers to be more responsive in targeting skills gaps.

Introduction

Stage 2 provides an in-depth analysis of the current and future demand for skills in the LEP area. It provides an insight into the current business and employer environments and how this impacts on demand for skills. It also identifies the current strengths and weaknesses in the local labour market and the variation between sectors and occupations.

According to the SAP Analytical Toolkit the key question to answer is:

+ What barriers are preventing businesses from securing the labour to meet their skills needs?

Through addressing this question analysis in stage 2 can deliver against the key objectives of this stage:

+ Defining the stock of employment and skills that employers are requesting

+ Building a picture of overall business conditions, whilst also examining specific factors for particular sectors and occupations

+ Identifying the changes and factors that could impact businesses recognising the wide diversity among businesses (e.g. small employers, large employers, and both private sector and public sector).

Over 1 in 10 businesses report a skills shortage, with demand highest for specialist skills and general 'work readiness'…

In general, most businesses across the LEP area are able to attract the skills they need to grow and expand. Only 13% of the area's businesses reported there being substantial skills gaps, a similar level to the national average (14%).

Of those employers reporting a skills gap, the most common skill required was 'specialist skills or knowledge needed to perform the role', accounting for 25% of businesses. Other common skills gaps included 'ability to manage own time and prioritize own tasks' (8%) and 'customer handling skills' (7%).

Occupations in which there were a high proportion of skills gaps reported includes sales and customer service (25%), administrative/clerical staff (24%) and elementary staff (21%) (see appendix figure 2.1).

% of employers reporting skills shortages in the Workforce, 2017

Name	South East	England
Specialist skills or knowledge needed to perform the role	25%	31%
Ability to manage own time and prioritize own tasks	8%	9%
Customer handling skills	7%	7%
Solving complex problems requiring a solution specific to the situation	6%	5%
Team working	6%	5%
Knowledge of products and services offered by your organization and organizations like yours	4%	7%
Advanced or specialist IT skills	3%	4%
Managing or motivating other staff	3%	3%
Reading and understanding instructions, guidelines, manuals or reports	3%	3%
Sales skills	3%	3%

Source: Employer Skills Survey, ONS (2017)

Local Insights

+ *'Work ready' skills were identified by employers in consultation as a key skills gap.*
+ *According to stakeholders transferable skills such as time management, customer service and team working should be taught from a variety of stakeholders, including employers, training and education providers. The LEP also have a role in advocacy.*
+ *People with a few years experience that are able to "hit the ground running" makes recruitment less risky for employers in terms of time and investment.*

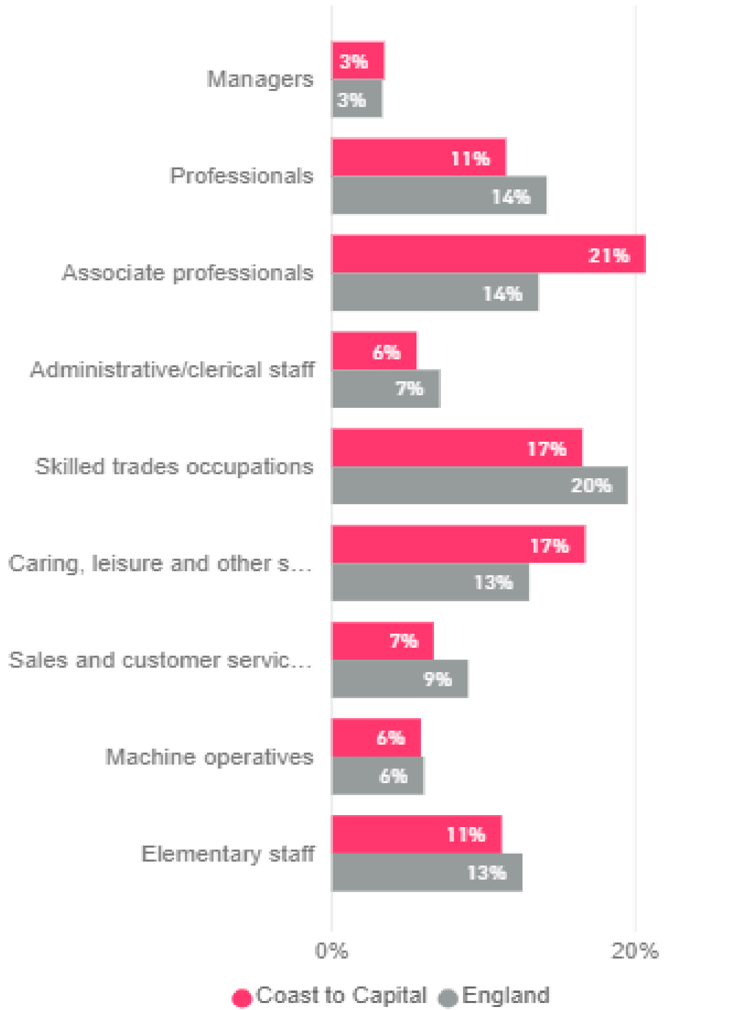
Coast to Capital HATCH REGENERIS

Mid-level roles are among the hardest to fill for local employers…

The Employers Skills Survey suggests that of the vacancies which are hard to fill, those in associate professionals (21%), skills trades (17%) and caring, leisure and other services (17%) are the hardest occupations to fill.

In terms of filling vacancies businesses in the LEP area still depend on traditional methods such as word of mouth (43%), higher than the England average (see appendix figure 2.4). Other commons methods include placing adverts on websites (29%), using social media to recruit (28%) and using other paid forms of recruitment service (28%).

Proportion of Hard to Fill Vacancies, 2017



Definitions Explained…

Associate professional and technical occupations:

- **Experience:** Requires experience and knowledge of principles and practices to assume responsibility and support to professionals and managers.
- **Activities:** include legal, business, financial and design services; provision of information technology services; providing skilled support to health and social care professionals; serving in protective service occupations; and managing areas of the natural environment.
- **Education:** Most occupations in this major group will have an associated high-level vocational qualification, often involving a substantial period of full-time training or further study.
- **Career stage:** Between 1 to 4 years working full time.

Source: Employers Skills Survey, ONS (2017)

Local Insights

+ *Employers have expressed challenges in terms of filling vacancies and finding new employees. This is particularly challenging for small and micro businesses where recruitment processes are costly. Supporting small businesses in recruitment could be important in accelerating business growth.*

+ *Anecdotal evidence suggests there is a shortage of employees for mid-level roles.*

+ *Consultation with local stakeholders suggests a lack of awareness of job opportunities within the LEP area across local communities. Relying on recruitment methods such as word of mouth is a barrier to increasing awareness.*

Coast to Capital HATCH REGENERIS

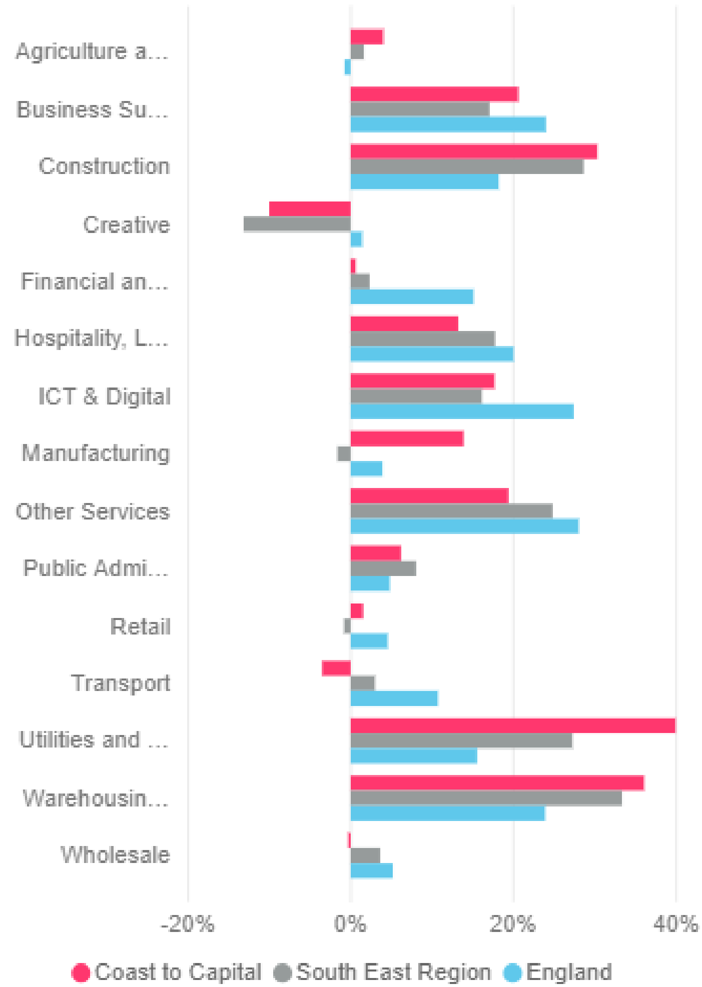
Employment growth has been concentrated in lower value sectors...

Employment has grown around +8% in the LEP area in the last five years, lower than the average for England and other comparator LEPs. Having said this there are a number of sectors that have grown substantially, including construction, warehousing and distribution and business services.

These sectors are generally considered as low value sectors, in that their economic output (i.e. wages and productivity) are lower than other high value sectors (such as financial and professional, ICT & Digital and creative).

Employment growth in lower value sectors has been matched with a decline in lower value occupations, particularly administrative and secretarial (-23%), skilled trades (-16%) and caring, leisure and other services (-6%). This indicates a mismatch between business growth and labour market growth.

Employment Growth by Sector, 2012 - 2017



Source: Business Register and Employment Survey, ONS (2018)

Local Insights

- *Whilst understanding sector trends is important, the needs of each employer will be different. It is important to open dialogue with key employers in the area who are driving sector growth.*
- *The wider awareness of learner routes into further education is limited. FE colleges are able to provide courses to match employer needs and that do not require degree level qualifications. Continued awareness raising and joint working between FE provides, employers and learners will be important to address this.*
- *Gatwick Airport and the Airport Economy supports a number of these growing sectors. These sectors are becoming more “high value” with IT and Digital technologies combining more effectively with engineering systems. This is identified as a key growth area for Gatwick Airport.*

Stage 2: Analysis of Skills Demand

Businesses operating in sectors have similar demands in terms of labour market and supporting infrastructure…

Common demands from employers in the key growth sectors for the LEP area are listed in the table below. This table is not exhaustive and should be used as a starting point for further dialogue.

Business Requirements by Sector

	People		Space	Transport and Location
	Entry Skills Levels	Occupation Levels		
Business Support Services	***Level 3*** Two or more A Levels	***Mid – High level*** Administrative, associate professionals, professionals	Private office space.	In outer city locations with very good transport links.
Construction	***Level 1*** Foundation GNVQ, Three to Four GCSEs grades D-E	***Mid – Low level*** Machine operatives, skills trades, associate professionals	No fixed space.	Dependent on where sites are being developed.
Visitor Economy	***Level 2*** Four or five GCSEs at grades A* - C	***Mid - High Level*** Sales and customer services, leisure services, administration, professional	Retail and office space.	Close proximity to target audiences and tourist destinations.
Manufacturing	***Level 3*** BTEC Diploma, City & Guilds	***Mid - High Level*** Skills trades, associate professionals, professionals	Light industrial space, flexible property and goods access.	Good road accessibility and quick access to cities, ports, stations and airports.
IT and Digital	***Level 5+*** NVQ Level, Foundation Degree, Bachelors Degree	***High Level*** Associate professionals, Professionals.	Flexible coworking space or private offices.	In town and city centre locations that have fast connections to London or Brighton.

Source: Hatch Regeneris, 2019

Stage 2: Analysis of Skills Demand

Reflections from large employers…

Work ready and basic employability skills has been identified by a large number of employers as lacking in some candidates. This includes time management, customer service and prioritising tasks.

Apprenticeship levy is not working as well as it could be for large employers, due to the strict rules around how they are able to spend their money. Many large employers see it as a "tax".

There is unmet demand for **mid-level roles** such as associate professionals. These are people who have good qualification but are needed to support professionals and managers.

There is a key challenge in how **responsive the skills system** is in delivering courses that meet changing employer demands. In-house training is crucial to filling the gap.

Limits on **EU migration** will have a big impact on labour supply for large horticulture businesses compared to other sectors.

Stage 2: Analysis of Skills Demand

Nearly half of all employers provide training to all staff, but funding, time and expertise are key barriers to providing more…

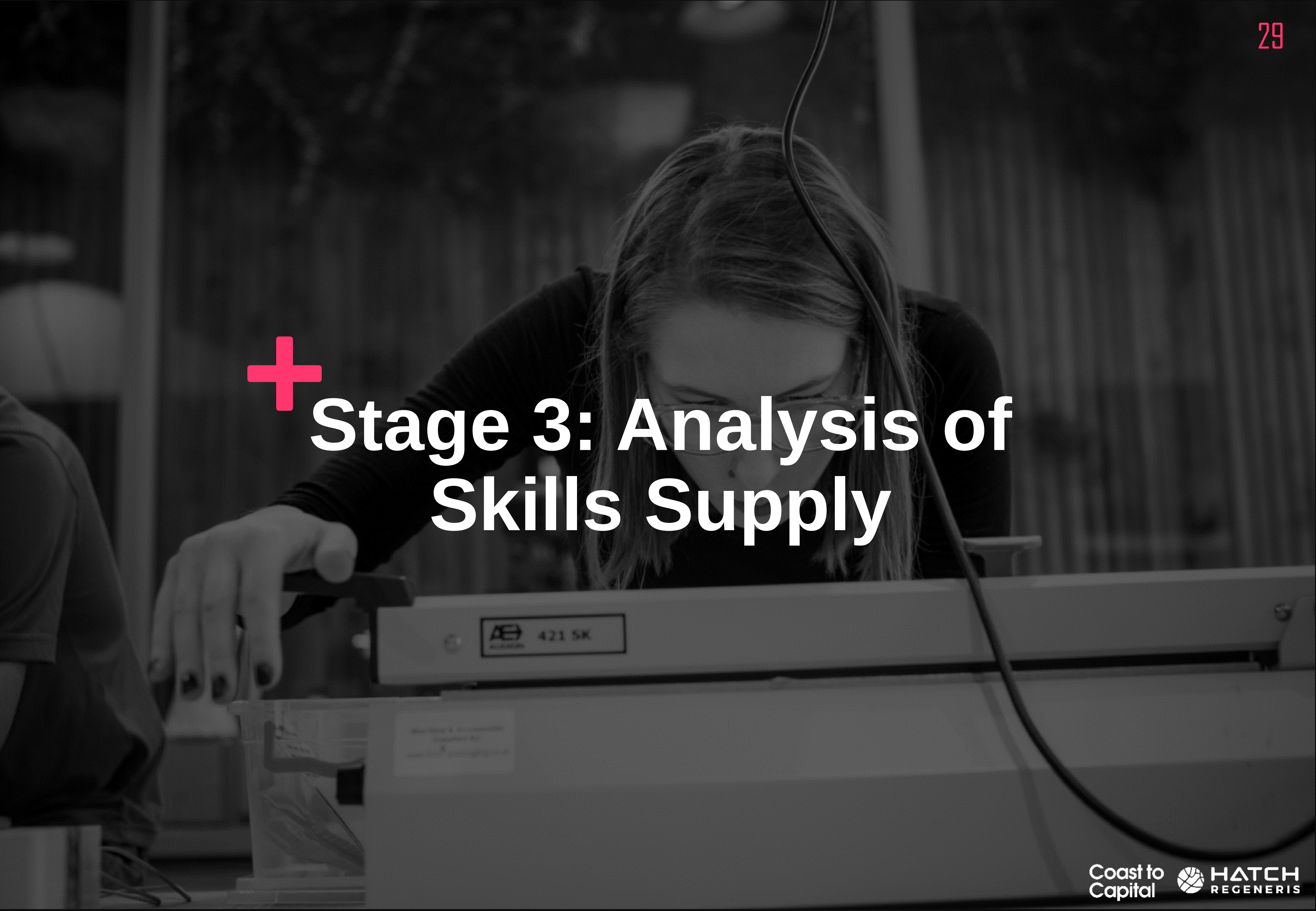
According to the Employer Skills Survey nearly half of employers (48%) in the LEP area provide all staff with training, higher than the average across England (43%).

Employers have reported a number of barriers to providing more or sufficient training, including half reporting a lack of funding / training expertise, 41% not being able to provide more staff time and 14% struggling to find the time to organise staff training.

% of staff trained over the last 12 months, 2017

Proportion of Staff	Coast to Capital	England
0 - 20%	5%	7%
20 - 40%	16%	17%
40 - 60%	15%	17%
60 - 80%	12%	13%
80 - 100%	4%	4%
100%	40%	36%
>100%	8%	7%

Source: Employer Skills Survey, 2017



Stage 3: Analysis of Skills Supply

Key Findings for Coast to Capital LEP's Employment and Skills 360 Board

Workforce training is important for employers to have staff with the right skills set. There are a number of barriers hindering this. This is a national problem but requires a LEP level and local response.

Skills levels in the LEP area as a whole are higher than the average across England, but at the local authority level there is a clear disparity. Educational attainment and access to higher education is a particular challenge in coastal areas and Crawley.

Mid level occupations are in demand from employers but have declined in recent years. This presents a key mismatch in supply and demand.

The LEP area's **workforce is ageing**. The younger workforce has greater choice in employment opportunities. At the same time employer are competing more to access a declining workforce.

Potential limits on **EU immigration** could impact upon a number of key sectors in the LEP area economy, such as the public sector, manufacturing, horticulture and transport, as well as lower skilled occupations.

Introduction

Stage 3 provides an analysis of the current skills supply and availability in the LEP area. This includes identifying the current characteristics of the workforce, future demand for skills across the Coast to Capital region and outlining the challenges which the region faces in meeting these demands.

According to the SAP Analytical toolkit there are two key questions to be answered:

+ Are there provisions in place to ensure the labour force will have skills for current and future demand?
+ What are the reasons that may prevent this?

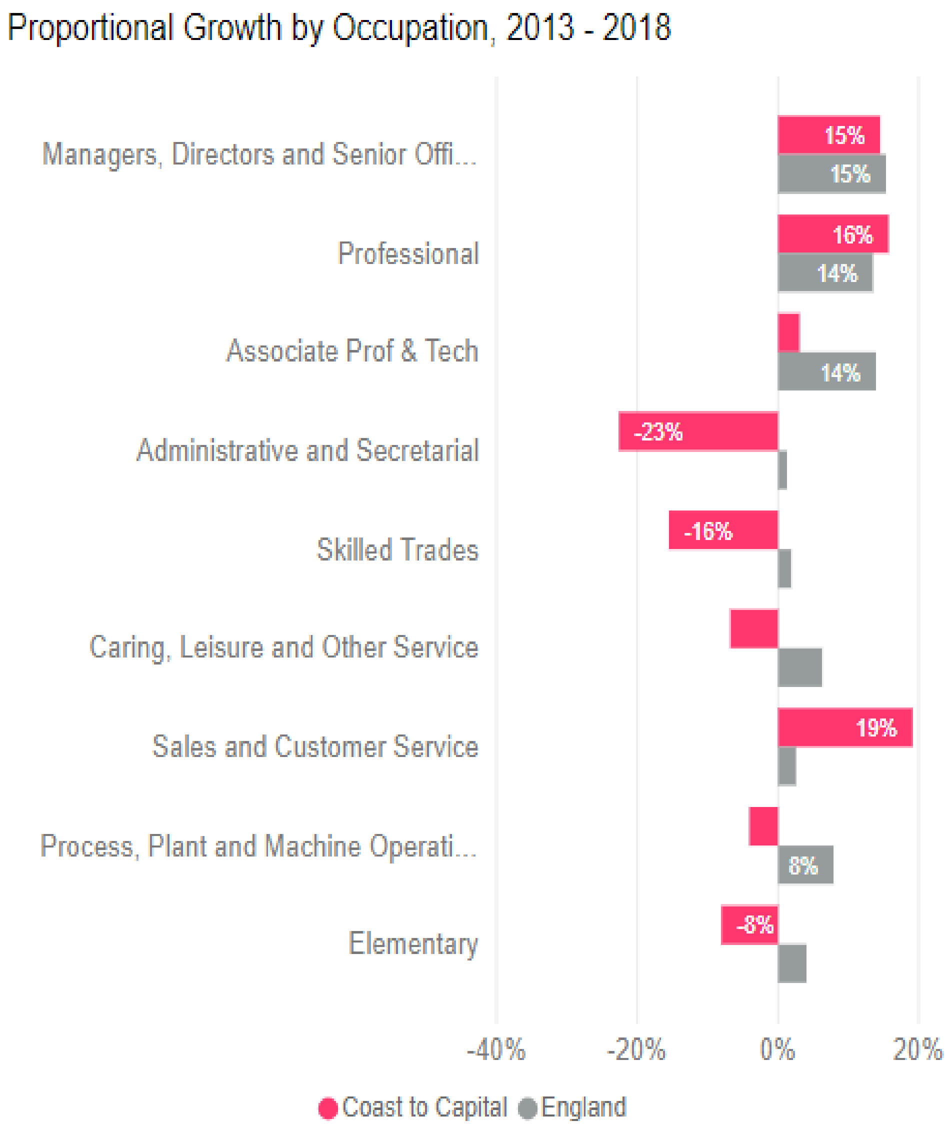
Through addressing these questions stage 3 analysis aims to deliver against the following objectives:

+ Determining the characteristics of the current workforce
+ Defining skill stocks
+ Outlining the challenges that restrict the local area from providing the labour force with required skills
+ Defining potential changes to the local area and labour force that will affect the flow of desired skills for businesses

Stage 2: Analysis of Skills Supply

The proportion of mid level roles is decreasing despite greater demand from employers…

As highlighted in Stage 2, the most hard to fill vacancies are in mid level roles such as associate professional and technical. This is not being matched by skills supply: in the last five years residents working in this occupation grew +2%, less than the average across England (+14%).



Source: Annual Population Survey, 2018

Employer training is essential for staff to have the right skills set…

In the LEP area the most common barrier to the provision of training is having a lack of funds (reported by 49% of business), not being able to spare more staff time (41%) and hard to find the time to organise training (14%). These are common challenges across all businesses in England.

Employer reported reasons for not providing in employment training

Name	South East	England
Lack of funds for training / training expensive	49%	51%
Can't spare more staff time (having them away on training)	41%	49%
Hard to find the time to organise training	14%	15%
Other	9%	3%
A lack of appropriate training / qualifications in the subject areas we need	6%	5%
Staff now fully proficient / don't need it	5%	3%
Staff not keen	3%	4%
Difficulty finding training providers who can deliver training where or when we want it	2%	4%
A lack of good local training providers	1%	3%
None	1%	3%

Source: Employer Skills Survey, 2017

Local Insights

- *Ongoing upskilling and re-training is particularly important in the IT and Digital sector. The pace of change in this industry requires employees to be willing and able to learn and grow on the job. Often, in-work training is the only way to keep up with the pace of change, as opposed to traditional FE or HE courses.*
- *Micro-businesses in the LEP area have reported difficulties in organising staff training, due to lack of time and organisational depth (i.e. HR departments) to run and deliver.*

Stage 3: Analysis of Skills Supply

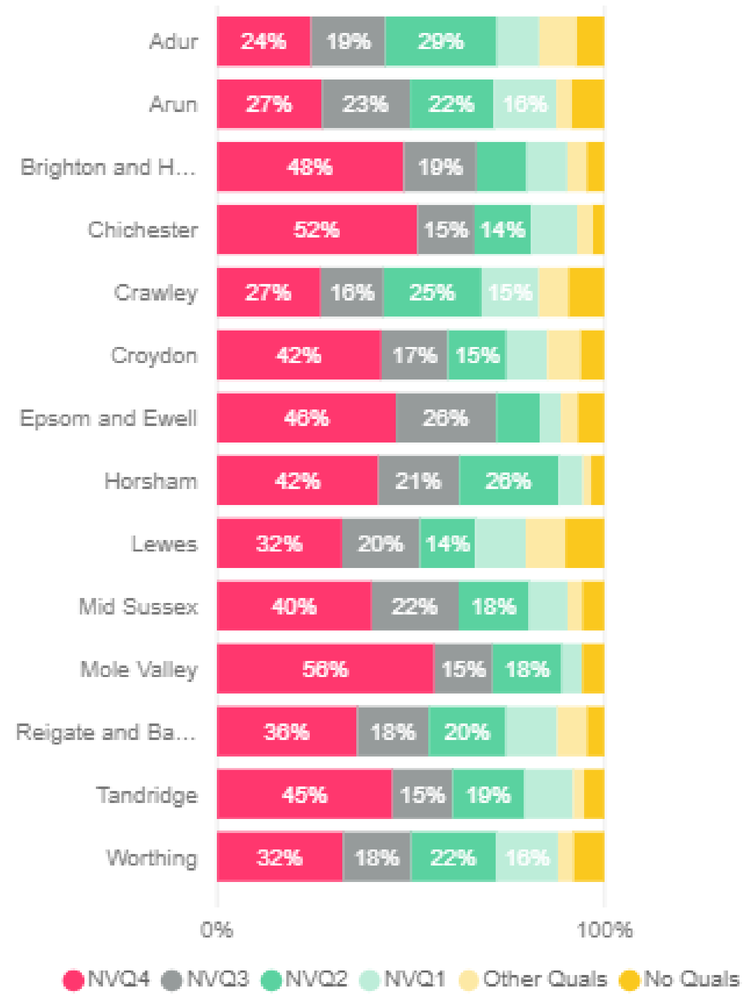
Capital as a whole is highly skilled, but local authority level data suggests large disparities…

The LEP area has a high proportion of residents with degree level qualifications (48%) and a low proportion of residents with no qualifications (6%) compared to national levels (see appendix figure 3.2).

The skills levels across local authority areas is very mixed. As highlighted in deprivation data, educational attainment is a particular challenge in Adur, Arun and Crawley.

The LEP area geography is diverse, covering urban, rural and coastal areas. Workshops with key stakeholders across these urban, rural and coast areas in the LEP area highlighted specific skills challenges which require bespoke interventions.

Qualification Breakdown of Residents



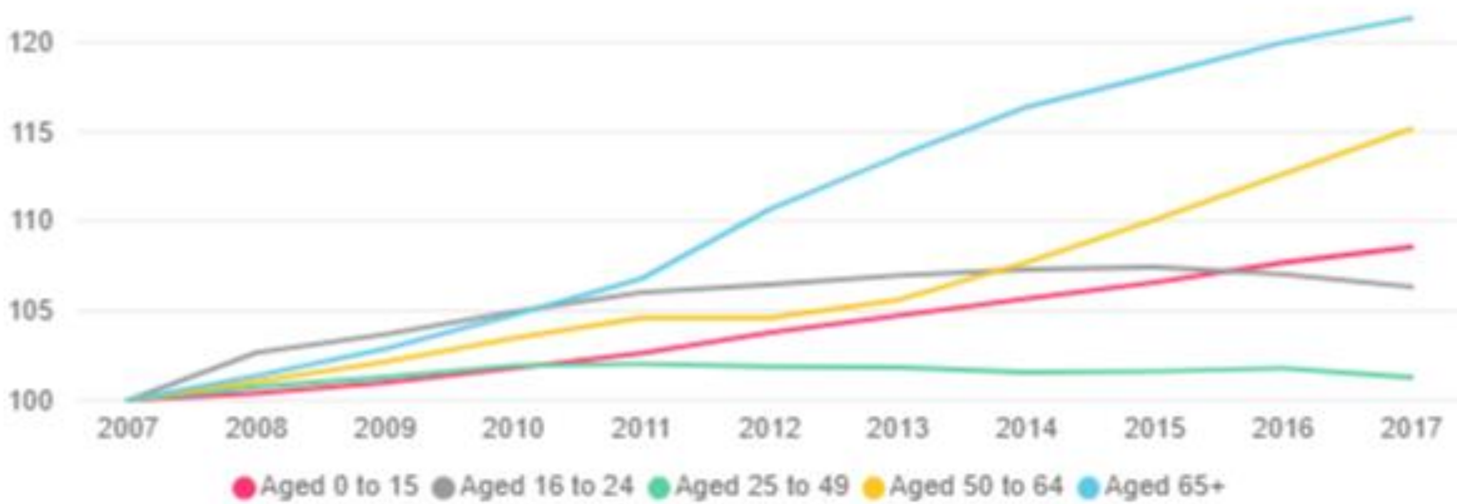
Source: Annual Population Survey, ONS (2018)

The LEP area workforce is ageing and businesses are struggling to find appropriate labour as a result…

The LEP area has experienced high population growth (+9%) over the last 10 years compared to England (+8%) and the South East (+8%). The key driver of this growth has been in those aged 50 to 64 and 65+.

The increasing trend towards an older workforce has implications on the supply of suitable labour for businesses as well as creating a high dependency ratio between working age populations caring for older people.

Population Growth by Age Group, 2007 – 2017



Source: Mid-Year Population Estimates, ONS (2018)

Local Insights

- *Consultation with education providers and employers suggest that the demographic trend is having serious implications on the workforce. Some employers identify a "shortage of young people" as the key barrier to filling vacancies, as opposed to a lack of skills in the labour force locally.*
- *The younger workforce in the LEP area has good opportunities for work, due to an imbalance between supply of labour and supply of jobs.*
- *There is demand from stakeholders to deliver solutions that enable older working age people to re-enter the labour market.*

Stage 4: Mapping of Supply and Demand

Key Findings for Coast to Capital LEP’s Employment and the Skills 360 Board

There is evidence of **skills mismatches** between what employers need and what is available in the labour market. One fifth of hard to fill vacancies are associate professionals, and over the last five years associate professional occupations have only grown by +3%. Household affordability is a key challenge in attracting associate professionals.

Education providers are delivering courses to meet **employer demand**, however the system is not quick enough to respond to changing needs, and there are a number of transferable skills which are lacking across the workforce.

38% of the population are currently **underutilized**, suggesting they are either over qualified or over experienced for their current role. Anecdotal evidence suggests that changing professions can be challenging due to a lack of adult education funding and confidence, particularly in the over 50 bracket.

Introduction

Stage 4 brings together much of the evidence gathered across the first three stages to provide an assessment of the types of skills gaps and the causes, to ascertain whether learner provision and business development meets demand and to provide an assessment of the likelihood in meeting future demand through current supply.

The key questions to be answered in stage 4 analysis include:

+ How responsive is the skills system?
+ Do the labour force supply the skills to meet current and future demand?
+ Where does the skill supply fail to meet the demand at different levels (e.g. sectoral and occupational)?
+ Is there significant demand for the current and future supply? Does the demand provide opportunity to fully exploit the supply of skills available now and in the future?

Through addressing these questions stage 3 analysis aims to deliver against the following objectives:

+ Ascertaining issues that may exist with the offer available from education providers and the effect of under-utilisation of skills on businesses
+ Understanding the factors that could increase fragility to labour supply and business demand
+ Identifying barriers that prevent the skills system adjusting to changing business demand

Stage 4: Mapping of Supply and Demand

There is evidence of a skills mismatch between what employers need and what is available…

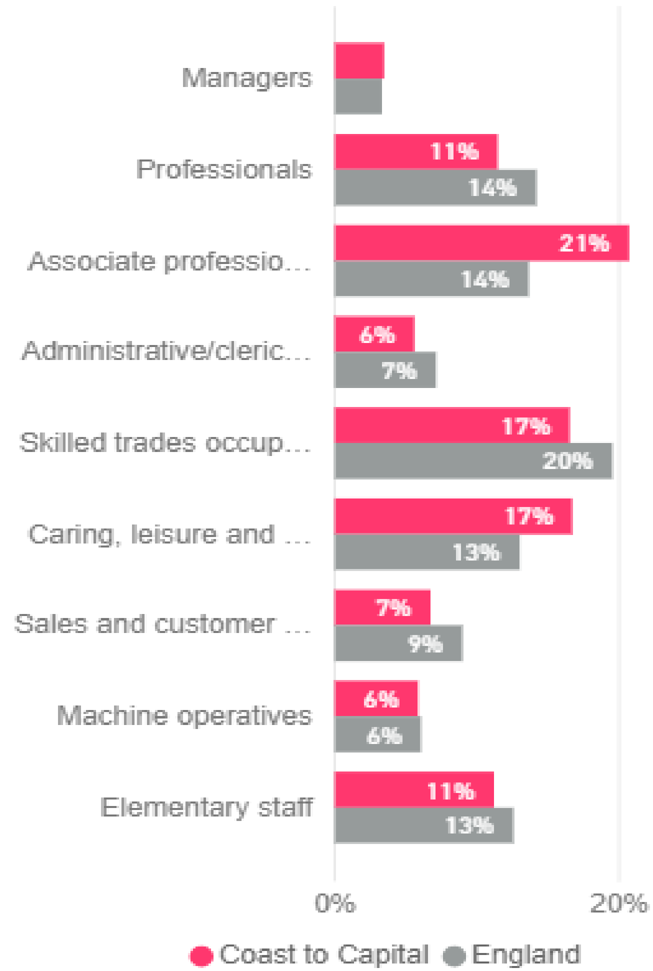
There are a number of indicators suggesting skills mismatches between what employers need and what is available:

+ **One fifth of hard to fill vacancies** are in associate professional roles despite growth being lower than average.

+ **Out commuting** is high in northern areas and for highly skilled residents, making it hard for businesses to recruit the appropriate roles locally.

+ **38% of employers have underutilised staff,** slightly higher than the average across England (see appendix figure 2.9).

Hard to Fill Vacancies by occupation



Source: Employers Skills Survey, ONS (2017)

Stage 4: Mapping of Supply and Demand

The LEP area has a transient workforce making it harder for businesses to find the skills they need…

In general there are courses offered in the LEP area to meet the needs of local employers. According to the employer skills survey the main skills gaps identified locally are primarily the result of staff being new to the role and the training not being complete, higher than the average across London. There is also an issue identified of transient skills gaps, linking to people being new to role.

Nationally, the top skills which employers report need developing include digital skills (58%), knowledge of products / services (45%) and specialist skills / knowledge to perform the role (44%) (see appendix figure 4.3).

Employer reported reasons for skills gaps

Name	Coast to Capital	England
New to the role/training not complete	85%	78%
Staff lack motivation	18%	27%
The introduction of new technology	14%	18%
The introduction of new working practices	17%	22%
Their training is currently only partially completed	64%	62%
They are new to the role	69%	60%
They have been on training but their performance has not improved sufficiently	19%	27%
They have not received the appropriate training	22%	25%
Transient skills gaps	39%	28%
Unable to recruit staff with the required skills	22%	26%

Source: Employer Skills Survey, ONS (2017)

Local Insights

+ *Evidence suggests that the LEP area has a more transient workforce compared to the average across England. This aligns with consultation findings that careers are becoming more flexible and the average time spent at one company by a given employee has fallen dramatically over the last 20 years.*

+ *Businesses are becoming more averse to delivering in-work training, due to the level of investment required and the risk of an employee moving on.*

+ *There are examples of employers and education providers working together to deliver new courses. Stakeholders have commented on the success of these relationships, but have also pointed out the length of time and bureaucracy required to get courses up and running. The indication is that the process is not streamline enough to keep up with employer demand.*

Stage 5: Conclusions

Introduction

This report has carried out analysis of the skills and employment needs and priorities of the Coast to Capital area, with the intention of improving economic efficiency and productivity. This section sets out how the LEP can work with its partners to address some of the skills priorities facing the area, and outlines the mechanisms needed to support the delivery of appropriate skills and employment initiatives.

The key questions to be answered in this stage include:

+ What are the main skills priorities?
+ What current policy levers and initiatives, at both local and national level, can help deliver priorities?
+ Are new initiatives required to ensure the skills and employment priorities are achieved?

Through addressing these questions this sections aims to deliver against the following objectives:

+ Understanding current and future skills and employment priorities which will have greater impact on the local area
+ Outlining the actions needed locally and nationally to address skills and employment priorities
+ Understanding how actions will achieve economic efficiency and a reduction in skills mismatches

What are skills priorities?

Hatch Regeneris have provided a set of skills priorities for the Skills 360 Board based on evidence collected and analysed as part of the SAP Analytical toolkit. These are a set of recommended policy levers and initiatives which the Skills 360 Board should use to address the skills challenges locally and to maximise potential future opportunities. These can be delivered using a range of models which require different levels of resource, intervention and funding.

Skills priorities and delivery models are outlined from **page 43 to 48**.

Stage 5: Conclusions

What are the main skills priorities?

Skills Priority	Rationale
1. Design interventions to reflect the LEP area's four distinct geographies: Given the span and diversity of the area's geography, intervention needs to be bespoke and address the distinct challenges within the LEP. We recommend, that **Coastal Areas**, **Rural Areas**, **the Gatwick Economic Area** and the **London Commuter Belt** each have distinct circumstances which require bespoke interventions.	• Employment rates lower in Coastal Areas (see appendix figure 1.7). • Education deprivation higher in Coastal Areas (see page 19) • Higher rate of out-commuting in London Commuter belt (see page 17) • Housing affordability worse in London Commuter belt (see page 18) • Higher proportion of large businesses in Gatwick Economic Area (see page 16)
2.Understanding sector needs requires relationship building with employers: The work has identified growth in certain sectors across the LEP area. Whilst it's important to identify common projects to support businesses (i.e. commercial space and business support) labour market interventions need to be more nuanced and require the development of relationships with key employers to understand their needs on an ongoing basis.	• Consultation with businesses in similar sectors suggests variants in skills needs and demands (see local insight on page 25)
3. Enabling older workers to re-enter the labour market, particularly as industry experts/mentors. The LEP area's population has a higher proportion of older workers in its labour market compared to England – this may increase as the demographic profile ages. The current lack of funding for adult learning is a big barrier to career changes, up skilling and diversification of roles. Anecdotal evidence from business and partners has demonstrated a willingness to develop projects to enable this.	• Large proportion of older working age population (see page 10) • Low productivity compared to other LEPs (see page 11) • Anecdotal evidence from workshops on the challenges faced by older working age populations (see local insight on page 35) • High proportion of older working age population in commuter belt authorities and coastal authorities (not including Brighton) (see appendix figure 1.2)

Stage 5: Conclusions

What are the main skills priorities?

Skills Priority	Rationale
4. Taking ownership of addressing the employability skills gap. Data and consultation suggests a lack of transferable employability skills across all sectors. This is a well established trend nationally. We recommend that the Skills 360 Board leads providers and employers to address this issue. A locally led approach to provision and careers advice could help to support this.	• Large proportion of work-ready skills identified as lacking by employers (see page 23)
5. A new approach is required to engage with the future skills needed for the economy: Evidence has shown that digital skills, the use of social media and agile working as the most pertinent gaps in the future economy. We recommend that the LEP has a role in advocating more proactive engagement, adopting new approaches to make careers engagement appropriate, inclusive and exciting for young people.	• Feedback from workshops indicated that career engagement could be made more fun for young people. • Feedback from workshops suggested that the new workforce will adopt new ways of working.
6. Higher-level technical/vocational skills are necessary to supporting the key sectors and occupations in the LEP area: Some of the key opportunities in the LEP economy require qualifications other than traditional degrees. Greater awareness of higher level apprenticeships and vocational qualifications locally is needed to enable greater equality of opportunity and in work progression	• One fifth of hard to fill vacancies are associate professionals (see page 24) • Mid level occupations are in demand from employers, but the supply of suitably qualified people has declined in recent years (see page 32)

Stage 5: Conclusions

What are the main skills priorities?

Skills Priority	Rationale
7. Demand for digital skills is high, but not understood by providers: Evidence from the SAP toolkit and consultation identifies digital skills as in high demand from employers. However, the current definition of digital skills is unclear, whether it refers to basic level IT skills, technical skills (such as coding) or specific sector skills. We recommend that the Skills 360 Board leads consultations to understand this in more depth in order to respond to local demand from employers. The region's Digital Catapult provides a head start for the Skills 360 Board in this respect.	• High demand from employers for digital skills nationally, but evidence is unclear on what these skills are (see appendix figure 4.3) • ICT and Digital is a key growth sector in the LEP area economy (see page 15)
8. Information on new approaches and policy levers needs to be communicated to key stakeholders: There are a range of new policy interventions and mechanisms delivered by government for skills. Innovations in T Levels, Apprenticeships and Adult Learning need to be understood by employers, teachers and providers. All of these have a role in embedding these projects and practices. We recommend that the Skills 360 Board has a role in advocating new policy and disseminating information.	• There are a range of policy instruments listed on page 50. Many of these have been delivered in recent years and there is a lack of clarity from stakeholders as to whether these have been implemented effectively.
9. Making best use of the apprenticeship levy in and around Gatwick Airport: Crawley (including Gatwick Airport and Manor Royal) has a high proportion of large levy paying businesses, reflecting the large number of head offices and large businesses in the area. We recommend that the Skills 360 Board leads efforts to leverage the levy funding from this area and channel it across the LEP area. The Heathrow Skills Academy is an example of best practice in this field.	• Crawley, including Manor Royal Business Park and Gatwick) has a high proportion of large businesses compared to the average in the LEP area (see page 16) • Consultation with some large employers suggest the apprentice levy could be used more effectively (see page 30)

Stage 5: Conclusions

What are the main skills priorities?

Skills Priority

10. Improving understanding of what is currently being offered in terms of qualification and education reforms: Consultation suggests there are already examples of new and best practice locally. Research into what exactly is being delivered, whether this aligns with the priority sectors and whether innovations can be scaled would be useful. This will enable the Skills 360 Board to respond to gaps in provision and design targeted interventions.

Rationale

- There are examples of best practice locally, although this is fragmented across the LEP area.
- The public sector is the largest employer in the LEP area. It has an opportunity to scale ideas and encourage use of the public sector as a trailblazer (see page 16)

Stage 5: Conclusions

Skills Hub Models for Consideration of Skills Advisory Panel

To deliver the skills priorities a "Skills Hub" approach is recommended. This would see the 360 Skills Board take on a leadership and brokerage role with key stakeholders in the skills and labour market landscape, including employers, education providers and local and central government.

The table below provides indicative models which can be adopted to deliver a "Skills Hub" approach in response to the skills priorities and interventions identified. These range from least resource and time intensive (light) to the most resource and time intensive (heavy).

	Skills Hub 'Light'	Skills Hub 'Medium'	Skills Hub 'Heavy'
Roles and Functions of Coast to Capital	**Strategic Leadership to Facilitate Action:** • Provide leadership for major projects • Bend mainstream funding to achieve better outcomes • Work with Government to drive investment	**Strategic Leadership with Brokerage Model:** • *All roles and functions of skills hub 'light'* • Bringing employers, learners and providers together. • Apprenticeship matching service for employers that do not already have a provider relationship. • Wider customer relationship activity needed.	**Facilitate, Incentivise, and Brokerage Model:** • *All roles and functions of skills hub 'medium'* • Develop and administer programmes designed to incentivise behaviours aligned to skills priorities
Funding Arrangements	• £150,000 per annum (staff time)	• £350,000 pa (staff and programme costs)	• Potential £1.5m plus depend on securing programme revenue funding
Lead Organisation	• Coast to Capital	• Coast to Capital / Service Provider	• Service Provider
Comments	• Current approach. Without programme and project spend difficult to maintain traction amongst businesses, learners and providers. • Potential to include work with Gatwick levy payers in this type of model	• Requires dedicated relationship and programme managers. • Must involve providers and colleges in design and operation. • Potential to include regional digital skills programme	• Requires significant resource and flagship project funding. • Model favoured in areas with significant programme funding which is not currently available to the LEP area

Source: Hatch Regeneris, 2019

The current policy levers and initiatives that can help deliver the priorities

There are a range of current policy levers and initiatives that can help deliver skills priorities. These are listed in the table below:

Policy	Implications
Apprenticeships and Traineeships	• Apprenticeship Levy is a contribution employers make who have a pay bill over £3million. The levy commenced in 2017 and seeks to plug skills gaps and provide more incentive for companies to recruit apprentices. • Currently, the Government emphasis is on delivering the skills employers need by encouraging the creation of more high-quality apprenticeships. These help to attract new talent and to upskill existing staff to meet the expected increase in higher level skilled roles.
T Levels	• Due to launch in September 2020, T Levels will be equivalent to 3 A levels. T Levels will have a technical focus and offer a mixture of classroom learning and 'on the job' learning through industry placements for a minimum of 315 hours (45 days).
Process Review of Level 4 and 5 qualifications	• Level 4-5 qualifications have been under a process of review by the DfE. The review explores how learners can progress from the government's new T Levels, and other full time education, into the workplace. It also considers how these qualifications work for those in the workforce looking to upskill or retrain. • Level 4-5 qualifications which are being reviewed include: National Certificates and Diplomas, Foundation Degrees, Certificates and Diplomas of Higher Education and other technical qualifications and professional diplomas • It is expected that the review will call for greater emphasis on level 4 and 5 qualifications and help inform delivery across the Coast to Capital.
Adult Education Budget	• The ESFA-funded Adult Education Budget aims to engage adults and provide the skills and learning they need to progress into work or equip them for an apprenticeship or other learning. It also enables more flexible tailored programmes of learning to be made available. • The funding is available to learners aged 19 or older on 31st August of the current academic year (2018/19) and can partly or fully fund the courses delivered by providers. • The government plans to devolve control of the adult education budget to six combined authority areas and the Greater London Authority in 2019. This does not include the Coast to Capital who do not have a devolution deal.
Higher level skills (including Advanced Learner Loans)	• The Advanced Learner Loan is a scheme that is currently running as part of Student Finance. It helps with the costs of a course at a college or training provider. • Advanced Learner Loans are available for individuals aged 19 or above to undertake approved qualifications at levels 3 to level 6. The minimum loan you can get is £300 and is paid directly to the college or training provider. After the course ends, the loan becomes repayable when earnings are at least £494 a week before tax. • At national level, participation of learners with advanced learner loans fell (-8.3%) between 2016/17 and 2017/19. This was more pronounced among learners studying level 3 qualifications (-9.7%) compared to level 4 (9.3%). • The Augar Review (2019) sets outs a review of post-18 education and funding. This provides a number of recommendations, with a number of these focused on the funding of further education and apprenticeships to deliver better skills provision nationally.

The Post-18 Education Review (Augar Review)	• The independent review of post-18 education in England aims to improve access to learning and training for adults. The review makes another of recommendations:
	  • The reduction of higher education tuition fees to £7,500 per year and government to replace lost fee income by increasing teaching grant
	  • Extending the student loan repayment period from 30 years to 40 years
	  • Reducing the interest charged on student loans while students are studying
	  • Appling the overall amount of repayments on student loans to 1.2 times their loan
	  • Reducing the income threshold for student loan repayments from £25,000 to £23,000
	  • Reintroducing maintenance grants of £3,000 for disadvantaged students
	  • Introducing maintenance support for level 4 and 5 qualifications
	  • A first free full level 2 and 3 qualification for all learners

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