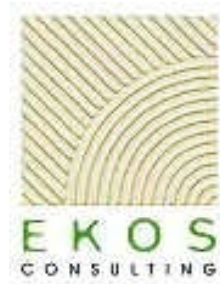


# Strategic Analysis North West Region

December 2006



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## Executive Summary

EKOS Consulting was commissioned by the North West Regional Skills Partnership (RSP) in August 2006 to develop a NW Statement of Skills Priorities to cover the period 2007/08 to 2009/10. The purpose of the Statement of Skills Priorities is to provide the region with a sound basis and rationale to guide the planning and purchasing of skills provision to meet the needs of employers and the economy in general. The Statement also articulates how the RSP will support the delivery of the Regional Economic Strategy.

This Strategic Analysis report is the quantitative evidence base that underlies the North West Statement of Skills Priorities. It also acts as the evidence base for European social Fund (ESF) prioritisation and supports the Learning and Skills Council (LSC) planning and commissioning cycle.

The report has been developed through a analysis of a large number of data sources. EKOS has received support from a large number of organisations in sourcing data, particularly the data team at the North West Learning and Skills Council. We would like to thank everyone who has assisted us in the development of this evidence base.

The report contains a large volume of data and analysis. This Executive Summary is structured as nineteen key headline messages which have emerged from our analysis.

### **1. Skills are now widely recognised as one of the key drivers of international competitiveness and the UK faces a significant challenge in terms of its skills levels.**

In recent years, skills has risen to the forefront of the competitiveness agenda. It is now well recognised that skills are a major driver of national/regional productivity, and that skills levels also have an impact on other productivity drivers such as innovation and enterprise. The UK lags behind many of its major competitors in terms of productivity and a significant part of this gap is a result of lower skills levels. An important conclusion of the Leitch interim report on skills in the UK is that skills need to be improved at all levels – it is not just higher level skills that are important to productivity.

The scale of the challenge the UK faces in terms of catch-up is well documented in the Leitch interim report, with the point made that even if the Government meets its current ambitious targets for improving skills in the UK by 2020, that the UK will still not be ‘world class’ in terms of its workforce skills levels.

### **2. The North West has a significant productivity gap compared to the England average and trend based economic forecasts suggest that this gap will widen in future.**

The UK’s weak position in international terms on productivity and skills levels highlights the scale of the challenge facing the North West. The region has a significant productivity gap with the England average which currently stands at 13%. There is considerable variation in GVA per capita between

the sub-regions, with Cheshire being above the England average, whereas Cumbria and Greater Merseyside are significantly below it.

Trend based forecasts of GVA per head from Working Futures 2006 show average annual growth over 2004-14 in the North West at 2.1%, below the England average growth rate of 2.4%. These projections highlight the scale of the challenge facing the region – based on the continuation of past trends, the productivity gap will widen.

### **3. In respect of a number of drivers of productivity, the North West compares unfavourably to England averages. In particular, the region has a lower rate of economic activity amongst the working age population, a less well qualified workforce, and lower levels of enterprise and innovation.**

The rate of economic activity and the skills levels of the workforce are two key determinants of regional productivity. The North West has a lower rate of economic activity than the England average and its workforce is less well qualified. There is a link between these two drivers, with sub-regions with relatively low skills levels also seeing higher levels of inactivity.

Enterprise and innovation levels are also key drivers of regional productivity. The North West lags behind the England average on a number of commonly used indicators of enterprise levels. In terms of innovation, the picture is more mixed, but the region performs relatively poorly when it comes to indicators of the ‘quality’ of innovation. There is likely to be a skills dimension to both these drivers. People with qualifications are more likely to start up their own business and market leading innovation is likely to require application of higher levels skills.

### **4. Employment growth is forecast to slow significantly over the next ten years, relative to the previous ten.**

Trend based projections indicate a significant slowdown in employment growth in the next decade, both nationally and for the North West. Employment growth in the North West is projected to average 0.3% per annum over the period 2004-14, below the rate projected for England of 0.5%. In the North West, there are significant differences in forecast growth rates according to sector, occupation and sub-region:

- There is a continuation of the recent trend of jobs growth in service sectors and decline in primary and manufacturing sectors.
- Jobs growth is predicted to be disproportionately in higher skilled occupations. For example, 72,000 more jobs in professional occupations, and 84,000 fewer jobs in Elementary occupations (over 2004-14).
- The forecasts for the North West indicate a net increase in jobs over the period 2004-14 of 101,000, a 3% cumulative increase over the period. The forecast growth rate varies from 1.3% in Cumbria to 4.1% in Cheshire and Warrington.

**5. When considering changing skills needs in the region, we need to consider replacement demands, caused by people dropping out of the labour force, for example, through retirement. The Working Futures forecasts indicate that almost 1.2 million new employees are required over the period 2004-14 as a result of expansion and replacement demand, with a disproportionate number in higher skilled occupations.**

The total predicted demand (replacement and expansion) in the North West (2004-14) by occupation are shown in the table below.

Occupational category	Expansion demand (000)	Replacement demand (000)	Total demand (000)
Managers and Senior Officials	39	149	188
Professional	72	126	198
Associate professional & technical	25	140	165
Administrative, clerical & secretarial	-7	138	130
Skilled trades	-20	124	104
Personal service	52	84	136
Sales & customer service	41	95	136
Machine & transport operatives	-17	99	82
Elementary	-84	127	44
All occupations	101	1,082	1,183

Source: Working Futures

**6. Considering demand by level of qualification, our indicative analysis suggests that a higher proportion of future demand will be for people qualified to Level 4.** People qualified to level 4 tend to be geographically mobile and this brings to the fore issues of graduate attraction and retention, including perceptions of higher level opportunities available in the region and of the quality of life on offer.

**7. Our analysis indicates that the greatest demands for new employees will be in the established large employment sectors such as Retail, Health and Social Care, Education, Logistics, and Construction.** The table below shows annualised forecasts of demand for the major sectors by skills level.

Sector	Estimated volume of demand				% of sector demand		
	L2	L3	L4	Tot	L2	L3	L4
Construction	1619	2115	2685	<b>6419</b>	25%	33%	42%
Education	3515	1190	8652	<b>13357</b>	26%	9%	65%
Financial Services	5139	1578	9011	<b>15728</b>	33%	10%	57%
Health & Social Care	7151	3131	7309	<b>17591</b>	41%	18%	42%
Logistics	4364	646	2581	<b>7591</b>	57%	9%	34%
Public Admin	2405	828	3364	<b>6598</b>	36%	13%	51%
Retail	7547	2746	3790	<b>14082</b>	54%	19%	27%
Tourism	2785	1128	2435	<b>6348</b>	44%	18%	38%

Source: EKOS estimates

It is important to note that the sector level demand projections we present do not take into account employer demands for upskilling within their current workforce. Within sectors such as Construction and Health, these demands are likely to be very significant. Also, trend based forecasts will not capture some of the transformational activity taking place across the region (summarised in chapter 3).

**7. On the supply side, probably the key issue nationally, and within the region, is the ageing population and the uncertainty this brings with it regarding employment rates.** By 2020, the North West population is forecast to increase by 197,000. The increase in the 55-64 age band is 107,000, and in the 65 plus age band is 289,000. The biggest decline is in the 35-44 age band (-195,000).

The ageing population is an issue across the region, but particularly in Cumbria and Cheshire & Warrington, where the proportion of over 65 year olds in the population is forecast to increase by 5 percentage points over the period 2005-2020. Migration patterns are likely to reinforce these trends, with migrants more likely to be attracted to sub-regions with large urban centres, particularly Manchester and Liverpool.

**8. Currently, the employment rate for people in the 50 to retirement age category in the North West is 66%, well below the England average of 71%. This employment rate needs to increase towards the England average in future, or the region will face a shortage of labour.**

To some extent this lower employment rate reflects the industrial restructuring of the past three decades, and the difficulties faced by older workers in traditional industries in securing employment in other sectors.

It is also likely that over time, an increasing number of people will remain in employment post retirement age. This is likely to have implications for training needs, with lower demand for full time provision, and increased demand for flexible part-time or work based provision.

**9. The North West has a lower proportion of its economically active population qualified to Level 4 or higher than nationally.** If the rate was equal to the national average, the region would have an additional 80,000 people qualified to Level 4.

**10. Post-16 participation in the North West is 1.6% points below the England average and the proportion of young people achieving Level 2 aged 19 is 2% points below the national average.** Given the projected decline in the young people's cohort, it is of vital importance that this gap is closed, through higher participation in the North West, improved Level 2 achievement rates, and improved progression to Level 3 and higher education.

**11. Of the economically active population in the North West, 29% do not have a Level 2, but for the inactive population, this increases to 54% (5% points above the national average). It is vital that in linking workless people to job opportunities that their training needs are also taken into account.**

As noted above, the rate of economic activity is a key driver of productivity, and the region has a lower rate of activity than nationally. For the future prosperity of the region, there is a need to get people who are currently economically inactive back into employment, and particularly into jobs with level 2 skills requirements. This need is exacerbated by the forecast reduction in the number of young people who will be looking to enter jobs requiring Level 2 skills, due to a decline in the size of the cohort, and a planned increase in the proportion progressing to Level 3 and higher education.

Sectors with significant future replacement demand for people qualified to level 2 are Retail and Health and Social Care. The consultations that we undertook as part of the development of the revised Statement of Priorities highlighted that many sectors are recognising the needs to develop strategies to engage workless people.

**12. We have developed some indicative estimates of the potential demand for training amongst workless people in the North West. We estimate that around 350,000 people might demand training, and that of these, 192,000 do not have level 2 attainment, therefore requiring training at or below Level 2.**

**13. In developing programmes to tackle worklessness, account needs to be taken of the higher levels of economic activity amongst certain groups in society. For example:**

- In the North West, the rate of economic inactivity for people ages 50 to retirement age is significantly above the England average.
- Nationally, the rate of economic inactivity for people with a disability is significantly higher than for the population average. This is a particular issue in the North West, which has an inactivity rate for people with a disability of 52.5%, 7.6% points above the national average.

- People in the Indian ethnic group in the North West have a rate of economic inactivity that exceeds the national average for that ethnic group by 10.5% points.
- 55% of all ex-offenders are economically inactive<sup>1</sup>.

**14. There is also a strong spatial dimension to worklessness. For example:**

- The rate of inactivity is highest in Greater Merseyside at 26.6%, compared to the regional average of 23.4% and the England average of 21.6%. Cheshire and Warrington and Cumbria have inactivity rates below the England average.
- In the region as a whole, the proportion of young people in the NEET (Not in Education, Employment or Training) group is above the national average. The problem is particularly acute in Greater Merseyside and Greater Manchester.

Within the sub-regions, worklessness is concentrated in particular areas, and all sub-regions have areas with significant worklessness problems.

**15. In terms of the skills development of North West residents in or outside the workforce, the Learning and Skills Council represents the major funding stream, providing the majority of funding for FE colleges and Work Based Learning providers. A review of participation and provision suggests that provision is becoming more responsive to employer needs. Key points are shown in the table below.**

<sup>1</sup> The North West is a development region for offender learning and the Offender Learning and Skills Service (OLASS) was implemented from August 2005. LSC has the lead responsibility for OLASS

## Participation and provision review: key points

- The focus of expenditure in the Further Education (FE) sector has changed somewhat during the past two years. Expenditure on young people increased by 9% between 2004/05 and 2005/06, compared to a reduction of 2% for adult expenditure. In 2005/06, expenditure on 16-18 participation was £391.5m, compared to £257.4m for adults.
- Within the two budget lines (young people and adults), the mix of expenditure by provision type has also changed. For young people, expenditure on Entry and Level 1 provision has seen the greatest percentage increase. Within level 2 provision, there was an increased focus on Full Level 2. This was also the case within adult level 2 provision.
- Since 2002/03, participation in FE by 16-18 year olds has increased by 2%, below the national average of 6%. Participation of young people in WBL has increased by 5%, above the national average of 3%. Participation in schools sixth forms has remained stable since 2002/03, whereas nationally it has grown by 6%.
- Reflecting funding pressures, participation by adults in LSC funded learning in the FE sector has declined significantly in recent years, with an 80,000 reduction in numbers between 2004/05 and 2005/06 (-19%). This reflects the lower incidence of funding for very short courses.
- In FE, success rates for 16-18 year olds and adults on long courses are above national averages across all levels.
- The picture in the WBL sector is mixed with 16-18 Level 3 and adult Level 2 success rates above national averages, but 16-18 Level 2 and adult Level 3 below them. Regionally, the gaps with national averages are small, although there is significant sub-regional variation.

**16. When we look at participation and success rates by learner characteristics, there are a number of important points to note:**

- Low Female participation in WBL in Cumbria and Lancashire.
- Low participation in WBL by Black and Minority Ethnic groups in the region.
- For adult learners, lower success rates for qualifications taken by for those from Black and Minority Ethnic groups, compared to the White ethnic group.
- Lower success rates for qualifications taken by learners with higher levels of deprivation (as proxied by whether learners are in receipt of disadvantage Uplift).

**17. Survey based evidence (the National Employer Skills Survey 2005) indicates that employers in the North West are most likely to report skills issues in regard of 'soft' skills (e.g. team working, customer handling, and oral communication) and sector specific technical skills.** This is reflected in sector specific evidence, summarised in chapter 6. The issue that arises in relation to this is the extent to which soft skills are mainstreamed in to provision.

**18. It should also be noted that employers in the North West are more likely than employers anywhere else in England to cite basic numeracy and literacy skills gaps.** The most recent survey based estimates of basic skills needs were produced by DfES in 2003. In the North West,

survey based estimates indicate that the number of adults with literacy and numeracy skills below Level 2 is 2.5m and 3.5m respectively. (There will be significant overlap between these groups, with many adults having literacy and numeracy skills needs).

**19. Evidence from the National Employer Skills Survey 2005 suggests that North West employers have a reasonably strong culture of workforce development on which to build. The relatively high levels of expenditure per trainee and existence of formal training plans are encouraging.**

# 1 Introduction

## 1.1 Introduction

EKOS Consulting was commissioned by the North West Regional Skills Partnership in August 2006 to develop a NW Statement of Skills Priorities to cover the period 2007/08 to 2009/10. The purpose of the Statement of Skills Priorities is to provide the region with a sound basis and rationale to guide the planning and purchasing of skills provision to meet the needs of employers and the economy in general. The Statement also articulates how the RSP will support the delivery of the Regional Economic Strategy.

This Strategic Analysis report is the quantitative evidence base that underlies the NW Statement of Skills Priorities. It also acts as the evidence base for ESF prioritisation and supports the LSC planning cycle and the regional strategic commissioning document which is due for completion in November 2006.

The scope of the Strategic Analysis is the entire skills and learning agenda from 14-19 to adult workforce issues. In effect this means all skill/qualification levels, from basic to higher level skills. The Strategic Analysis and Statement of Priorities are intended to cover provision for skills development as a whole, but specifically focus on publicly funded skills provision. For example provision funded by organisations such as the LSC, JobCentrePlus, NWDA, and the Higher Education sector. The Strategic Analysis does not take into account business development issues which are not skills related and pre -14 education issues.

This report presents a Regional level Strategic Analysis. It is primarily a quantitative report, with analysis conducted at the regional and sub-regional level. We have also produced shorter sub-regional reports, which take a more in-depth look at skills issues, with analysis at the sub-regional and district level, where appropriate.

## 1.2 Policy Context

### **Government Policy on skills**

Following the publication of the Skills Strategy White Paper<sup>2</sup> in July 2003, skills policy has developed rapidly in the UK. A further White Paper followed in March 2005<sup>3</sup> and the Leitch Review of UK skills needs is ongoing.

The two primary aims of Skills Policy as a whole are to increase the competitiveness of the UK economy by:

- Increasing the demand for skills from employers and individuals; and
- Reforming the supply-side, so that provision becomes more responsive to employer needs and provides learners with the skills they require to be successful in the labour market.

The Skills Strategy White Paper built on the first national Skills Strategy and introduced a number of key reforms, aimed at increasing employer demand for workforce development:

- **Putting employers needs centre stage in the design and delivery of training**, through Train to Gain, a flexible and subsidised programme of training provision, initially focused on the delivery of basic skills and Level 2 training. In the North West provision has been extended to cover Level 3 in some cases and a Level 4 pilot is soon to be launched.
- **Skills for Sectors**, Sector Skills Agreements were introduced as a means of bringing together employers and training provision to work together to meet the future skills needs of sector employers. In the North West the Sector Skills Councils are closely allied to the regional Sector Skills and Productivity Alliances, which are working to improve productivity across the region's key sectors.
- **Skills Academies**, introduced in order that a network of specialist colleges and training providers could work together to ensure that skills and training provision meets the needs of local employers.

On the supply side, recent policy in the FE sector is designed to address this, and includes the establishment of Centres of Vocational Excellence (COVEs) in FE sector institutions and funding reform, including the introduction of the adult Level 2 entitlement. The recent Further Education Reform White Paper<sup>4</sup> calls for the FE system to further increase its focus on the needs of employers and employability skills. Part of the remit of the recently established Quality Improvement Agency is to support providers to respond flexibly to employer demand.

Working alongside the National Skills Strategy the Leitch Review was commissioned in order to identify the UK's optimal skills mix by 2020 to maximise economic growth, productivity and social justice, and to consider the policy implications of achieving the level of change required.

<sup>2</sup> Skills Strategy White Paper, 2003, Department for Education and Skills.

<sup>3</sup> 'Getting on in business, getting on at work', 2005 Department of Education and Skills.

<sup>4</sup> Further Education: Raising Skills, Improving Life Chances, 2006, Department for Education and Skills

The December 2005 Interim Report<sup>5</sup> from the Leitch Review stresses the importance of skills for the UK economy and its weak position relative to many competitor nations. Despite recent improvements, issues remain to be addressed. For example:

- Over one third of adults in the UK do not have a basic school-leaving qualification – double the proportion of Canada and Germany;
- Five million people have no qualifications at all; and
- One in six adults does not have the literacy skills expected of an 11 year old and half do not have levels of functional numeracy.

Analysis conducted by the Review shows that if the Government meets its current targets for improving skills in the UK, by 2020:

- The proportion of working age people without any qualifications will fall to 4%; and the proportion of adults holding a degree will increase from 27% to 38%; and
- This will have significant benefits for the economy – increasing annual productivity growth by 0.2% with a net benefit to the economy of £3 billion a year, equivalent to 0.3% of GDP.

However, the report goes on to say that:

*“Even if the UK can meet these targets, the nation’s human capital will still fail to be world-class. Considerable problems will remain; at least 4 million adults will still not have the literacy skills expected of an 11 year old and 12 million would not have numeracy skills at this level”.*

The Review also analysed a number of more ambitious scenarios for 2020:

- Tackling the stock of low skilled adults without qualifications, basic literacy and numeracy;
- Investing more in intermediate skills; and
- Further increasing the proportion of adults holding a degree.

In all these scenarios, the analysis showed additional significant economic and social benefits through higher levels of productivity.

In addition to generic skills requirements, for many businesses, the lack of basic numeracy and literacy skills within the workforce is a major constraint on productivity. The Skills for Life<sup>6</sup> national

strategy is designed to improve adult literacy and numeracy in England and has a target of helping 1.5 million adults improve their skills by 2007. Priority groups at whom assistance is targeted at include; unemployed people and benefit claimants; prisoners and those supervised within the community; public sector employees; workers in low-skilled jobs and other groups at risk of exclusion.

### 1.3 Overview of the North West Regional Economic Strategy

The NW Regional Economic Strategy (RES) sets out a vision of “a dynamic, sustainable international economy which competes on the basis of knowledge, advanced technology and an excellent quality of life for all”, continuing the transformation of the North West’s economy by addressing the causes of the low level of GVA per head in the region. The RES identifies three major drivers which will help the region to close the productivity gap:

- Improve productivity and grow the market;
- Grow the size and capability of the workforce; and
- Create and maintain the conditions for sustainable growth.

Beneath these objectives sit five themes, under which action will be taken to address market failure and help achieve the vision. The themes are business; skills and education; people and jobs; infrastructure and quality of life.

#### **Business**

In general terms the economy has performed well in recent years, with a net 150,000 jobs created, with the manufacturing sector being particularly highly productive, although employment in knowledge based occupations stands at 36.4%, compared with an England average of 41.8%. It has been recognised through the RES, that in order to improve productivity there is a need to encourage all companies to understand and get involved with innovation in its widest sense, not just research and development.

Sectors have been identified which are felt to be internationally competitive and important to the region, these include; bio medical, energy and environmental technologies, advanced engineering and materials, food and drink, digital and creative industries and business and professional services. These sectors account for 55% of the North West GVA and the RES endorses the development of cluster programmes in these priority sectors to develop higher value activity. The development of Greater Manchester as the regional media hub, the regional growth of the digital sector and the tourism sector are also identified as growing parts of the economy. Several key sectors are identified within the RES where skills require further development and more work needs to be done to connect jobs with people. The sectors identified account for 52% of North West employment and include maritime, distribution, aviation, construction, visitor economy, retail, public sector and care/healthcare.

<sup>5</sup> Skills in the UK: The long-term challenge, 2005, Leitch Review of Skills

<sup>6</sup> Skills for Life, National Strategy, DfES, 2001

### **Skills and Education**

Five key objectives have been identified as taking priority in achieving the vision for the RES. They are to:

1. **Tackle the lack of basic skills and qualifications**, to improve employability and reduce worklessness. This issue is identified as being particularly problematic within the districts of Liverpool, Manchester, Knowsley, Oldham, Tameside, St.Helens, Salford, Halton and Blackpool.
2. **Meet the skills needs of the sectors and growth opportunities**, which are regarded as essential to support expansion. For example developing programmes to enable workers in sectors undergoing significant structural change to move into growth sectors and linking local people in deprived areas to new employment sites.
3. **Invest in workforce development**, the development of intermediate and higher level skills in the current workforce is a key driver of productivity and economic growth. To be achieved through stimulating employer investment, further development of foundation degrees and apprenticeships. Key developments in business with appropriate skills such as language skills, IT and digital technologies and business improvement techniques.
4. **Develop leadership, management and enterprise skills**, crucial to company survival, innovation and productivity improvement, through the Northern Leadership Academy, developing enterprise skills through schools and enhancing knowledge based business start up.
5. **Develop the educational infrastructure and skills of the future workforce** – ensuring young people are developing the skills they need for employment and progression into HE. Limited HE provision in Cumbria has been identified as a particular issue in retaining people and moving the economy into higher value added employment.

### **People and Jobs**

Developing job linkages between people without work and employers with vacancies is the first strand under the people and jobs theme. Solutions to this issue are listed in the RES as: eliminating discrimination in employment practices; overcoming childcare as a barrier to employment/training; and introducing pre-employment training and work trials. Growing local employment in areas remote from growth as well as already successful areas is also seen as key. Integrated economic plans for East Lancashire, West Cumbria, and implementing a master plan for Blackpool and Barrow are highlighted as activities which require undertaking in order to stimulate economic growth. Employment creation in or near deprived areas such as HMR areas, URC areas and Halton and Knowsley is given prominence within the plan.

Improving the health of the workforce, particularly in reducing the number of incapacity benefit claimants and responding to population change are the final two key priorities under the People and Jobs theme. A key issue identified is that many people who have skills to offer the Northwest are unable to utilise them due to barriers such as the translation of qualifications and lack of basic

English skills. It is also recognised that the region needs to attract and retain more skilled people to increase the size of the workforce, innovate and drive things forwards. In-migration is identified as a key priority.

### **Infrastructure**

In order for priorities to move forward within the North West, six factors have been developed which will improve the infrastructure. Transport, land use, housing, planning, energy and investment are the six factors. Specific elements which will have an impact on the skills agenda under these themes include; Manchester and Liverpool airports acting as a key driver for the knowledge-based economy and tourism and encouraging the use of public transport in order to widen labour markets and link deprived areas into job opportunities. Chester and Deeside are identified as two key areas where this is particularly important. Growth opportunities and new skills needs may also arise from a potential regional casino development in Blackpool. Finally a diverse, stable and resource-efficient housing stock is identified as a goal in order to attract and achieve sustainable growth.

### **Quality of Life**

In order to achieve the vision under the quality of life theme, three priorities have been identified, developing culture and image, developing the sense of community in the North West (including community cohesion), and improving the environment. Developments within this theme which may have an impact on skill requirements within the North West include, increasing the tourism offer through improving the impact of the visitor experience. A number of key areas are listed as important to the regional economy, where tourism is expected to flourish. Areas include the Mersey waterfront, East Lancashire, Liverpool, Southport, Weaver Valley and the Ribble estuary.

## 2 Economic Context

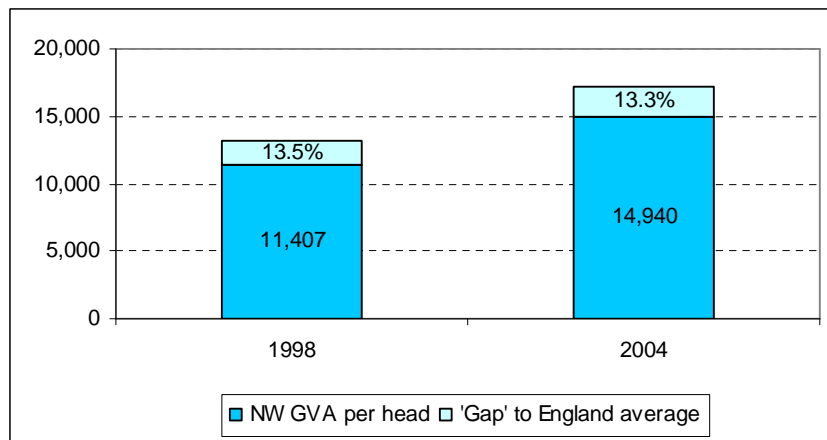
### 2.1 Introduction

This section contains a brief description of the economic context in the North West, focusing on productivity levels and two key drivers of productivity – enterprise and skills. Employment is covered in detail in chapter 3.

### 2.2 Productivity

Productivity in the economy is measured in terms of Gross Value Added (GVA) per capita – the value of the output produced per head. GVA per head in the North West has increased substantially over the past six years, but there remains a significant gap (13%) when compared to the England average. If levels of GVA per head could be raised to the England average, residents of the North West would be, on average, £2,280 better off.

Gross Value Added per Head in the North West, 1998 and 2004



Source: ONS Regional Accounts

The table below shows a clear north-south divide in terms of GVA per head levels, with higher levels in London and the South East, and lower levels in the North West, Yorkshire & Humber, and the North East. The relative rankings of the English regions in terms of GVA per head are the same in 2004 as in 1996, suggesting a significant challenge for the North West to improve its relative position.

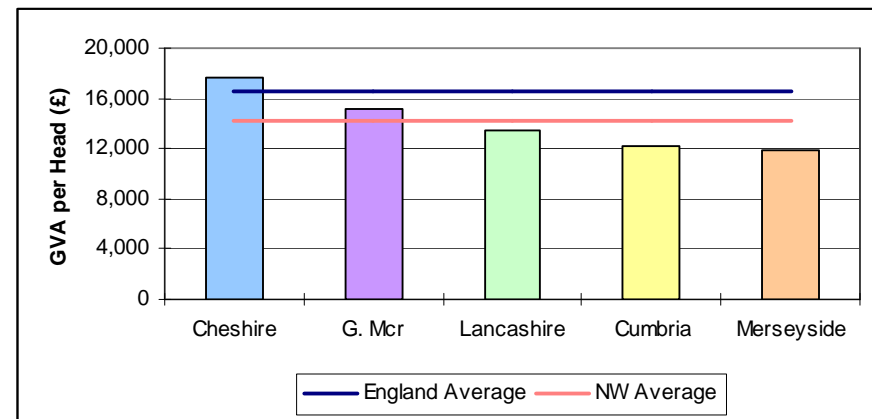
Gross Value Added per Head across England, 1998 and 2004  
Ranked (1 = highest GVA per head)

	GVA per head (£)		Rank
	1998	2004	Both 1998 and 2004
London	17,082	22,204	1
South East	14,840	19,505	2
East of England	13,820	18,267	3
South West	11,949	15,611	4
East Midlands	11,877	15,368	5
West Midlands	11,855	15,325	6
North West	11,407	14,940	7
Yorkshire & Humber	11,403	14,928	8
North East	10,244	13,433	9

Source: ONS Regional Accounts

The graph below shows GVA per head across the North West sub-regions. There is considerable variation, with Cheshire being above the England average, whereas Cumbria and Greater Merseyside are significantly below it.

Gross Value Added per Head in the North West, 2003



Source: ONS GVA

GVA per head is determined by a number of factors, including:

- The industrial base – much of the advantage that London possesses in terms of GVA per head is a result of its position as Europe's leading financial centre. GVA per head is particularly high in this sector, because of the high level of financial capital per employee;
- The relative size of the working age population compared to the dependent population;

- Activity levels within the working age population;
- The number of hours worked by those in employment.

On many of these factors, the North West does not perform as well as the England average, explaining much of the difference in levels of GVA per head. In particular:

- Financial services is under-represented in the industrial base (4.1% of employment in England, compared to 3.4% in the North West);
- The working age population is 60.5% of the total population in England, compared to 59.9% in the North West.
- Economic activity is below the England average: 76.6% in the North West, compared to 78.5% in England.

As shown in the next chapter, North West employment in higher skilled occupations – managers and senior officials, professionals and associate professionals – remains some four percentage points lower than in England as a whole, meaning the number of people within these occupations is 126,000 fewer than would be the case if employment levels matched the England average. The 'lost earnings' of these 'missing' higher skilled workers accounts for part of the GVA per head gap.

The North West workforce is also less well qualified than the workforce in England as a whole (see chapter 3). There is strong evidence from country comparisons of productivity that a better qualified workforce leads to higher productivity. Better qualified workers are more able to add value to the capital at their disposal, and there are also 'spillover' effects, whereby higher skilled workers impact positively on the productivity of colleagues.

### 2.3 Innovation Levels

Innovation refers to the ability to recognise and exploit opportunity and create new business activity. Innovation can relate to new products, new processes, or new organisational structures.

Much of the recent focus of Innovation Policy has been on encouraging better links between research organisations (the knowledge base) and industry. In addition to specific technological skills, innovation needs include: technology and market scanning to spot early opportunities; ability to manage finance and resources for development; ability to coordinate the contributions of others (R&D, operations, marketing, finance); and provision of staff resource and scope to carry out development. Whether process, product, or organisational, innovation should be transformational.

The region performs well on several measures of innovation and research and development, with a relatively high level of business R&D and a strong university research capability. However, a recent Department of Trade and Industry report suggests that the region lags behind the England average somewhat in terms of leading edge innovation. The DTi Occasional Paper no. 6: "Innovation in the UK: Indicators and Insights" (July 2006), gives a comprehensive picture of innovation performance across the UK. Key points are as follows:

- The North West has a similar percentage of companies (58%) that are 'innovation active' as in England as a whole (57%).
- However, new products or processes developed by companies in the North West are less likely to be highly innovative – the indicators for 'highly innovative' are whether a new product is new to the market, or a new process is new to the industry.
- In the North West, the proportion of innovators that introduced 'new to industry' processes was 26%, one of the lowest figures of the English regions (range of 22% to 38%).
- The proportion that introduced 'new to market' products was 51%, the lowest figure of all English regions.

### 2.4 Enterprise Levels

There are a number of indicators that show the North West as having an enterprise gap with other regions:

The rate of self employment in the North West is 11.4%, below the national average figure of 13.4%. (This could to some extent reflect the higher levels skills deficit in the region – people qualified to level 4 or above are more likely to start their own business).

Compared to the England average, the North West has 20% fewer businesses per head and a lower business start-up rate. The region would need an additional 40,000 businesses to be in-line with the England average and close the enterprise gap.

#### Business Start Up Rate (New VAT Registrations), 2004

2004	New Starts		
	Total	Per 10,000 adult pop'	Per 10,000 working age pop'
England	158,535	41	52
North West	17,640	33	43
Cheshire	2,875	42	57
Cumbria	1,190	31	41
Lancashire	3,750	33	43
G. Manchester	6,990	36	46
Merseyside	2,830	25	31

Source: VAT Registrations; Small Business Service, 2004

Business survival rates are also below the England average; the three year survival rate, at 63.6%, is 3.6% points below the England average. The three year survival rate is particularly low in Greater Manchester – 6.1% points below the England average.

What is less clear is the skills development (for people of all ages) required to improve enterprise and innovation performance. The Regional Economic Strategy stresses the importance of cultural factors on the region's relatively low levels of enterprise, which might in many cases have a skills dimension.

## 2.5 Conclusions

The North West has a significant productivity gap with the England average, ranking seventh out of the nine English regions in terms of GVA per capita. There is considerable variation between the sub-regions, with Cheshire being above the England average, whereas Cumbria and Greater Merseyside are significantly below it.

The rate of economic activity and the skills levels of the workforce are two key determinants of regional productivity. The North West has a lower rate of economic activity than the England average and its workforce is less well qualified.

Enterprise and innovation levels are also key drivers of regional productivity. The North West lags behind the England average on a number of commonly used indicators of enterprise levels. In terms of innovation, the picture is more mixed, but the region performs relatively poorly when it comes to indicators of the 'quality' of innovation.

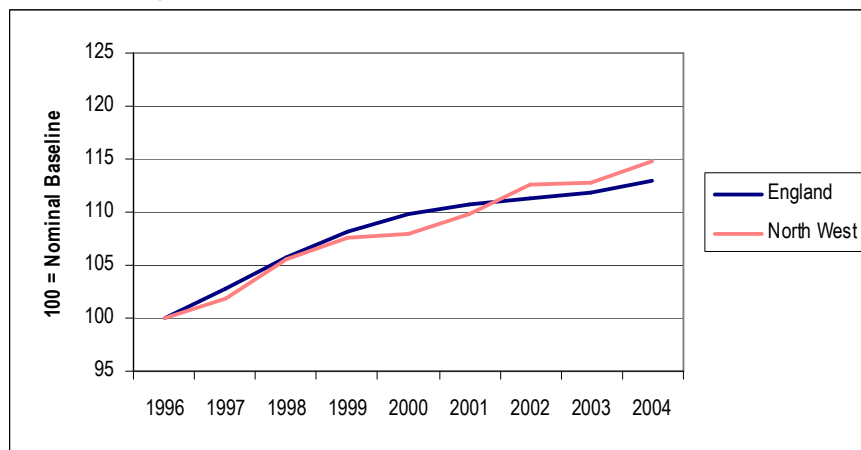
### 3 The Demand for Skills

#### 3.1 Demand for Skills

##### Employment growth and structure: regional

In 2004, there were just over 3 million people employed in the North West, an increase of 388,000 since 1996. This represents a percentage increase of 14.8% over the period, which compares to a figure for England of 13%. Employment growth has been particularly strong since 2000, and the region has out performed the national economy - the North West growth rate for 2000-04 was 7%, compared to 3.2% for England.

##### Growth in Employment, 1996-2004

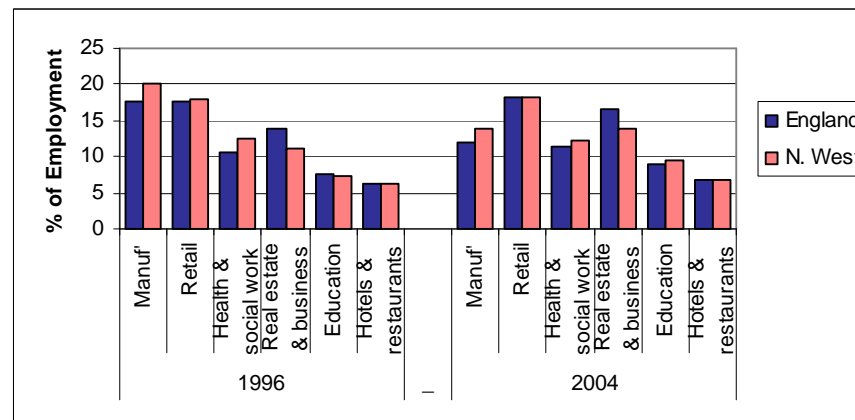


Source: Annual Business Inquiry; NOMIS, 1996, 2004  
 Note: employment based on location of workplace, not residency

The key features of the regional economy with regard to employment trends are:

- In addition to the overall growth in numbers, there has been a further move to a service based economy, and in part, a more knowledge based economy.
- Manufacturing employment has declined, but the number of people employed in manufacturing remains significant and the proportion of people in manufacturing is above the England average.
- Recent growth has come from service sector employment (see following table), although a large proportion has been driven by the public sector, notably health and education.

##### Employment by Broad Industrial Group (Top 6), 1996, 2004



Source: Annual Business Inquiry; NOMIS, 1996, 2004

The table below shows the sectors in the NW that have seen the highest employment growth since 1996. The greatest increase has been in the education sector, with an additional 93,000 jobs since 1996<sup>7</sup>.

##### SIC2 Industrial Sectors with the Largest Employment Growth, 1996-2004

	North West				England
	1996	2004	Change	% Change	% Change
Education	195,186	287,928	92,742	48	37
Other business activities	227,396	307,746	80,350	35	29
Retail & repair, exc' motor vehicles	287,596	357,152	69,556	24	26
Construction	101,092	151,050	49,958	49	40
Health and social work	327,015	370,615	43,600	13	21
Hotels and restaurants	165,606	204,201	38,595	23	22
Computer and related activities	20,551	45,482	24,931	121	75
Real estate activities	24,491	44,063	19,572	80	54

Source: Annual Business Inquiry; NOMIS, 1996, 2004

<sup>7</sup> Further details of employment levels and change are at tables 3a, 3b, 3c, and 3d of Appendix 1.

**Employment by sub-region: overview**

Employment growth since 1996 has varied by sub-region. This needs to be set within the context of quite different employment rates (the proportion of the working age population in employment) – as shown in the table below. The employment rate in 1996 varied from 64% in Greater Merseyside to 75% in Cheshire and Warrington. The third column of figures in the table shows the percentage points change in employment rate between 1996 and 2005, and the last column shows the growth in employment between 1996 and 2004.

**Employment Rate of Working Age Population (1996 and 2005) versus Growth in Employment between 1996 and 2004**

Area	Employment rate 1996, %	Employment rate, 2005, %	% points change 96-05	Employment growth 1996-2004, %
Cheshire & Warrington	75	78	2.9	16.8
Cumbria	74	80	5.7	16.2
G. Manchester	69	73	3.7	12.7
G. Merseyside	64	69	4.9	18.7
Lancashire	74	74	0.7	13.5
North West	70	74	3.4	14.8
England	73	75	2.1	13

Source: Employment rate: LFS Quarter Averages 1996, 2004

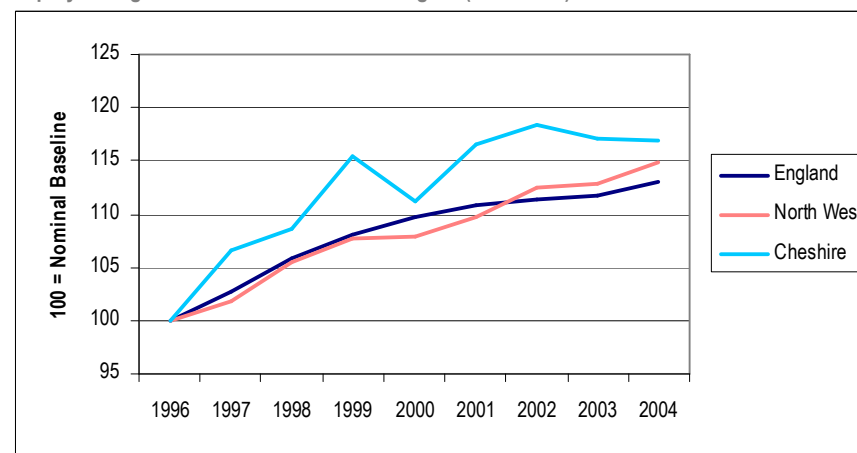
Employment growth: ABI

Note: Employment rate is residency based; employment growth is based on workplace location.

The figures below show the pattern of employment growth in each sub region over the period 1996-2004, compared to the NW and England averages.

Employment in **Cheshire and Warrington** increased by 16.8% over the period 1996-2004, above the NW and England average growth rates, and the second highest growth rate in the region. This strong job creation was achieved with an already high employment rate – Cheshire and Warrington had the highest employment rate in the region in 1996, at 75.2% - 2.2% points above the England average.

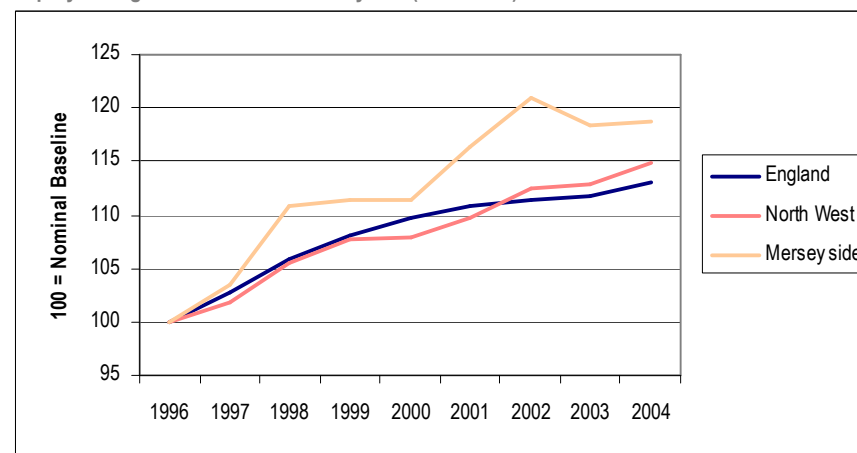
**Employment growth in Cheshire and Warrington (1996-2004)**



Source: Annual Business Inquiry; NOMIS, 1996, 2004

Employment in Greater Merseyside has increased by 18.7% since 1996, the highest rate of growth of the five NW sub-regions, and well above the England average rate of 13%. Greater Merseyside started out with a far lower employment rate than elsewhere, and despite the higher employment growth, its employment rate in 2004 remained well below that of the other sub-regions.

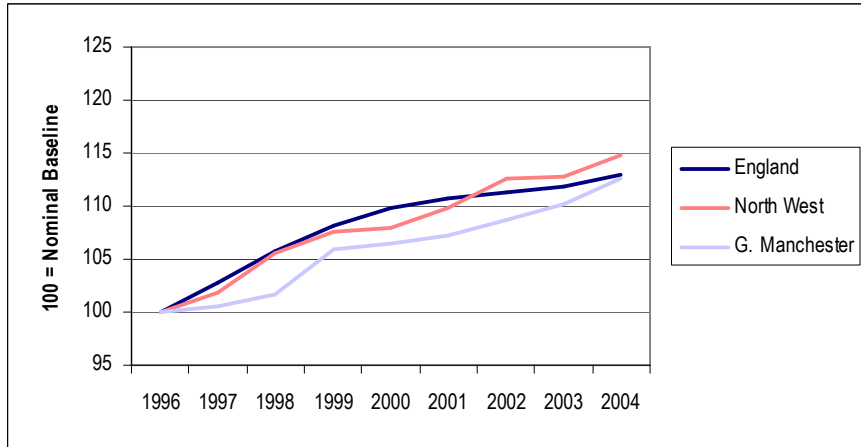
**Employment growth in Greater Merseyside (1996-2004)**



Source: Annual Business Inquiry; NOMIS, 1996, 2004

Employment in Greater Manchester increased by 12.7% over the period, the lowest rate of growth of the five sub-regions.

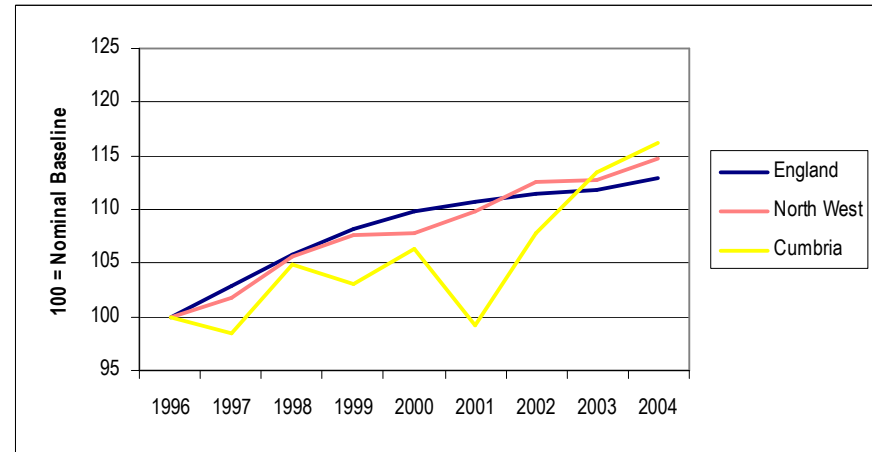
Employment growth in Greater Manchester (1996-2004)



Source: Annual Business Inquiry; NOMIS, 1996, 2004

**Cumbria** has experienced employment growth at a rate slightly above the regional average. Being a relatively small economy, it is vulnerable to shocks, as witnessed below by the large fall in employment in 2001 – a result of the spread of foot and mouth disease. The economy recovered quickly from this, but there are some significant challenges for Cumbria going forward, including nuclear decommissioning.

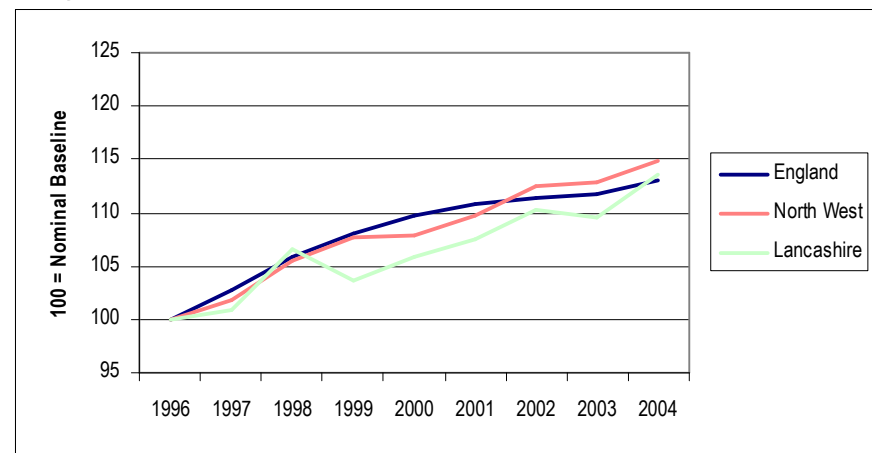
Employment growth in Cumbria (1996-2004)



Source: Annual Business Inquiry; NOMIS, 1996, 2004

**In Lancashire**, employment growth over the period 1996-2004 is slightly below the regional average. In part, this reflects the continuing restructuring of the sub-regional economy, particularly in the manufacturing sector, and a relatively low presence of some growth sectors (e.g. financial services).

Employment Growth in Lancashire (1996-2004)



Source: Annual Business Inquiry; NOMIS, 1996, 2004

### Occupational Structure

There has been a marked shift in the North West to an occupational profile with a higher proportion of high skilled jobs reflecting the changing nature of the economic base. These changes are substantial and have fundamentally altered the occupational structure of the region, moving it to an occupational profile which is closer to the national profile. The table below shows the number of people employed in different occupations in 2005 in the North West and compares the occupational profile in the North West to that of England. There is still a gap with the national profile in terms of higher level skilled occupations – for example, the proportion of Professionals in the workforce is 2% points below the national average.

#### Employment by Occupational Group, 2005

(SOC 2000)	North West		England
	2005	%	% 2005
Managers & senior officials	435,000	14	15
Professional occupations	351,000	11	13
Associate prof & technical	410,000	13	14
Administrative & secretarial	420,000	14	13
Skilled trades	343,000	11	11
Personal services	253,000	8	8
Sales & customer services	272,000	9	8
Plant & machine operatives	261,000	8	7
Elementary occupations	357,000	12	12
		<b>100</b>	<b>100</b>

Source: Labour Force Survey, Quarterly Averages; NOMIS, 1996-2005

Employment growth over the period 2002-2005 is shown in the table above. Between 2002 and 2005, there were:

- An additional 93,000 jobs in higher level occupations;
- Significant increases in jobs in the Personal Services and Sales and Customer Services occupations (20,000 and 19,000 respectively); and
- A decline in employment in the Elementary and Plant and Machinery Operatives occupations.

#### Employment Change by Occupational Group, 1996-2001 & 2002-2005

Change 1996 - 2001 (SOC 1990)	North West		England
	Change	% Change	% Change
Managers & administrators	47,000	11	8
Professional occupations	47,000	17	12
Assoc. prof & technical	40,000	15	22
Clerical, secretarial	26,000	6	5
Craft & related occupations	2,000	1	-2
Personal, protective	27,000	9	10
Sales	3,000	1	13
Plant & machine operators	-26,000	-9	-4
Other occupations	-10,000	-4	-3
Change 2002 - 2005 (SOC 2000)	Change	% Change	% Change
Managers & senior officials	52,000	14	10
Professional occupations	24,000	7	10
Associate prof & technical	17,000	4	3
Administrative & secretarial	-4,000	-1	-5
Skilled trades	-1,000	0	-1
Personal services	20,000	9	8
Sales & customer services	19,000	8	3
Plant & machine operatives	-15,000	-5	-9
Elementary occupations	-13,000	-4	-3

Source: Labour Force Survey, Quarterly Averages; NOMIS, 1996-2005

Note: Data unavailable for 2001-02 due to a change in classifications.

#### Employment rate

The employment rate is the proportion of working age people who are in employment, and is a residency based measure. In 1995, the North West employment rate of 68.6% was 3% points below the England average. By 2005, this gap had narrowed to 1.6% points – 73.5% in the North West compared to 75.1% in England.

There is considerable variation in employment rates across the sub-regions:

- Cheshire and Warrington and Cumbria have employment rates well above the national average, and this has been the case for many years;
- Lancashire has the lowest level of improvement in terms of its employment rate, and as consequence has gone from a position of being above the national average, to one of being below it;
- Greater Merseyside has increased its employment rate by 8% points since 1995, but continues to lag behind regional and national average rates.

**Employment Rate, 1995 - 2005**

%	1995	2005	% pts change
Cumbria	73.7%	79.5%	5.7%
Cheshire & Warrington	74.5%	78.1%	3.6%
<b>England</b>	<b>71.6%</b>	<b>75.1%</b>	<b>3.5%</b>
Lancashire	73.3%	74.4%	1.1%
North West	68.6%	73.5%	4.9%
Greater Manchester	67.8%	73.0%	5.2%
Greater Merseyside	60.8%	68.9%	8.1%

Source: LFS Four Quarter Averages

Note: residency based

**Earnings**

The North West has a relatively high level of average earnings compared to other regions in the Midlands and North. However, high earnings levels in London and the South East mean that in 2005, average earnings in the North West were 8% lower than the England average.

**English regions: earnings as a percentage of the England average, 1998 and 2005**

	1998	2005
London	134.7	139.3
South East	103.6	101.7
<b>England</b>	<b>100.0</b>	<b>100.0</b>
East	95.7	95.9
North West	93.2	91.7
West Midlands	92	90
East Midlands	88.8	88.6
Yorkshire & Humber	86.0	88.5
South West	88.7	87.8
North East	85.1	85.6

Source: NOMIS; Annual Survey of Hours and Earnings, 1998 and 2005

Note: Earnings are based on location of workplace

Average earnings by local authority district (based on workplace – not residency) indicate that:

- The local authority with the highest average earnings is Trafford in Greater Manchester. It is 21% higher than the average for the North West although it was 25% higher in 1998.
- There are nine local authorities that have earnings levels above the regional average. Of these, five are in Greater Manchester, two are in Cheshire & Warrington and two are in Greater Merseyside.
- A number of the above average local authorities are central parts of the major urban areas in the North West and this includes Trafford, Manchester, and Salford in Greater

Manchester plus Liverpool UA. In these locations, higher value jobs that are typically city centre office based have a role in driving up earnings.

- The local authority with the lowest average earnings is Oldham in Greater Manchester. It is 20% lower than the regional average and it is now further away from the regional average than it was in 1998.
- There are thirteen local authority districts that have earnings levels below the North West average. These include all authorities in Lancashire and Cumbria, plus the majority of Greater Merseyside districts and half of those in Greater Manchester. Warrington is also slightly below average.

**North West counties and unitary authorities: earnings as a percentage of the North West average, 1998 and 2005**

Ranked by 2005 earnings		1998	2005
County/UA	Sub-region		
Trafford	G. Manchester	125.8	121.2
St Helens	G. Merseyside	110.1	120.0
Halton	Cheshire & Warrington	120.3	119.5
Cheshire	Cheshire & Warrington	108.2	117.0
Manchester	G. Manchester	106.3	115.5
Salford	G. Manchester	112.2	113.4
Stockport	G. Manchester	115.2	111.3
Bolton	G. Manchester	123.4	108.7
Liverpool	G. Merseyside	102.5	102.7
<b>North West</b>		<b>100</b>	<b>100</b>
Warrington	Cheshire & Warrington	92.0	98.0
Bury	G. Manchester	104.7	97.3
Lancashire	Lancashire	91.1	97.1
Rochdale	G. Manchester	108.6	95.1
Wirral	G. Merseyside	90.5	94.1
Knowsley	G. Merseyside	100.5	92.2
Blackpool	Lancashire	75.9	91.8
Blackburn with Darwen	Lancashire	99.7	90.8
Cumbria	Cumbria	86.7	89.8
Wigan	G. Manchester	90.2	86.3
Tameside	G. Manchester	87.8	83.4
Sefton	G. Merseyside	76.6	81.3
Oldham	G. Manchester	80.6	80.1

Source: NOMIS; Annual Survey of Hours and Earnings, 1998 and 2005

Note: Earnings are based on location of workplace

### 3.2 Employment Forecasts

#### Overview

The 2006 Working Futures report produced by the Institute of Employment Studies<sup>8</sup> gives some insights into the projected sector and occupational mix of the North West economy to 2014. The economic model which underpins Working Futures is trend based, and so the model will miss significant regeneration or other initiatives underway or planned in specific areas. We address this in a separate section below through some qualitative analysis of major projects underway or planned in the North West.

The forecasts do however, provide a robust indicator of likely future trends, since as the report notes, there are a number of economic drivers and key trends that impact on all regions.

The key sectoral shifts that impact on all regions are as follows:

- Job expansion in the service sector, especially marketed services in tourism and leisure related businesses;
- Decline in employment numbers in the primary and manufacturing sectors;
- Growth in full time and part time employment, but significant declines in self-employment.

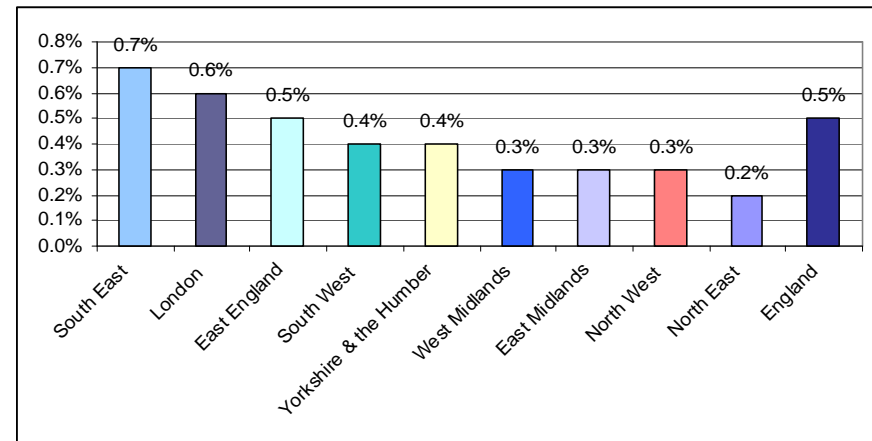
These sectoral shifts are reflected in a number of changes to occupational structure, as follows:

- Expansion of jobs in Managerial, Professional and Associate Professional occupations;
- Employment growth in Personal Service, and Sales and Customer Service occupations;
- Contraction of jobs in the Skilled Trades, Elementary, and Operative categories.

#### Forecasts

Over the period to 2014, a significant slowing in the rate of employment growth is predicted for all regions, relative to the previous ten year period. For England, employment growth is expected to average 0.5% per annum between 2004-14, compared to 2.4% per annum between 1994-2004. Projected employment growth in the English regions between 2004-14 is shown in the chart below. The forecast growth rate for the North West is below the England average, at 0.3% per annum.

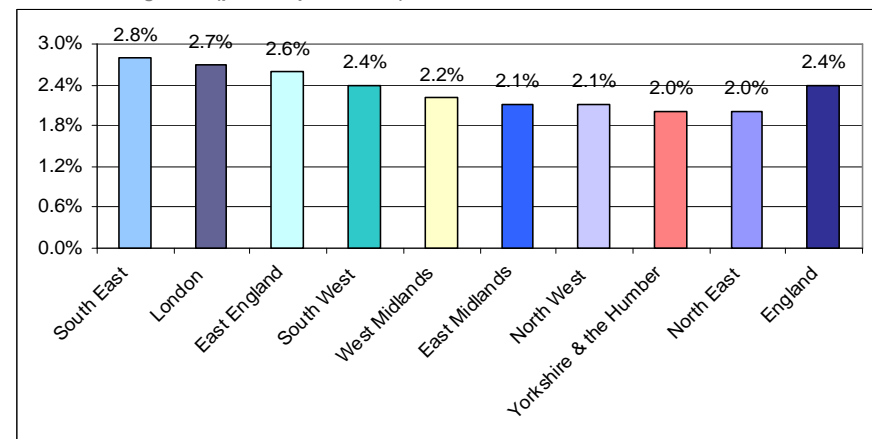
English regions: forecast employment growth (percent per annum), 2004-2014



Source: Working Futures, 2006

The lower than average employment growth forecast for the North West regions is reflected in a lower than average forecast growth in GVA. This is shown in the chart below.

Forecast GVA growth (percent per annum), 2004-2014



Source: Working Futures, 2006

Sector level forecasts for employment growth in the North West (and England) are shown below. At the national level, employment structure is continuing to change. Key trends are employment growth in broad service sectors across all regions and job losses in the primary sector and utilities and in

<sup>8</sup> Working Futures 2004-14, R. Wilson, K. Homenidou & A. Dickinson

manufacturing. Variation across the regions in employment in the construction sector is projected with some areas of expansion and some of decline, despite an overall moderate downturn at the national level.

#### NW and England- forecast employment growth by broad sector (% per annum), 2004-2014

	North West	England	% points difference between North West and England
Primary sector & utilities	-1.1	-1.7	0.6
Manufacturing	-1.2	-1.1	-0.1
Construction	-0.5	-0.3	-0.2
Distribution, transport etc	0.3	0.6	-0.3
Business & other services	1.1	1.2	-0.1
Non-marketed services	0.4	0.6	-0.2

Source: Working Futures, 2006

In terms of the actual number of jobs in the North West, the Working Futures forecasts predict that in 2014, there will be 101,000 more jobs in the region than in 2004. Changes by sector are shown in the table below.

#### Employment change in the NW, by sector (1984-2014)

Sector	Employment (000)				2004-14 forecast change
	1984	1994	2004	2014	
1. Agriculture	56	40	26	24	-2
2. Mining & quarrying	7	2	2	2	0
6. Electricity, gas & water	49	18	8	6	-2
<i>Primary sector &amp; utilities</i>	112	60	36	32	-4
3. Food, drink & tobacco	86	69	61	55	-6
4. Engineering	126	94	67	66	-1
5. Rest of manufacturing	482	401	325	282	-43
<i>Manufacturing</i>	694	565	453	403	-50
7. Construction	210	187	203	194	-10
8. Retail, distribution	524	537	579	599	20
9. Hotels & restaurants	184	165	225	237	12
10. Transport & comm.'. .	183	182	217	221	4
<i>Distribution transport etc</i>	891	884	1021	1058	36
11. Financial services	90	101	105	108	4
12. Other business activities	263	326	491	565	74
16. Other services	136	165	200	213	13
<i>Business &amp; other services</i>	489	592	795	886	90
13. Public admin & defence	167	159	182	181	-1
14. Education	192	222	284	294	9
15. Health & social work	237	325	383	412	30
<i>Non-marketed service</i>	596	706	850	887	38
All sectors	2,992	2,994	3,358	3,549	101

Source: Working Futures

The Working Futures model can also be used to forecast employment structure, in terms of gender and employment status. The table below shows the current and forecast employment structure

**Employment by gender and status****Employment structure (by gender and status), 2004 and 2014**

	2004		2014 (forecast)	
	Jobs (000)	% total jobs	Jobs (000)	% total jobs
Male: Full Time	1,285	38%	1,366	40%
Female: Full time	751	22%	750	22%
<b>All Full time</b>	<b>2,035</b>	<b>61%</b>	<b>2,136</b>	<b>62%</b>
Male: Part Time	234	7%	275	8%
Female: Part Time	705	21%	711	21%
<b>All Part time</b>	<b>938</b>	<b>28%</b>	<b>986</b>	<b>29%</b>
<b>Self Employed</b>	<b>385</b>	<b>12%</b>	<b>337</b>	<b>10%</b>
<b>Total</b>	<b>3,358</b>	<b>100%</b>	<b>3,459</b>	<b>100%</b>

Source: Working Futures

Forecast changes in employment structure, from 2004 to 2014, across total full time, part time and self-employed numbers in the North West reflect national trends. Overall, net full time employment is expected to rise, as is net part time employment. Male full time employment as a share of total jobs is expected to rise by 2 percentage points to 40% in 2014 in the North West whereas at the national level this is forecast to decline by 1 percentage point to 37%. Female full time employment is expected to remain at 22% between 2004 and 2014 in both the North West and England.

Male part time employment as a proportion of total jobs is expected to increase by 1 percentage point (from 7% - 8%) between 2004 and 2014 both nationally and regionally. Female part time employment however is forecast to maintain a larger share of total employment in the North West than nationally – this will remain at 21% in the region but is forecast to decrease from 21% to 20% in England overall.

Net self-employment is expected to decline in the North West as it is nationally. The share of total jobs represented by self-employment will however fall more sharply in the North West than nationally – an expected decline of 2 percentage points from 12% - 10% of total jobs, compared to a decline of 1 percentage point from 13% to 12% at the national level.

**Employment by occupation**

The table below shows how the net 101,000 gain in jobs (2004-14) is distributed across the nine high level occupational categories.

**North West forecast employment change by occupational category (2004-14)**

Occupational Category	2004 employment	2014 employment	Change 2004 - 2014
Managers and Senior Officials	464,286	503,286	39,000
Professional	393,443	465,443	72,000
Associate Professional and Technical	446,429	471,429	25,000
Administrative, Clerical & Secretarial	411,765	404,765	-7,000
Skilled Trades	370,370	350,370	-20,000
Personal Service	272,251	324,251	52,000
Sales & Customer Service	286,713	327,713	41,000
Machine & Transport Operatives	293,103	276,103	-17,000
Elementary	385,321	301,321	-84,000
All Occupations	3,366,667	3,467,667	101,000

Source: Working Futures

The table shows that job expansion is expected to come in higher skilled occupations, with a significant expansion of employment in Professional occupations. The tables below show the forecast changes by sub-region and occupation. Overall employment growth is predicted to be strongest in Cheshire & Warrington, driven by growth in the higher skilled occupations. A low rate of growth is predicted for Cumbria – just 1.3% over the ten year period. The forecasts indicate a more rapid decline in jobs in lower skilled occupations in Cumbria, and less rapid expansion of jobs in higher skilled occupations.

**Employment forecasts by sub-region****Forecast increase in employment (000) by sub-region and occupation (2004-14)**

Occupational category	C&W	Cum	G Mer	G Man	Lancs	NW
Managers	8	2	9	12	8	39
Profs	11	4	14	27	15	71
Ass Profs	5	0	6	8	5	24
Admin	2	-1	-7	4	-5	-7
Skilled Trades	-3	-2	-2	-10	-3	-20
Personal Serv	9	6	5	19	13	52
Sales	8	4	1	23	5	41
Mach. Operatives	-3	-2	1	-7	-5	-16
Elementary	-15	-8	-14	-29	-18	-84
<b>All occupations</b>	<b>22</b>	<b>3</b>	<b>13</b>	<b>47</b>	<b>15</b>	<b>100</b>

Source: Working Futures

**Forecast increase in employment (% change) by sub-region and occupation (2004-14)**

Occupational category	C&W	Cum	G Mer	G Man	Lancs	NW
Managers	11%	6%	11%	7%	9%	8%
Profs	19%	17%	18%	17%	19%	18%
Ass Profs	7%	0%	7%	4%	6%	5%
Admin	3%	-4%	-9%	2%	-6%	-2%
S. Trades	-5%	-7%	-4%	-7%	-4%	-5%
P Serv	23%	32%	9%	19%	24%	19%
Sales	17%	17%	2%	20%	9%	14%
Op	-6%	-9%	2%	-6%	-8%	-5%
Element	-24%	-27%	-21%	-20%	-23%	-22%
<b>All occupations</b>	<b>4.1%</b>	<b>1.3%</b>	<b>2.2%</b>	<b>3.6%</b>	<b>2.2%</b>	<b>3.0%</b>

Source: Working Futures

**Replacement and expansion demand**

Expansion demand is the product of broader structural change. For planning purposes, we also need to consider replacement demand. Replacement demand relates to the need to replace those who leave their jobs due to retirement or other reasons. Replacement and expansion demand are combined in the table below to estimate the overall recruitment requirement. These estimates are based on relatively limited data on age structures and flow rates from the Labour Force Survey, and do not take account of geographical mobility. Estimates are therefore indicative rather than a precise statement of the scale of replacement demands. The key point to note is that, in relation to education and training requirements, replacement demand is likely to be much more significant than expansion demand. It should be noted that these forecasts do not take into account the need for upskilling within the current workforce, which may be significant where regulation requirements are in place.

**North West: Replacement and expansion demand by occupational category (total requirement over the period 2004-14)**

Occupational category	Expansion demand (000)	Replacement demand (000)	Total demand (000)
Managers and Senior Officials	39	149	188
Professional	72	126	198
Associate professional & technical	25	140	165
Administrative, clerical & secretarial	-7	138	130
Skilled trades	-20	124	104
Personal service	52	84	136
Sales & customer service	41	95	136
Machine & transport operatives	-17	99	82
Elementary	-84	127	44
All occupations	101	1,082	1,183

Source: Working Futures

**3.3 Major Developments not taken into account by forecasts**

This section gives a brief summary of some of the major developments across the region which may have significant employment impacts but are not taken into account in the trend based forecasts.

**Cheshire and Warrington**

The Sub Regional Action Plan for Cheshire and Warrington anticipates that over £3 billion of investment and over 36,000 new jobs will be secured in the next couple of years. Several of the major economic development projects planned for the region include:

- **Omega (Warrington):** will start to come on stream;
- **Chester Super Zoo:** The vision for the zoo is to create the finest visitor attraction in Britain and become a 'must see' international destination.
- **Crewe's South East Quadrant:** including the site at Basford, has the potential to create up to 12,500 new jobs.
- **Weaver Valley Action Plan:** development of the Middlewich Easter Bypass, will open up substantial trench of employment land is designed to ease congestion in one of the area's main market towns. This will enable regeneration of the area, as well as improving transport links and accessibility through mid and south Cheshire.
- **Macclesfield Learning Zone:** Flagship project which includes enhanced FE and Sixth Form facilities, closer relationship between business and education, and a specialist aerospace training centre (European Centre for Aerospace Training) which will support the growth of Manchester airport.

**Cumbria**

Key projects currently underway (or in the planning stages) in Cumbria which are seeking to foster economic development and will have an impact on skills priorities, include:

- **University of Cumbria:** is a transformational initiative with implications for the whole of Cumbria and will have specific benefits in terms of employment, skills development and retention/attraction of the young. It is planned that the benefits will be felt county-wide, particularly with campuses/access points situated in Carlisle, Barrow, Workington, Kendal, Penrith and Ambleside. Current limited provision of Higher Education in the area hinders retaining and attracting young people to assist the economy to move to higher value-added employment.
- **Nuclear sector:** remains important to sustaining the economy in Cumbria. Although this can also be considered a potential weakness, the scale of investment in Sellafield and through associated contractors is high, knock on benefits for local businesses will also be created. The location of the Nuclear Decommissioning Agency (NDA) in West Cumbria will also have a significant effect on the region.

- **Carlisle Renaissance:** a project to redevelop the city centre after the floods, will be the biggest building project in the area for many years. It has been reported that it will cost more than £180 million from 2006 -2010 and will create up to 1,600 jobs.
- **Cumbria Vision:** is the Regeneration Company for the area, plans for redevelopment are numerous and include:
  - Barrow Masterplan, the re-development of the entire port area, which is expected to lever in £100 million of private sector investment and will result in the creation of a mixed used development, which will include a major employment park focused on technology-base business; and
  - West Coast, the development of Dewent Forest, market towns, redevelopment of Maryport, Westlakes Science and Technology Park, Whitehaven and Workington.

### Greater Manchester

The Greater Manchester Action Plan identifies, under the assumption of an accelerated growth scenario, a net increase of 130,000 jobs in the area over the three year period of 2006-2009. Greater Manchester has a range of economic assets and a number of regeneration projects currently being delivered and planned to be delivered in the near future, including:

- **Manchester Airport:** The largest airport outside the South East of England and the only international gateway in the North capable of handling the growth in business base and tourist traffic anticipated in the Northern Way Growth Strategy. The growth potential of the Airport and its surrounding business parks is expected to be large with potentially more than 10,000 jobs estimated to be created during the period from 2004 to 2010.
- **Science City:** The sub-region, and especially the Oxford Road Corridor in Manchester, contains the highest performing research and teaching institutions outside the South of England, both Universities and Hospitals, competing internationally for R&D. Project Unity has seen the merger of the University of Manchester and UMIST to form the largest University in the UK. The Manchester: Knowledge Partnership is a driver of growth in high-value added activity in the knowledge economy and is leading on establishing Manchester as the first and one of the most significant Science Cities. The Oxford Road Corridor Strategy involves building on these existing assets to generate substantial additional employment and investment.
- **Regional Media Hub:** Greater Manchester is the North's centre for growth in Creative Industries, acting as home for ITV in the North and the largest BBC broadcasting base outside London. The sub-region is home to the largest and most dynamic independent media sector in the North and the planned relocation of the BBC will serve to transform the sector and reinforce Greater Manchester's position as the premier broadcasting and commissioning centre outside London. The growth expected in the sector will reap economic benefits, providing large scale employment increases within the sub-region.
- **LEGI:** The LEGI aims to increase entrepreneurial activity in deprived areas, support sustainable growth of local businesses and attract inward investment into deprived areas.
- **New East Manchester:** Encompassing a 1,900 hectare site, New East Manchester is a regeneration area that has, and is continuing to, build on the opportunities made available

by the Commonwealth Games. Massive physical regeneration projects have taken place and further projects are planned including the City of Manchester Stadium, Central Park, the largest urban business park in the UK, and the restoration of Gorton Monastery. Activity in the regeneration area also includes various job training and skills programmes to ensure that the economic benefits of the physical regeneration are enjoyed by the local residents and employers.

- **Middlebrook, Bolton:** Middlebrook is one of the largest integrated and sustainable employment, leisure, sports and retail schemes in the country. Housing the Bolton Wanderers' stadium in its centre the scheme provides large scale employment to the local area and further phases of development are due in the future, including Enterprise Park 3 and Futura Park (both office space), which will further increase the employment opportunities available.
- **Kingsway, Rochdale:** Rochdale's largest economic development project, this 170 hectare site will be developed as a business focused mixed used development to be created over a period of 10 – 15 years. Its aim is to change employment prospects for the area and attract new business and investment.

### Greater Merseyside

The City Centre development in Liverpool is listed as a key contributor within the Merseyside Action Plan. It is evident that these developments may have repercussions for the requirement for construction skills in the sub region, including:

- Commercial Business District;
- Kings Dock Convention Centre;
- Cruise Liner Facility;
- City Centre Movement and Access;
- Museum of Liverpool; and
- Lime St Gateway.

With reference to the tourism 'offer' in Merseyside a number of initiatives are currently pertinent:

- Liverpool European Capital of Culture 2008. Key projects to maximise the benefit of this high-status award to the city include the Culture Company Business Plan and Implementation and Legacy.
- Destination Management Plan. The aim of which is to promote Merseyside assets as a premier tourist destination through the destination management strategy and promoting Southport as a classic resort.
- Mersey Waterfront Regional Park. This project will deliver a range of activities and investments to transform the Mersey waterfront. Key projects include brand new Brighton, Pride in our Promenades and River of Light.

It is anticipated that tourism business accounts for over £1 billion of the sub regional economy at present, and is expected to grow. Coupled with the development of the initiatives listed above, there

is the need for upskilling of people working within the tourism industry as opportunities open up within retail and hospitality. Other developments include:

- Kings Dock Area. Includes: conference and exhibition space; 18,000 square metres of office space, 9,000 square metres of new retail/leisure space; public plaza; and up to 1,800 residential homes. This will mean the creation of 2,200 new jobs, 430 construction jobs and will attract an additional £7 million of visitor spending each year;
- Paradise Street Development (opens spring 2008). The largest retail-led regeneration project in Europe that will include retail space, a hotel and a cinema. By 2007 it is estimated that up to 2,000 people will be working on the site, and the development will create 4,000 jobs.
- Extension of John Lennon Airport. A master plan is in place for the expansion of the airport, which should ultimately bring more jobs in the logistics sector.
- Edge Lane Project: A project to improve the gateway into Liverpool, to include highway improvements, the construction of over 550 new housing units, provision of over 1,000,000 sq. ft. of new and refurbished commercial and retail space and community facilities. The project will create and safeguard over 1,900 jobs.
- St Helens LEGI. The successful round 1 LEGI bid has provided St Helens with funding to improve rates of entrepreneurship, success rates of businesses and to attract investment into deprived areas. The funding received should improve employment rates within the targeted areas, providing economic benefits.
- Housing Renewal Pathfinder. The Merseyside Pathfinder receives funding with the aim of renewing the failing housing market in targeted areas. The Pathfinder involves the construction of new homes and improvement of existing homes, creating employment in the sub-region and promoting wider spread regeneration.

### Lancashire

Sectors which have been identified as growing within the sub-region, include creative industries, aerospace and advanced manufacturing. Current regeneration plans in place which are vital to the sub-region include:

- Blackpool and its development as a world class resort destination will be a key element in the development of the sub region over the forthcoming years. Over 50 projects are envisaged in total under the key themes of; casino development, major town centre renewal, neighbourhood improvements, public realm (a return to nature and the illuminations) and better movement through an increase in parking and the new tramways. The creation of 22,000 jobs, are envisaged as a result of these plans. The creation of a conference and casino cluster will create around 6,500 jobs by 2010 (assuming that a casino licence is granted). The Government is expected to make its decision and announce the location for the first regional casino in the UK at the beginning of 2007. Blackpool's central seafront will also be developed, which is already underway and will create 900 new jobs.
- The creation of a university style higher education campus on the central Blackpool site of Blackpool and Fylde College. This campus will offer the opportunity to local people to

develop skills relevant to the local economy in areas such as leisure, hospitality, engineering and management. Key outcomes will include an expanded central campus, an increase in work ready graduates, and increased participation in non compulsory education. It is vital therefore in light of these key developments that both young people and adults can link into the employment opportunities created as a result of these ambitious plans for the sub region, and that an appropriate skills strategy is created to facilitate this.

- Preston City Vision; includes a target of £2 billion pounds of investment by 2021, where the transformation of Preston City Centre is the number one priority. This will build upon the planned Tithebarn retail scheme, and also develop a central Commercial Quarter, alongside a new residential and civic quarter. Preston RiverWorks is also in place to capture the latent potential of Preston's waterways, for residential, leisure and tourism uses. It is anticipated that 15,000 jobs will be created as a result of this development.
- Pennine Lancashire Transformation Agenda; this includes the investment planned for the Elevate East Lancashire Housing Market Renewal programme, finding innovative solutions to problems of low demand, negative equity and housing market collapse. The delivery of the Pennine Lancashire Gateway Strategic Employment site and town centre investment in Blackburn and Burnley are key elements of the overall transformational agenda.

### 3.4 Conclusions and Issues

The Working Future forecasts highlight the scale of the challenge facing the region. Projecting forward on the basis of past trends, the GVA gap with the England average will actually widen.

The region faces two key challenges:

- To support the industry base to develop higher value strategies and through this, to increase the proportion of high skilled jobs in the region; and
- To raise the employment rate, by linking people excluded from the labour force to jobs and training.

It is therefore vitally important that the North West sub-regions make best use of the opportunities described in section 3.3, both to attract higher skilled jobs, but also to link local workless people into employment opportunities.

## 4 The Supply of Skills

### 4.1 Introduction

This chapter looks at the supply of labour, both in terms of the volume of people available for work, and their skills levels. It considers:

- Historical changes in demographics, and forecast changes;
- Employment rates according to people's characteristics;
- The qualification profile of the working age population; and
- Employer training behaviour, in terms of the volume of training that is undertaken in the region (based on the National Employer Skills Survey 2005).

### 4.2 Demographics

#### *Population growth and location*

The population in the North West has grown by just under 120,000 over the past fourteen years. This is considerably slower than in England as a whole, and disguises some significant variations at sub regional level. Over the entire fourteen year period, population growth has been strongest in Cheshire and Warrington and Cumbria. More recently (2001-05), growth has been strongest in Greater Manchester, and after a long period of decline, the population in Greater Merseyside has also started to expand.

#### Total Population, 1991-2005

	1991	2001	2005	% Change 1991-2001	% Change 2001-2005
Cheshire & Warrington	832,900	864,864	874,600	+3.8	+1.1
Lancashire	1,383,998	1,414,727	1,439,200	+2.2	+1.7
Cumbria	483,163	487,609	498,900	+0.9	+2.3
Greater Manchester	2,499,441	2,482,328	2,547,600	-0.7	+2.6
Greater Merseyside	1,527,358	1,480,229	1,485,900	-3.1	+0.4
North West	6,726,860	6,729,764	6,846,200	0	+1.7
England	47,055,204	49,138,831	50,431,700	+4.4	+2.6

Source: ONS Census 1991, 2001, Mid Year Population Estimates 2006

#### *Working Age Population*

The table below shows that in all areas, with the exception of Cumbria, between 1991 and 2001 growth in the working age population has exceeded growth in the population (or the rate of decline has been less rapid).

#### Working Age Population, 1991-2001

	Working Age Population 1991	Working Age Population 2001	% Change working age	% change population
Lancashire	863,988	886,481	2.6	2.2
Cheshire	539,889	552,903	2.4	3.8
Greater Manchester	1,580,168	1,585,596	0.3	-0.7
Cumbria	307,917	306,346	-0.5	0.9
Greater Merseyside	957,776	930,149	-2.9	-3.1
North West	4,249,738	4,261,475	0.3	0
England	30,065,426	31,429,250	4.5	4.4

Source: ONS Census 1991, 2001

The age profile of the working age population is shown in the table below. Points to note are that:

- Cumbria and Cheshire & Warrington have an issue with an ageing working population; and
- Greater Manchester has a younger working age population profile than regionally and nationally.

#### Age Profile of Working Age Population (% of Total), 2001<sup>9</sup>

	16-19	20-34	35-49	50-59	60-64	Total
Cheshire & Warrington	7.2	28.3	36.6	21.5	8.4	552,903
Cumbria	7.2	27.1	34.1	22.4	9.2	306,346
Greater Manchester	8.1	32.7	32.6	19.1	7.5	1,585,596
Greater Merseyside	8.8	30.0	33.6	19.4	8.2	930,149
Lancashire	8.2	29.8	33.1	20.7	8.2	886,481
North West	8.1	30.5	33.3	20.1	8.0	4,261,475
England	7.7	31.8	33.3	19.6	7.6	31,429,250

Source: Census 2001

#### *Population Projections*

Population forecasts from ONS for the North West and the five sub-regions are shown in the table below. From 2005-2020, the North West population is projected to grow by 2.9% (cumulative growth over the period). The highest projected growth rates are for Cheshire & Warrington (4.7%) and

<sup>9</sup> See Table 4A of Appendix 1 for numbers by age band

Lancashire (4.6%). The forecast decline in Greater Merseyside is surprising and probably a result of a trend based forecasting methodology that fails to take into account local developments.

**Population Change, 2005-2020**

	2005 (000s)	2010 (000s)	2015 (000s)	2020 (000s)	% Change 2005 – 2020
<b>North West</b>	<b>6,820.1</b>	<b>6,874.9</b>	<b>6,942.5</b>	<b>7,016.8</b>	<b>2.9</b>
Cheshire & Warrington	876.8	890.2	903.8	917.8	4.7
Cumbria	491.3	495.2	499.1	503.8	2.5
Greater Manchester	2,538.4	2,563.7	2,595.3	2,628.1	3.5
Greater Merseyside	1,477.2	1,468.9	1465	1,464.4	-0.9
Lancashire	1,436.5	1,457	1,479.5	1,503.1	4.6

Source: ONS Population Projections

As nationally, the projections indicate an ageing population. The table below shows population projections to 2020 by age band. For the North West, there are notable projected declines in the 0-14 and 15-24 age groups, indicating that young people will become an increasingly scarce resource in future years.

There are some important differences in projected growth rates across the sub-regions. In particular, the more rapid shift to an older population in Cumbria; by 2020, the 0-14 population is projected to have declined by 19% on the current level and the 15-24 population by 14%. The 65+ age group is projected to expand by 34% in Cumbria by 2020.

**Percentage Population Change by Age Group, 2005 - 2020**

Age Group	North West	Cheshire & Warrington	Cumbria	Greater Manchester	Greater Merseyside	Lancashire
0-14	-9.0	-11.0	-18.6	-6.4	-7.8	-10.5
15-24	-12.7	-9.5	-13.5	-11.6	-17.2	-11.2
25-34	8.8	2.9	5.7	10.4	13.5	5.3
35-44	-21.1	-26.2	-28.2	-17.3	-21.2	-22.5
45-54	4.6	5.4	0.1	6.8	0.4	6.2
55-64	9.9	7.4	12.6	6.4	17.2	9.1
65+	22.6	30.6	33.5	16.7	20.2	24.9

Source: ONS Population Projections

The table below shows what these differential growth rates mean in terms of number of people by age group.

**Population numbers by age group, 2005 and forecast 2020**

2005	NW	C&W	Cumbria	Gt Man	Gt Mer	Lancs
0-14	1,242	157	81	475	266	263
15-24	905	100	54	356	209	187
25-34	837	100	52	347	172	166
35-44	1,034	139	73	388	219	214
45-54	882	119	69	312	196	187
55-64	816	113	69	285	171	178
65+	1,105	149	94	375	246	242
Total	6,820	877	491	2,538	1,478	1,437
2020	NW	C&W	Cumbria	Gt Man	Gt Mer	Lancs
0-14	1,163	146	68	460	243	247
15-24	813	95	48	326	171	174
25-34	937	108	56	397	193	183
35-44	839	108	54	333	171	173
45-54	949	131	71	345	195	208
55-64	923	128	79	314	198	204
65+	1,394	203	128	453	293	316
Total	7,017	918	504	2,628	1,464	1,504
Change	NW	C&W	Cumbria	Gt Man	Gt Mer	Lancs
0-14	-79	-11	-13	-14	-23	-17
15-24	-92	-5	-6	-30	-37	-13
25-34	100	8	4	50	21	17
35-44	-195	-32	-19	-56	-48	-41
45-54	67	12	2	33	-1	21
55-64	107	14	11	29	28	25
65+	289	55	35	78	47	74
Total	197	41	13	91	-14	67

Source: ONS Population Projections

The change in the age profile is shown in the table below. Across the region, the population profile is ageing, with Cumbria seeing a particularly significant change – the proportion of the population aged 65+ increases from 19% to 25%, well above the regional average figure of 20%. The issue of an ageing population is less severe in Greater Manchester. Migration patterns are likely to reinforce these trends – with migrants in general being younger people who are more likely to be attracted by large urban centres such as Liverpool and Manchester.

**Population profile by age group (% pop. in each age band), 2005 and forecast 2020**

2005	NW	C&W	Cumbria	Gt Man	Gt Mer	Lancs
0-14	18%	18%	17%	19%	18%	18%
15-24	13%	11%	11%	14%	14%	13%
25-34	12%	11%	11%	14%	12%	12%
35-44	15%	16%	15%	15%	15%	15%
45-54	13%	14%	14%	12%	13%	13%
55-64	12%	13%	14%	11%	12%	12%
65+	16%	17%	19%	15%	17%	17%
Total	100%	100%	100%	100%	100%	100%
2020	NW	C&W	Cumbria	Gt Man	Gt Mer	Lancs
0-14	17%	16%	13%	18%	17%	16%
15-24	12%	10%	9%	12%	12%	12%
25-34	13%	12%	11%	15%	13%	12%
35-44	12%	12%	11%	13%	12%	12%
45-54	14%	14%	14%	13%	13%	14%
55-64	13%	14%	16%	12%	14%	14%
65+	20%	22%	25%	17%	20%	21%
Total	100%	100%	100%	100%	100%	100%

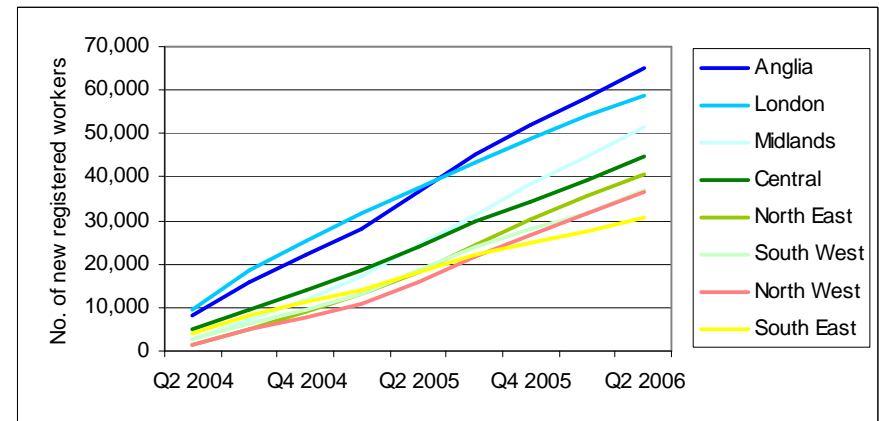
Source: ONS Population Projections

**Migration**

The ONS population projections were developed prior to the integration of new countries into the European Union. This integration has led to an inflow of workers from the accession states into the UK. This is shown in the figure below by region (sub-regional figures were not available).

The North West has seen an inflow of 36,545 people from accession states since mid-2004, the second lowest figures of all the English regions. Quarterly figures are shown in the table below. The recent trend suggests an inflow of approximately 5,000 people per quarter.

**Number of New Worker Registrations in the UK (Cumulative), Q2 2004 – Q2 2006**



Source: Home Office, 2006

**Increase in number of New Worker Registrations Q2 2004 – Q2 2006, North West**

	Q2 2004	Q3 2004	Q4 2004	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006
Number	1,565	4,745	7,665	11,015	15,915	21,785	26,795	31,490	36,545
Increase per quarter	N/A	3,180	2,920	3,350	4,900	5,870	5,010	4,695	5,055

Source: Home Office, 2006

New worker registrations by sector are shown below. In the North West, 37% of new worker registrations are in the Administration, Business and Management Services sector.

**New Worker Registrations by Employment Sector, Q2 2004 – Q2 2006**

	North West	England
Admin, Business and Management Services	37%	35%
Hospitality & Catering	18%	21%
Manufacturing	9%	7%
Agriculture	7%	12%
Food Processing	6%	4%
Construction & Related	5%	3%
Transport	5%	3%
Health & Medical	4%	5%
Retail & Related	4%	4%
Entertainment & Leisure	3%	2%

Source: Home Office, 2006

Analysis of New Worker registrations by job category, suggests that the majority of New Workers are employed in lower skilled jobs.

### 4.3 Employment rate

#### Overview

The employment rate is the proportion of the working age population in employment. The employment rate in the North West is below the England average, largely reflecting a higher rate of economic inactivity – the unemployment rate in the North West is similar to England. As noted in chapter 3, the employment rate varies by sub-region.

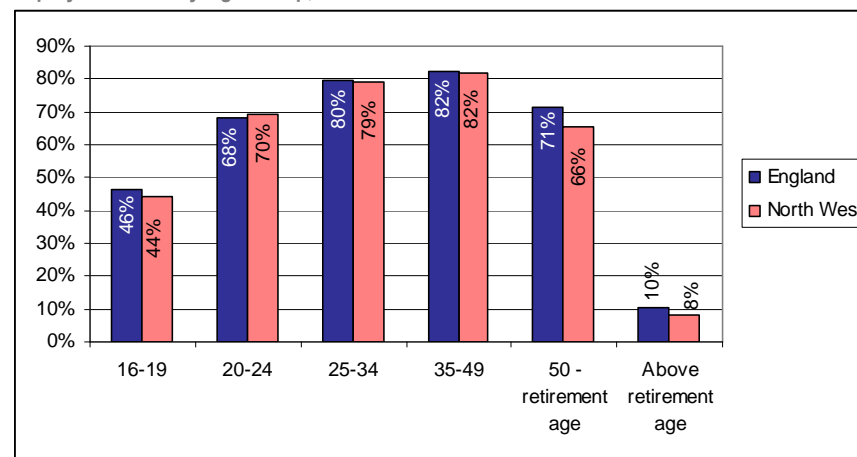
In this section we consider differences in the employment rate by individual characteristics. An increase in the employment rate is needed if the North West economy is to close the GVA gap with England. It is important to have a sense of the groups that are least likely to be in employment, so that support packages to get people back in to employment can be designed accordingly.

#### Employment rate by age

The employment rate varies according to age:

- For the 16-49 age groups, employment rates in the North West are very similar to those in England as a whole; and
- Amongst those aged 50-retirement age, the rate of employment in the North West is considerably lower than in England as a whole. An additional 54,800 people would be in employment in the North West if the employment rate for those aged over 50 was raised to the England average.

Employment Rate by Age Group, 2005



Source: Annual Population Survey, November 2005

Note: The high employment rate for the 16-19 group reflects the APS definition of employed as someone who works over 1 hour of paid work in the week prior to the interview.

The employment rate by age varies considerably at the sub regional level, as shown in the table below. For people aged 50-retirement age, Cheshire and Warrington has an employment rate in line with the England average, at 71%, whereas in Greater Merseyside, the rate is just 60%.

Sub Regional Employment Rate by Age Group, 2005

	16-19	20-24	25-34	35-49	50-retirement age
Cheshire & Warrington	49%	81%	85%	85%	71%
Cumbria	61%	76%	82%	84%	67%
Lancashire	48%	69%	81%	83%	67%
Gt Manchester	43%	67%	79%	81%	66%
Gt Merseyside	37%	69%	74%	79%	60%
North West	44%	70%	79%	82%	66%
England	46%	68%	80%	82%	71%

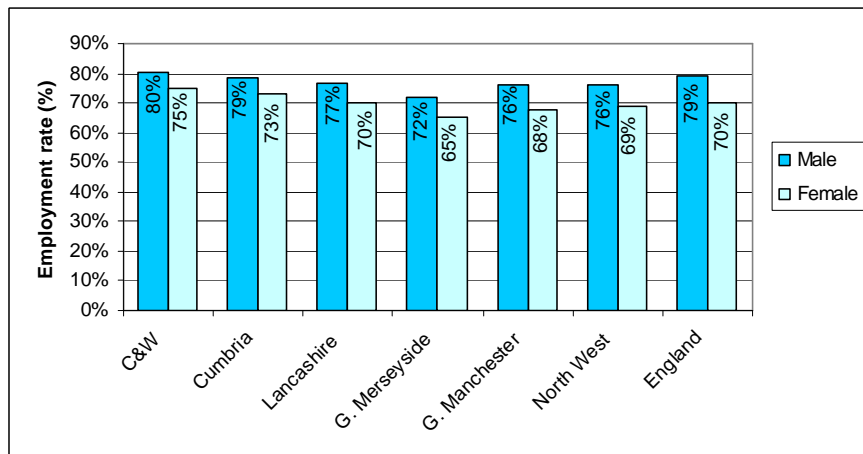
Source: Annual Population Survey, November 2005

#### Employment rate by gender

Nationally, Males have a higher employment rate than Females – 79% compared to 70%. In the North West sub-regions, the Male employment rate is above the national average in Cheshire and Warrington (80%), equal to it in Cumbria (79%), and below it in the other three sub-regions.

The picture is similar for the female employment rate; Cheshire & Warrington and Cumbria are above the national average, and Greater Merseyside and Greater Manchester are below the national average.

**Employment Rate by Gender, 2005**



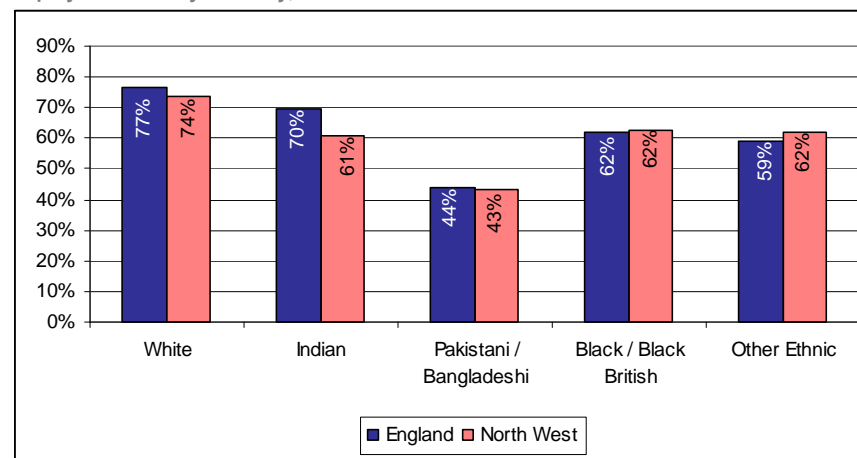
Source: Annual Population Survey, November 2005

**Employment rate by ethnicity**

Employment rates vary nationally according to ethnicity – as shown below for a number of ethnic groups (at a high level of aggregation). The key point to note for the North West is the much lower employment rate for people within the Indian ethnic group, compared to the national average – 61% versus 70%.

Figures for 2001 at a more disaggregated level are available from the Census by sub-region<sup>10</sup>.

**Employment Rate by Ethnicity, 2005**

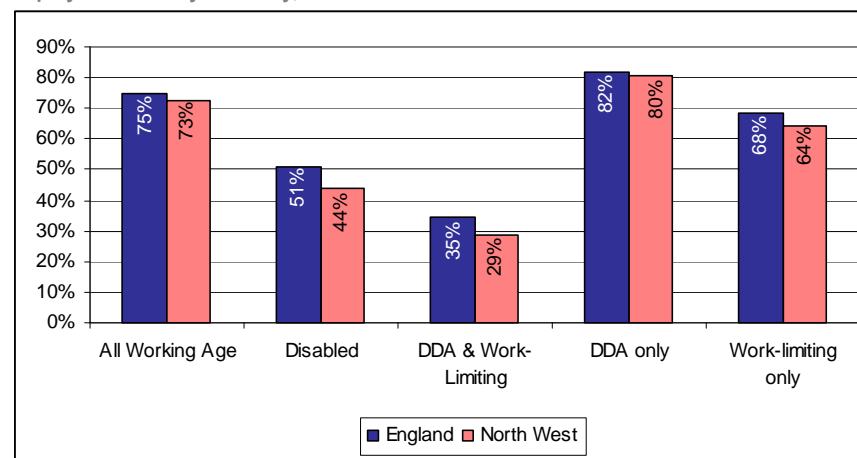


Source: Annual Population Survey, November 2005

**Employment rate by disability**

Nationally, people who are registered as disabled are significantly less likely to be in employment, compared to the population as a whole - the gap in the employment rate is 24% (51% versus 75%). In the North West, the gap is wider at 27% (44% versus 73%).

**Employment Rate by Disability, 2005**



Source: Annual Population Survey, November 2005

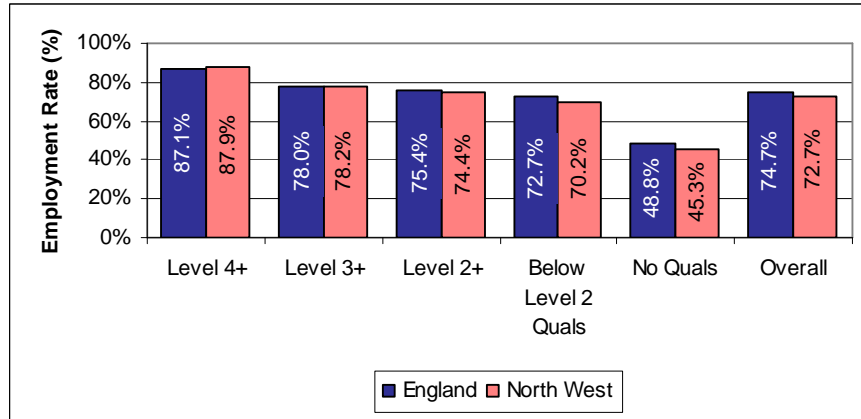
<sup>10</sup> See Table 4b of Appendix 1.

Note: DDA = those who are disabled according to the 1995 Disability Discrimination Act definition, Work-Limiting = those who said that their health problem or disability affected the kind or amount of work they could do. These are over-lapping definitions – two thirds of disabled people are included in both.

**Employment rate by qualification attainment**

The figure below shows how the employment rate declines substantially for working age people with below Level 2 qualification attainment – only 45% of this group are in employment.

**Employment Rate by Qualification Attainment, 2005/06**



Source: Annual Population Survey

**4.4 Qualifications**

We also need to understand the skills base of people in and out of work, in order to develop strategies for upskilling the workforce.

Qualifications are often used as a proxy indicator for the skills of the workforce. The table below shows the qualification profile of the economically active (employed and unemployed) population in England, the North West and the five sub regions. Key points to note include:

- Compared to England, the North West has a lower proportion of people qualified to level 4 or above (29.2% against 30.7%);
- Cheshire and Warrington has the most highly qualified economically active population, with 36% holding degree-level qualifications, and only 25% below Level 2.
- Greater Merseyside has the least well qualified economically active population, with 32% below Level 2.

**Qualification Profile (%) of the Economically Active Population, 2006**

	Level 4+	Level 3+	Level 2+	No Level 2
England	30.7	19.6	21.2	28.5
North West	29.2	20.5	21.6	28.7
Cheshire & Warrington	35.7	19.1	20.4	24.8
Cumbria	26.8	21.6	24.2	27.4
Lancashire	30.0	21.3	20.7	28.1
G. Manchester	28.2	20.8	21.9	29.1
G. Merseyside	26.9	19.4	22.1	31.6

Source: DfES, 2006

The qualification profile of the economically inactive population is shown below. There is some variation by sub-region, but the key point to note is the much lower qualification levels of people who are inactive – in the North West, 54% of this group are not qualified to Level 2.

**Qualification Profile (%) of the Economically Inactive Population, 2006**

	Level 4+	Level 3+	Level 2+	No Level 2
England	11.8	27.3	50.4	49.6
North West	9.3	23.7	46.0	54.0
Cheshire & Warrington	16.2	32.9	53.9	46.1
Cumbria	11.2	21.1	47.6	52.4
Lancashire	9.5	25.2	49.4	50.6
G. Manchester	8.5	22.7	44.3	55.7
G. Merseyside	6.9	20.7	41.7	58.3

Source: DfES, 2006

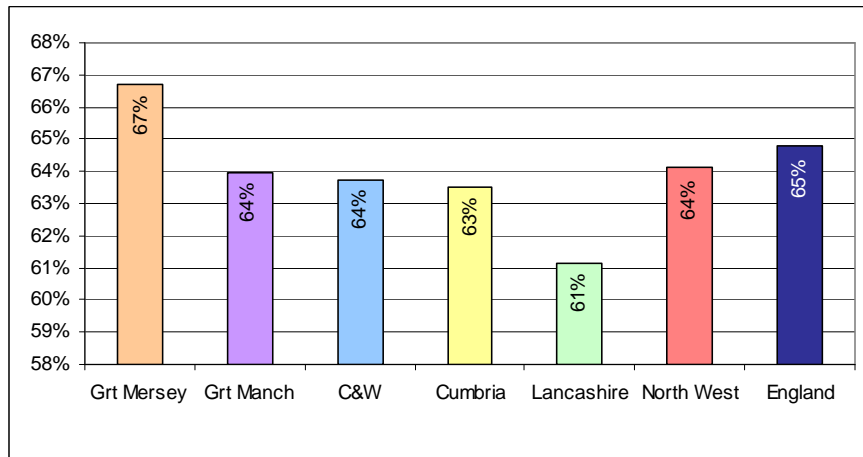
**4.5 Employer Training Behaviour**

This section uses data from the National Employer Skills Survey 2005 to describe the training behaviour of employers in the North West, making comparisons across sub-regions and with England. It gives a high level indication of how pro-active North West employers are in workforce development.

The National Employers Skills Survey 2005 (NESS 2005) was commissioned by the Learning and Skills Council together with the Department for Education and Skills and the Sector Skills Development Agency. Its purpose is to provide a detailed analysis of the extent and nature of skills gaps, recruitment problems and training activity.

The chart below shows the proportion of employers that provided training during the previous twelve months. At 64% of employers, the North West figure is just below the England average. Employers in Greater Merseyside are most likely to provide training to their staff – 67% do so.

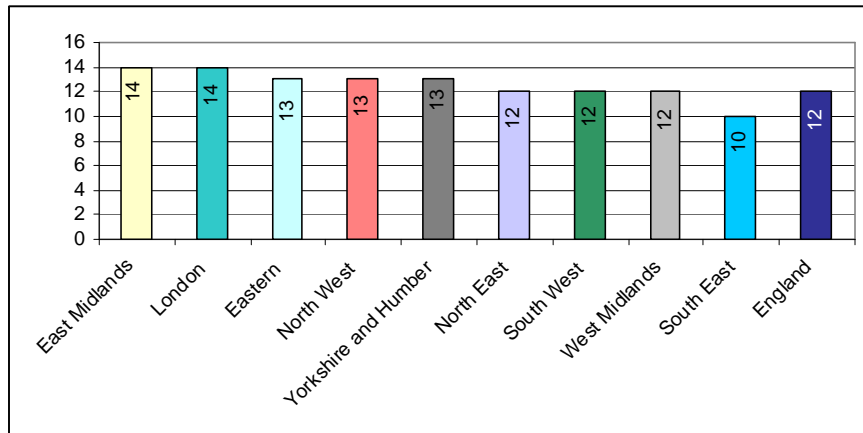
Proportion of Employers providing Training in the past 12 months



Source: NESS 2005

For employers that provided training during the previous twelve months, the NESS data shows that 60% of North West employees received some training during the previous 12 months (compared to 61% in England). The figure below shows the average days of training received by employees – at 13 days, the NW figure is above the England average of 12 days.

Average Days Training

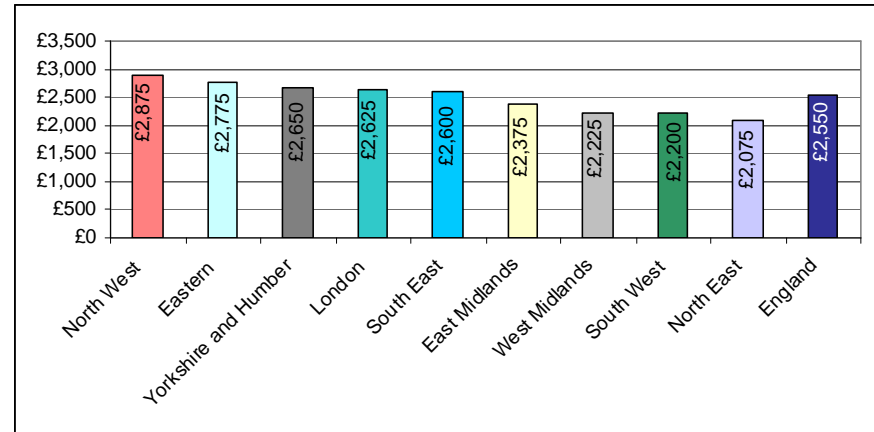


Source: NESS 2005

The NESS 2005 survey also includes a follow-on survey that asked employer about spending on

training. The figures below show estimated training expenditure per trainee for on the job and external training combined, where expenditure includes the opportunity costs of trainee and trainer time. Employers in the NW have the highest spending per trainee of employers in any region.

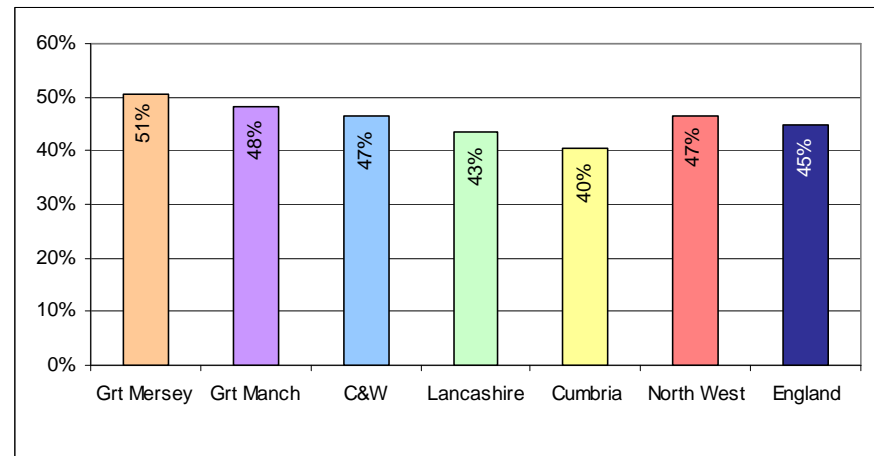
Training Expenditure (Cost per Trainee)



Source: NESS 2005

The figure below shows the proportion of employers with a formal training plan – this figure is 47% in the North West, compared to 45% in England.

Proportion of establishments with a formal training plan



Source: NESS 2005

Overall, the evidence from NESS suggests that North West employers have a reasonably strong culture of workforce development on which to build. The relatively high levels of spend and existence of formal training plans are encouraging.

#### 4.6 Conclusions

As in England as a whole, the issue of an ageing population will be present in the North West in future years. This is particularly true in Cumbria and Cheshire & Warrington where the proportion of over 65 year olds in the population is forecast to increase by 5 percentage points over 2005-2020.

It is likely that an increasing number of people in this age category will remain in employment post retirement age. The employment rate in the North West varies by characteristics. Amongst people who are between 50 years old and retirement age, the rate of employment is considerably lower than in England as a whole. Nationally, people with disabilities have a significantly lower employment rate than the population average. In the North West, the employment rate gap for people with disabilities is lower than that seen nationally by 3 percentage points.

The North West has a lower proportion of its economically active population qualified to Level 4 or higher than nationally. If the rate was equal to the national average, the region would have an additional 80,000 people qualified to Level 4. Of the economically active population, 29% do not have a Level 2. For the inactive population, the corresponding figure is 54%.

Data from the National Employer Skills Survey suggests that NW employers have a strong culture of workforce development on which to build, as witnessed by a relatively high level of spending per trainee and incidence of employers with formal training plans.

## 5 Provision<sup>11</sup> and Participation

### 5.1 Introduction

This chapter looks at participation in learning/skills development in the North West, and the quality of provision, as measured by success rates and inspection scores. It focuses on learners whose main learning aim is a long course (greater than 24 weeks). The focus of this section is on post-compulsory education for young people and adults, excluding higher education which is covered in Chapter 11.

### 5.2 Young People

#### Post-16 participation

The proportion of young people in the North West who remained in full-time education or training after leaving school aged 16 is 72.6%, which compares to an England average figure of 74.2%<sup>12</sup>. The table below shows figures for each sub-region and the percentage point gap with the England average.

Proportion of School Leavers in the North West in Full-Time Education, 2005

Area	% in full time education	Gap with England average (% pts)
England	74.2%	
North West	72.6%	-1.6%
Cheshire and Warrington	76.2%	2.0%
Cumbria	72.3%	-1.9%
Greater Manchester	71.8%	-2.4%
Greater Merseyside	73.8%	-0.4%
Lancashire	71.3%	-2.9%

Source: Connexions

The proportion of young people in full time education varies from 71.3% in Lancashire to 76.2% in Cheshire & Warrington. Cheshire & Warrington is the only North West sub-region which has a post-16 participation rate that exceeds the England average.

<sup>11</sup> We have not included an analysis of Adult and Community Learning. ACL is particularly important for addressing worklessness and has an important role to play in re-engaging people into learning.

<sup>12</sup> Figures exclude young people in full time employment.

### Further Education (FE)

#### FE Participation

The table shows how participation of young people in the FE sector has changed over the last four years.

FE Participation: Number of Learners (16-18 year olds)

FE 16-18	02/3	03/4	04/5	05/6	Change 02/3-05/6
<b>Number of learners</b>					
Cumbria	5506	5859	5889	6104	598
Lancashire	24324	24477	25195	26681	2357
Greater Merseyside	21856	21387	21349	22017	161
Greater Manchester	45547	45792	47647	48681	3134
Cheshire and Warrington	11112	11052	11182	12239	1127
North West	108345	108567	111262	115722	7377
England	682160	693465	712291	722462	40302
<b>% growth</b>					
Cumbria		6%	1%	4%	11%
Lancashire		1%	3%	6%	10%
Greater Merseyside		-2%	0%	3%	1%
Greater Manchester		1%	4%	2%	7%
Cheshire and Warrington		-1%	1%	9%	10%
North West		0%	2%	4%	7%
England		2%	3%	1%	6%

Source: LSC

Numbers have expanded quite significantly in all areas with the exception of Greater Merseyside.

#### FE Success Rates

The success rate is a qualification based measure which calculates the number of qualifications achieved as a proportion of qualifications started. Success rates are generally higher for short courses (less than 24 weeks duration) than long courses (greater than 24 weeks duration). It is long course success rates that are of greatest interest, since these relate to more substantial qualifications. Success rates for long course qualifications taken by 16-18 year olds in FE are shown below.

**Young People (16-18): FE Long Courses Success Rates by Level, 2004**

	Below Level 2	Level 2	Level 3	Level 4+
England	64%	63%	75%	50%
North West	65%	66%	77%	58%
Cheshire & Warrington	66%	64%	81%	!
Cumbria	63%	63%	76%	!
Lancashire	64%	68%	77%	!
G. Manchester	68%	68%	79%	!
G. Merseyside	62%	61%	72%	!

Source: LSC

! = data suppressed due to small sample size

Long courses success rates vary significantly by level of study – looking at the England average figures, the level 3 success rate, at 75%, is well above that for other levels. The same is true in the North West. North West institutions perform well on the success rate measure, with the long course success rate for all levels of study exceeding the England average.

Within levels, success rates also show significant variation according to sector subject area. Tables A-C at Appendix 1 (Chapter 5) shows the success rates for England and the North West in 2004 by level (below level 2, level 2 and level 3<sup>13</sup>) and area of learning. Points to note are that:

- Below level 2, Preparation for Life and Work accounts for almost one third of 16-18 year olds taking a long course. The success rate for this subject in NW FE institutions is 1% above the England average.
- For Level 2, success rates in the North West are above those for England in all but two subjects – Agriculture (3% points gap), and Retail (1% points gap). Participation in Retail is quite significant (almost 4,000 learners in 2005/06, against a total of 24,500).
- For Level 3, success rates in the North West are above those for England in all but one subject area – Education and Training. In 2005/06, there were only 24 learners in this subject area.

**Work Based Learning (WBL)****WBL Participation**

The table shows how participation of young people in the WBL sector has changed over the last four years.

**WBL Participation: Number of Learners (16-18 year olds)**

WBL 16-18	02/3	03/4	04/5	05/6	Change 02/3 - 05/6
<b>Number of learners</b>					
Cumbria	2,903	3,201	3,323	3,155	251
Lancashire	6,644	7,196	7,421	7,225	581
Greater Merseyside	7,823	8,786	8,542	8,114	291
Greater Manchester	11,126	11,763	11,790	11,469	343
Cheshire and Warrington	3,303	3,524	3,485	3,395	93
North West	31,798	34,471	34,561	33,358	1,560
England	177,565	195,372	192,912	183,637	6,072
<b>% growth</b>					
Cumbria		10%	4%	-5%	9%
Lancashire		8%	3%	-3%	9%
Greater Merseyside		12%	-3%	-5%	4%
Greater Manchester		6%	0%	-3%	3%
Cheshire and Warrington		7%	-1%	-3%	3%
North West		8%	0%	-3%	5%
England		10%	-1%	-5%	3%

Source: LSC

Work Based Learning participation by 16-18 year olds has expanded quite significantly in Cumbria and Lancashire, with more modest increases in the other sub-regions.

**WBL Success Rates**

WBL success rates are calculated in a similar way to FE success rates. Success rates for qualifications taken by 16-18 year olds in WBL are shown below for level 2 and level 3 qualifications.

**Young People (16-18): WBL Success Rates (full framework) by Course Level**

	Level 2			Level 3		
	03/04	04/05	05/06	03/04	04/05	05/06
England	31%	41%	54%	36%	41%	56%
North West	30%	40%	53%	37%	42%	59%
Cheshire & Warrington	30%	40%	52%	39%	46%	56%
Cumbria	36%	47%	53%	53%	57%	65%
Lancashire	37%	46%	56%	46%	53%	64%
G. Manchester	N/A	41%	48%	33%	38%	57%
G. Merseyside	23%	37%	47%	N/A	36%	53%

Source: LSC

In 2005/06, the Level 2 success rate in the North West is 53%, just below the England average of 54%. The lower success rates are seen in Greater Manchester and Greater Merseyside, at 48% and

<sup>13</sup> Level 4 success rates not shown because of small numbers of learners.

47% respectively. The Level 3 success rate is above the England average, with very strong performance in Cumbria and Lancashire.

### School Sixth Forms

The table shows how participation of young people in school sixth forms has changed over the last three years.

#### Sixth Form Participation: Number of Learners (16-18 year olds)

School Sixth Form 16-18	02/3	03/4	04/5	Change 02/3 - 04/5
<b>Number of learners</b>				
Cumbria	4,209	4,220	4,271	62
Lancashire	4,803	4,936	5,120	317
Greater Merseyside	11,799	11,741	11,643	-156
Greater Manchester	7,018	7,126	6,697	-321
Cheshire and Warrington	6,709	6,706	6,665	-44
North West	34,538	34,729	34,396	-142
England	338,934	346,353	359,857	20,923
<b>% growth</b>				
Cumbria		0%	1%	1%
Lancashire		3%	4%	7%
Greater Merseyside		0%	-1%	-1%
Greater Manchester		2%	-6%	-5%
Cheshire and Warrington		0%	-1%	-1%
North West		1%	-1%	0%
England		2%	4%	6%

Source: DfES

Lancashire has seen a significant increase in school sixth form numbers since 2002/03, with an increase of 7%. This is broadly in line with the increase in England (6%). In other sub-regions, numbers have changed little or have declined, with a particularly significant decline in Greater Manchester (-5%).

The table below shows the proportion of 16-18 year olds in education by route in 2004/05.

#### Proportion of Young People (16-18) in Full Time Education by Route, 2004/05

Area	FE	Sixth Form	WBL
Cumbria	44%	32%	25%
Lancashire	67%	14%	20%
Greater Merseyside	51%	28%	21%
Greater Manchester	72%	10%	18%
Cheshire and Warrington	52%	31%	16%
North West	62%	19%	19%
England	56%	28%	15%

There is considerable variation in mix across the sub regions. In England, 56% of 16-18 year olds are in FE institutions, 28% are in school sixth forms, and 15% are in WBL. All North West sub-regions have a higher proportion in WBL. Greater Manchester and Lancashire have a relatively high proportion in FE and low proportion in school sixth forms. For example, 72% of 16-18 year olds in Greater Manchester are in FE whilst just 10% attend a school sixth form.

### 5.3 Adults (19+)

#### FE Participation

#### FE Participation: Number of Learners (Adults)

FE 19+	02/3	03/4	04/5	05/6	Change 02/3-05/6
<b>Number of learners</b>					
Cumbria	30688	27415	26192	21031	-9657
Lancashire	101497	88227	86001	69282	-32215
Greater Merseyside	109906	102890	94281	74036	-35870
Greater Manchester	178535	154996	145033	115758	-62777
C&W	50668	49158	45095	40457	-10211
North West	471294	422686	396602	320564	-150730
England	3295675	3206193	3074381	2553961	-741714
<b>% growth</b>					
Cumbria		-11%	-4%	-20%	-31%
Lancashire		-13%	-3%	-19%	-32%
Greater Merseyside		-6%	-8%	-21%	-33%
Greater Manchester		-13%	-6%	-20%	-35%
C&W		-3%	-8%	-10%	-20%
North West		-10%	-6%	-19%	-32%
England		-3%	-4%	-17%	-23%

Source: LSC

The table shows how participation of adults in the FE sector has changed over the last four years. In England, adult participation has fallen in each of the past three years, with a particularly significant drop between 04/5 and 05/6, reflecting funding pressures on the adult participation budget. Adult participation in the North West has also fallen, and generally at a faster rate; with the exception of Cheshire & Warrington, the proportionate reduction in adult learner volumes over the past three years in the North West sub-regions has exceeded the England average.

### FE Success Rates

Success rates for long course qualifications taken by adults in FE are shown below.

#### Adults (19+): FE Success Rates by Course Level, 2004

	Below Level 2	Level 2	Level 3	Level 4+
England	61%	60%	57%	50%
North West	62%	61%	59%	51%
Cheshire & Warrington	69%	63%	63%	61%
Cumbria	64%	64%	65%	63%
Lancashire	56%	62%	54%	44%
G. Manchester	60%	59%	59%	51%
G. Merseyside	65%	62%	61%	53%

Source: LSC

As in the case of young people, success rates in North West institutions compare favourably to the England average.

Within levels, success rates also show significant variation according to sector subject area. Tables D-E at Appendix 1 (Chapter 5) shows the success rates for England and the North West in 2004 by level (below level 2, level 2 and level 3<sup>14</sup>) and area of learning. Points to note are that:

- Below level 2, success rates in NW institutions are above the England average in high participation subject areas, including: ICT; Arts, Media and Publishing; and Preparation for Life and Work. Success rates are below England averages in a number of areas including Education and Science and Mathematics, but learner numbers are low in these subjects.
- At level 2, subject areas with very high adult participation are ICT and Health. The success rate for ICT courses in NW institutions is 8% above the England average, whilst for Health, it is in-line with the England average. There are two subject areas where NW institutions lag behind England average performance, and where learner numbers are substantial: Leisure, Travel, and Tourism; and Engineering and Manufacturing Technology.
- At level 3, NW institutions perform better than the England average in all but three subject areas: Agriculture, Horticulture and Animal Care; Leisure, Travel and Tourism; and Retail

and Commercial Enterprise. Of these three sectors, participation is by far the highest in Retail, but the success rate gap with England is only 1%. At level 3, Health, Public Services and Care has by far the highest participation level – accounting for almost one quarter of adults studying at level 3. Success rates for this sector subject area are 2% points above the England average.

### Work Based Learning (WBL)

#### WBL Participation

The table shows how participation of adults in the WBL sector has changed over the last four years.

#### WBL Participation: Number of Learners (Adults)

WBL 19+	02/3	03/4	04/5	05/6	Change 02/3 - 05/6
<b>Number of learners</b>					
Cumbria	1,291	1,284	1,155	1,084	-207
Lancashire	3,050	3,262	3,385	3,033	-17
Greater Merseyside	4,260	4,456	4,375	4,154	-106
Greater Manchester	6,106	6,587	6,256	5,879	-227
Cheshire and Warrington	2,149	2,289	2,404	2,248	98
North West	16,857	17,878	17,575	16,398	-459
England	100,013	111,125	106,962	101,101	1,088
<b>% growth</b>					
Cumbria		-1%	-10%	-6%	-16%
Lancashire		7%	4%	-10%	-1%
Greater Merseyside		5%	-2%	-5%	-2%
Greater Manchester		8%	-5%	-6%	-4%
Cheshire and Warrington		7%	5%	-6%	5%
North West		6%	-2%	-7%	-3%
England		11%	-4%	-5%	1%

Source: LSC

Over the past three years, WBL participation in England has increased by 1% in England, compared to a decline of 3% in the North West. Numbers have fallen in all areas except Cheshire and Warrington. Cumbria has seen a very significant proportionate reduction in numbers, with a 16% decline over three years.

#### WBL Success Rates

WBL success rates are calculated in a similar way to FE success rates. Success rates for qualifications taken by adults in WBL are shown below.

<sup>14</sup> Level 4 success rates not shown because of small numbers of learners.

**Adults: WBL Success Rates (full framework) by Course Level**

	Level 2			Level 3		
	03/04	04/05	05/06	03/04	04/05	05/06
England	29%	40%	53%	30%	35%	50%
North West	29%	38%	54%	27%	30%	47%
Cheshire & Warrington	33%	41%	47%	0%	36%	50%
Cumbria	33%	44%	53%	36%	40%	58%
Lancashire	0%	40%	57%	0%	37%	48%
G. Manchester	26%	35%	51%	27%	28%	44%
G. Merseyside	29%	36%	46%	25%	27%	42%

Source: LSC

WBL success rates in 2005/06 at Level 2 and Level 3 in the North West are similar to England average levels. In line with national performance, there has been a very significant increase in the full framework success rate between 2004/05 and 2005/06.

**5.4 Train to Gain**

Train to Gain is an employer facing training programme which became operational in 2006/07. It developed from the Employer Training Pilots, which operated in the North West from 2002. We do not have projections of Train to Gain participation, but we do have projections of expected achievements at level 2 and level 3 for the North West. These are noted in the chapters on Level 2 and Level 3.

**5.5 Participation and Success rates by Learner Characteristics**

The purpose of this section is to investigate the extent to which FE and WBL participation and success rates vary by learner characteristics, including gender, ethnic group, and disability.

**Participation by gender**

Female participation in FE is higher than that of Males nationally and the same is true in all North West sub-regions. The ratio of Female to Male participation is shown in the table below. Nationally, for 16-18 year olds, the Female:Male participation ratio is 1.06. In the North West, it is 1.13, and it is similar across the sub-regions. For adults nationally, the Female:Male ratio is 1.63. The North West figure is identical, although there is some variation across the sub-regions: from 1.54 in Lancashire to 1.79 in Cumbria.

**Participation in FE: Ratio of Female to Male Learners, 2004/05**

Area	Female: Male ratio	
	16-18	Adult
Cumbria	1.14	1.79
Lancashire	1.14	1.54
Greater Merseyside	1.15	1.72
Greater Manchester	1.12	1.58
Cheshire and Warrington	1.11	1.67
North West	1.13	1.63
England	1.06	1.63

Source: EKOS analysis of LSC data

In Work Based Learning, for 16-18 year olds, the reverse is true – Male learners outnumber Female learners – by a factor of 1.75 across the North West as a whole. For 19-24 year olds in WBL, Male and Female participation is very similar. Figures for 2005/06 are shown in the table below, for each sub-region and the North West. For 16-18 year olds in WBL, the relatively low number of Females participating in Cumbria and Lancashire is notable.

**WBL Participation by Gender, 2005/06**

Area	Age	Number of learners			Ratio Male/Female
		Female	Male	Total	
Cheshire & Warrington	16-18	1,183	1,808	2,991	1.53
	19+	1,114	1,025	2,139	0.92
	All ages	2,297	2,833	5,130	1.23
Cumbria	16-18	757	1,952	2,709	2.58
	19+	494	535	1,029	1.08
	All ages	1,251	2,487	3,737	1.99
Gr Man	16-18	3,492	5,960	9,452	1.71
	19+	2,831	2,784	5,615	0.98
	All ages	6,323	8,744	15,067	1.38
Gr Mer	16-18	2,599	3,555	6,154	1.37
	19+	2,091	1,782	3,873	0.85
	All ages	4,690	5,338	10,027	1.14
Lancashire	16-18	1,880	4,089	5,969	2.17
	19+	1,346	1,528	2,874	1.14
	All ages	3,226	5,617	8,843	1.74
North West	16-18	9,910	17,365	27,275	1.75
	19+	7,876	7,654	15,530	0.97
	All ages	17,786	25,019	42,805	1.41

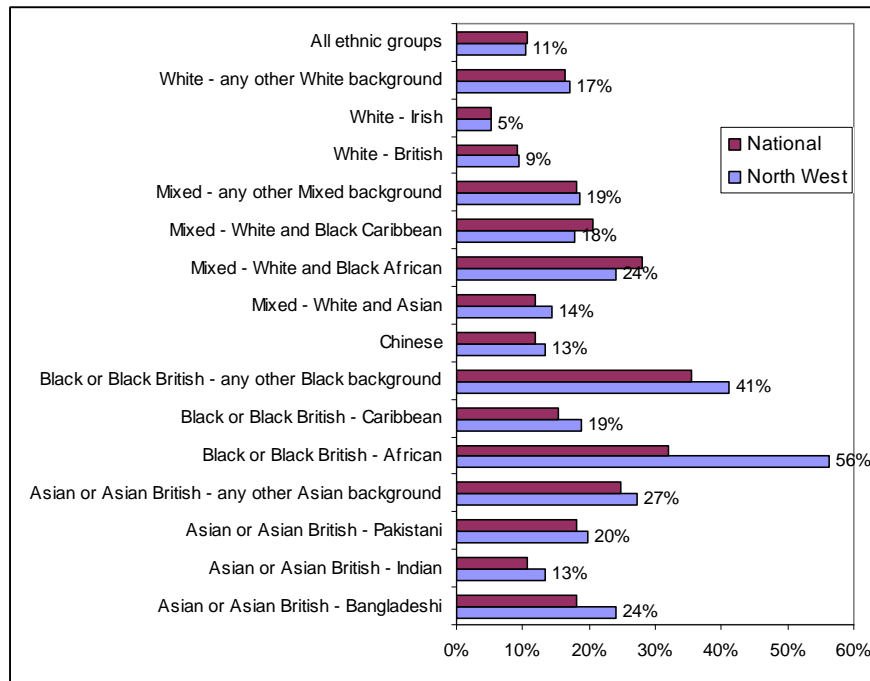
Source: EKOS analysis of LSC data

**Participation by ethnic group**

The participation rate in FE by ethnic group is shown in the figure below for learners of all ages. In the North West, 11% of the working age population are participating in FE, which is the same as the national rate. The White Irish and White British ethnic groups have the lowest rates of participation – just 5% and 9% respectively. Participation rates for all other ethnic groups are above the 11% average figure.

When comparing the participation rates of ethnic groups in the North West to those nationally, differences are generally quite small, with the exception of the 'Black or Black British – African' ethnic group, which in the North West has a participation rate of 56%, compared to 32% nationally.

Participation in Further Education (% of working age population), 2004/05



Source: EKOS analysis of LSC data and Census population data

In WBL, we have participation data by ethnic group, although at a higher level of aggregation. Learners from the White ethnic group account for 96.8% of learners in WBL, which is high compared to the population proportion (91% of 18-24 year olds are in the White ethnic group). The low representation of learners from Black and Minority Ethnic groups in WBL in the North West is an issue that merits further investigation.

We also looked at participation by whether a learner declares that they have a learning difficulty or disability (based on self-declaration from the LSC's Individualised Learning Record). When we compared these figures to Census estimates of population with a disability, the ILR based figures were higher. We have not therefore included this analysis, as the data sources appear to be inconsistent.

**Success Rates**

For FE, we also have data available to compare success rates of learners with different characteristics. The LSC Data Team provided EKOS with breakdowns of FE long course success rates for 16-18 year olds and adults by level, according to the following characteristics:

- Gender (Male and Female);
- Ethnicity (White and non-White)
- Deprivation (entitled to Disadvantage Uplift<sup>15</sup>, not entitled)

A summary of the main points from a comparison of success rates for learners with different combinations of characteristics (by age and level) is shown below. Detailed data tables are at Appendix 1 (Chapter 5), tables J to Q.

<sup>15</sup> Disadvantage Uplift is an element of additional funding that can be claimed by institutions if a learner is resident in a post code with low incomes, or is claiming benefit.

**Analysis of Success Rates (Long Courses) by Disadvantage, Ethnicity and Gender: Summary of Key Points**

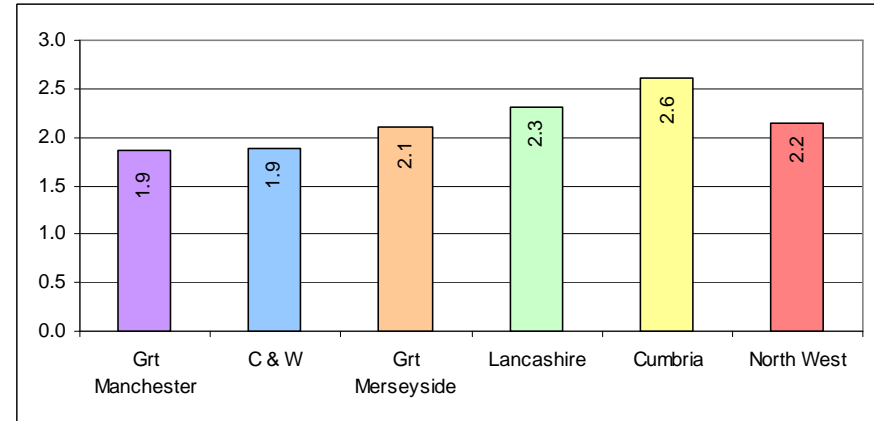
Age of Learner and Level of Course	Key points
16-18 Level 1	The success rate on courses taken by Non White Males is 4% points below that for all Males (61% v 65%).  For Females, success rates on qualifications where the learner is entitled to disadvantage Uplift and below those where the learner is not entitled to the allowance.
16-18 Level 2	The success rates for qualifications taken by Non-White learners are higher than those for White learners. For Females, the figures are 74% v 65%, and for Males, 69% v 65%.  The success rate on courses taken by White Females entitled to Disadvantage Uplift is 6% points lower than for Females not entitled to the allowance.
16-18 Level 3	The success rate on courses taken by Females is 4% points above that for Males (79% v 75%).  The success rate for qualifications where the learner is in receipt of Disadvantage Uplift are significantly below those where the learner is not entitled to the uplift.
16-18 Level 4	The success rate on courses taken by White Males who are entitled to the Disadvantage Uplift is 19% points below that for White Males who are not entitled to the allowance.
Adult Level 1	The success rate on courses taken by Non White Females is 7% points below that for White Females. The success rate on courses taken by Non-White Males is 11% points below that for White Males.  The success rate on courses taken by all Males is 3% points lower than for all Females.
Adult Level 2	Success rates on qualifications taken by learners from the White ethnic group exceed those for learners from Non-White ethnic groups (for Males and Females).  The success rate on courses taken by Males is 5% points lower than for Females.
Adult Level 3	The success rate on courses taken by Females is 5% points higher than for Males.  The success rate on courses taken by White Males is 4% points above that for Non-White males.
Adult Level 4	The success rate on courses taken by Non White Males is 11% points lower than for Non White Females.  The success rate on courses taken by White Females is 7% points higher than for White Males. The success rate on courses taken by all Females is 7% points higher than for all Males.

Source: EKOS analysis of LSC data. Note: all comparisons relate to 04/5 data.

**5.6 Independent Quality Assessment: Inspection**

FE Colleges are inspected by the Office for Standards in Education (OfSTED). The last full cycle of inspections was from 2001/02 to 2005/06, in which all FE Colleges in England were assessed. The figure below shows the average inspection score for Leadership and Management in all colleges in the North West, and for the colleges within each sub-region. Colleges are awarded one of five grades for Leadership and Management, with a 1 being Excellent and a 5 being Unsatisfactory. A lower score therefore denotes a better performance.

**FE Colleges: Average Leadership and Management Inspection Scores, 2001/02 - 2005/06**



Source: EKOS analysis of OfSTED data provided by LSC

Colleges in Greater Manchester show the strongest performance with regards to Leadership and Management, with an average score of 1.8. Only one college in the North West received a Leadership and Management score below 'Satisfactory' (= 3).

The inspections also grade each curriculum area. For all colleges inspected, the table below shows the number of curriculum areas graded as 'Poor' (4) or 'Unsatisfactory' (5). Greater Merseyside has the greatest incidence of poor or unsatisfactory provision, with 9 of the 87 curriculum areas scored being graded 4 or 5, equivalent to 10% of provision<sup>16</sup>.

<sup>16</sup> This does not mean that 10% of learners are in poor or unsatisfactory provision, since we do not know the number of learners in each college/curriculum area combination graded 4 or 5.

## Inspection Scores for Curriculum Areas - % Poor or Unsatisfactory, 2001/02 - 2005/06

Area	Total scores awarded	Poor / Unsatisfactory	
		Number	%
Cheshire & Warrington	56	0	0%
Cumbria	27	2	7%
Grt Manchester	120	5	4%
Grt Merseyside	87	9	10%
Lancashire	101	3	3%
<b>North West</b>	<b>391</b>	<b>19</b>	<b>5%</b>

Source: EKOS analysis of OfSTED data provided by the LSC

Work Based Learning providers are inspected by the Adult Learning Inspectorate. Of Work Based Learning providers in the North West inspected in the 2001/02 to 2005/06 inspection cycle, a large number required a full re-inspection after an initial poor inspection. This was also the case nationally. In the past two years the LSC has reduced the number of WBL providers with which it contracts and quality in the sector has improved – as shown by the significant increases in success rates.

### 5.7 Efficiency Indicator Analysis

This section analyses LSC expenditure (FE participation budget) by type of provision. It looks first at expenditure on provision for 16-18 year olds, and then on expenditure for adults. It compares figures for 2004/05 and 2005/06.

#### Young People

Expenditure on provision for 16-18 year olds is shown in the table below.

## Analysis of LSC expenditure by type of provision (16-18 year olds)

Type of Provision	2004/05	2005/06	% Change
<b>Entry and level 1</b>	<b>54.4</b>	<b>64.3</b>	<b>18%</b>
<b>Level 2</b>	<b>72.7</b>	<b>76.0</b>	<b>5%</b>
Full Level 2	47.8	55.1	15%
GCSE	4.1	4.0	-1%
Other	20.8	16.9	-19%
<b>Level 3</b>	<b>194.4</b>	<b>211.5</b>	<b>9%</b>
Full Level 3	62.5	77.8	25%
A level/ AS level/ AVCE	116.8	117.2	0%
Access to HE (QAA recg.)	0.04	0.05	19%
Other	15.1	16.5	9%
<b>Level 4</b>	<b>0.2</b>	<b>0.2</b>	<b>0%</b>
<b>Skills for Life</b>	<b>34.0</b>	<b>36.2</b>	<b>6%</b>
Numeracy	14.5	15.2	5%
Literacy	16.8	18.0	8%
ESOL	2.7	2.9	7%
<b>Unknown Level</b>	<b>3.3</b>	<b>3.3</b>	<b>0%</b>
<b>Total</b>	<b>358.9</b>	<b>391.5</b>	<b>9%</b>

Source: EKOS analysis of LSC data

In 2005/06, Level 3 provision accounted for 54% of total expenditure on 16-18 year olds (£211.5m). Well over half this (£117.2m) was on A level/AS level/AVCE provision. The next most significant category was Level 2 provision - £76m or 19% of the total. Within this, £55m was for full Level 2 provision. Between 2004/05 and 2005/06, by far the greatest increase in expenditure for 16-18 year old provision is at Entry and Level 1 (+18%). Expenditure on Level 2 increased by 5%, but within this, expenditure on Full Level 2 increased by 15%. Expenditure on Level 3 increased by 9%, with the increase being almost entirely due to increased expenditure on Full Level 3 provision – A level expenditure increased by just 0.4%.

#### Adults

Expenditure on provision for adults is shown in the table below.

**Analysis of LSC expenditure by type of provision (Adults)**

Type of Provision	2004/05	2005/06	% Change
<b>Entry and level 1</b>	<b>62.2</b>	<b>54.3</b>	<b>-13%</b>
<b>Level 2</b>	<b>68.7</b>	<b>66.0</b>	<b>-4%</b>
Full Level 2	26.9	32.8	22%
GCSE	1.5	1.4	-8%
Other	40.3	31.8	-21%
<b>Level 3</b>	<b>60.9</b>	<b>62.6</b>	<b>3%</b>
Full Level 3	25.5	28.2	10%
A level/ AS level/ AVCE	5.6	4.6	-18%
Access to HE (QAA recg.)	8.37	8.85	6%
Other	21.4	21.0	-2%
<b>Level 4</b>	<b>6.1</b>	<b>6.1</b>	<b>-1%</b>
<b>Safeguarded adult learning</b>	<b>0.0015</b>	<b>0.0015</b>	<b>0%</b>
<b>Skills for Life</b>	<b>55.2</b>	<b>60.1</b>	<b>9%</b>
Numeracy	11.5	12.3	6%
Literacy	21.3	21.6	1%
ESOL	22.4	26.3	17%
<b>Unknown Level</b>	<b>10.8</b>	<b>8.2</b>	<b>-24%</b>
<b>Total</b>	<b>263.8</b>	<b>257.4</b>	<b>-2%</b>

Source: EKOS analysis of LSC data

In 2005/06, the bulk of expenditure on adults is split fairly evenly between Level 2 (£66m or 25.6%), Level 3 (£62.6m or 24.3%), Skills for Life (£60.1m or 23.4%), and Entry and Level 1 (£54.3m or 21.1%).

Expenditure on adult participation decreases by 2% between 2004/05 and 2005/06. Expenditure on Entry and Level 1 and Level 2 provision declined (by 13% and 4% respectively), whereas expenditure on Level 3 and Skills for Life provision increased (by 3% and 9% respectively). Within Level 2 provision, there was a significant expansion in expenditure on Full Level 2 provision (22%), and similarly within Level 3, expenditure on Full Level 3 provision increased significantly (10%). Within Skills for Life, by far the greatest expansion in terms of expenditure was in ESOL provision (17%).

## 5.8 Conclusions

The focus of FE expenditure has changed somewhat during the past two years. Expenditure on young people increased by 9% between 2004/05 and 2005/06, compared to a reduction of 2% for adult expenditure. In 2005/06, expenditure on 16-18 participation was £391.5m, compared to £257.4m for adults.

Within the two budget lines, the mix of expenditure by provision type has also changed. For young people, expenditure on Entry and Level 1 provision has seen the greatest percentage increase. Within level 2 provision, there was an increased focus on Full Level 2. This was also the case within adult level 2 provision.

Post-16 participation in the North West is 1.6% points below the England average. Given the projected decline in the young people's cohort, it is of vital importance that this gap is closed, through higher participation in the North West.

In FE, success rates for 16-18 year olds and adults on long courses are above national averages across all levels. Adult success rates in FE are also above national averages. The picture in the WBL sector is mixed with 16-18 Level 3 and adult Level 2 success rates above national average, but 16-18 Level 2 and adult Level 3 below them. Regionally, differences are not large, although there is significant sub-regional variation.

When we look at participation and success rates by learner characteristics, there are a number of important points to note:

- Low Female participation in WBL in Cumbria and Lancashire.
- Low participation in WBL by Black and Minority Ethnic groups in the region.
- For adult learners, lower success rates for qualifications taken by those from Black and Minority Ethnic groups, compared to the White ethnic group.
- Lower success rates for qualifications taken by learners with higher levels of deprivation (as proxied by whether learners are in receipt of disadvantage Uplift).

## 6 Matching Supply and Demand

### 6.1 Introduction

In subsequent chapters on Skills for Life, Level 2, Level 3 (intermediate level skills) and Level 4 (higher level skills), we present some indicative estimates of future demand for qualifications at these four levels within industrial sectors, and compare this to the supply of learning opportunities (by sector subject area). Chapter 7 presents a similar gap analysis for the demand for learning opportunities by workless people, and the availability of appropriate opportunities. These analyses are about matching demand and supply at a fairly high level.

In this chapter, we present two sets of analysis which seek to understand demand and supply gaps at a different level:

- The first section presents data from the National Employer Skills Survey (NESS) 2005 on skills gaps in the workforce and recruitment difficulties that arise from skills shortages. It gives a feel for the specific skills gaps that employers face, both within their workforce, and when recruiting.
- The second section draws on qualitative sector evidence and highlights some of the major qualification requirements within the region's key sectors.

### 6.2 Survey Evidence – Skills Gaps

#### Overview of NESS

The National Employer Skills Survey (NESS) is a national telephone survey which asks employers a series of detailed questions about the training they have undertaken in the past twelve months, the skills gaps in their existing workforce and any difficulties they encounter in external recruitment. For employers that identify skills gaps in their workforce or that have difficulty recruiting because applicants lack necessary skills, the survey asks follow-up questions about the type of skills that are lacking. The 2005 survey includes responses from over 73,000 employers.

#### Skills gaps

The survey asks employers whether they have staff with skills gaps – described as a lack of proficiency in performing one or more of the tasks required of them as part of their job. The NESS 2005 provides a regional analysis of skills gaps, which shows that with regard to the North West:

- The proportion of employers reporting skills gaps is 16%, the same as the national average;

- The percentage of staff reported as having skills gaps is 6%, the same as the national average; and
- The North West has 13% of the national share of skills gaps, exactly the same as its share of employment.

The table below highlights how skills gaps are distributed by occupation. The key points are:

- Employees in lower skilled occupations have a higher incidence of skills gaps. For example, in the North West: staff in Elementary occupations account for 15% of total employment, but 21% of skills gaps; staff in Sales occupations account for 12% of employment, but 19% of skills gaps; and
- Employees in higher skilled occupations (Managers, Professional, and Associate Professional) are less likely to have skills gaps.

#### Distribution of skills gap by occupation

	England % of skills gap	North West % of skills gap	North West % Employment
Managers	11	9	15
Professional	7	4	9
Associate professionals	6	6	9
Administrative	12	10	14
Skilled Trades	8	10	7
Personal service	9	7	9
Sales	19	19	12
Operative	8	15	9
Elementary	20	21	15
Total	100%	100%	100%

Source: NESS 2005

The NESS 2005 asks employers about the main skills that are lacking in employees identified as having skills gaps. The report notes that *“as in 2004, in the North West several “soft areas” such as communication, customer handling and team work are particularly likely to be mentioned, as are literary and numeracy.”*

We have survey responses for North West employers reporting skills gaps on the skills lacking in each occupational category. The table below shows for each occupation, the top three skills that employers identified as lacking.

**Skills lacking in employees with skills gaps, North West**

Occupational category	Top five skills lacking
Managerial	Management (78.5%), Team working (55%), Problem solving (52.8%), Oral communication (45.8%), Office / admin (41.8%).
Professional	Technical, practical or job specific (61.7%), Problem solving (50.5%), Team working (46.8%), Written communication (41.6%), Oral communication (37.4%).
Associate professional	Technical, practical or job specific (69.8%), Problem solving (55.5%), Customer handling (48.4%), Team working (39.1%), Written communication (36.1%).
Admin / Clerical	Office / admin (55.6%), General IT (50.8%), Problem solving (48.1%), Customer handling (45.5%), Technical, practical or job specific (43.9%).
Skilled trades	Technical, practical or job specific (69%), Problem solving (47%), Team working (45.1%), Oral communication (35.5%), Customer handling (35%).
Personal services	Team working (61.5%), Technical, practical or job specific (60.2%), Oral communication (53.2%), Customer handling (51.5%), Problem solving (44.8%).
Sales / customer service	Customer handling (68.8%), Team working (50.7%), Oral communication (48.8%), Problem solving (46.3%), Technical, practical or job specific (39.6%).
Machine operatives	Technical, practical or job specific (59.9%), Team working (47%), Problem solving (45.2%), Oral communication (39.2%), Written communication (26.8%).
Elementary	Customer handling (52.1%), Team working (51.7%), Oral communication (49.4%), Problem solving (42.2%), Technical, practical or job specific (41.6%).

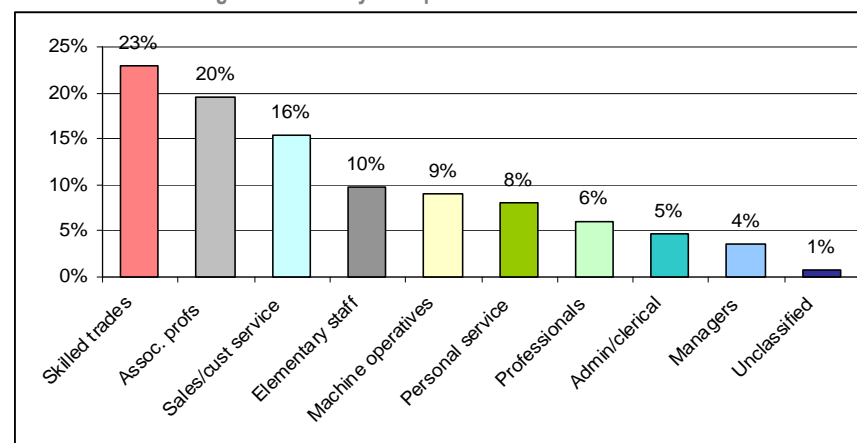
Source: NESS 2005

**Recruitment Problems due to Skills Shortages**

Skills Shortage Vacancies are vacancies which all employers (surveyed in the NESS) report as being hard to fill and which result from a low number of applicants with the required skills, or lack of candidates with the required work experience, or a lack of candidates with the required qualifications.<sup>17</sup>

In the North West, skills shortage vacancies are most common in the following occupations: Skilled Trades; Associate Professionals; and Sales/customer Service.

**Profile of Skills Shortage Vacancies by Occupation**



Source: NESS 2005

As in the case of skills gaps, employers that identify skills shortage vacancies are asked what skills are lacking in applicants. Figures for England and the North West are shown in the table below. Points to note in relation to the North West are:

- The high incidence of soft skills lacking in applicants. For example, team working, problem solving, and written communication; and
- The high incidence of 'hard' basic skills (literacy and numeracy) lacking in applicants. Of employers in the North West who reported skills shortage vacancies, 31% reported literacy skills as lacking and 30% reported numeracy skills as lacking. These rates compare to 22% and 21% for England respectively, and are the highest of any English region.

**Skills lacking in applicants for SSVs (bold denotes highest regional score in England)**

Skills lacking	England %	North West %	Skills lacking	England %	North West %
Team work	48	<b>60</b>	General IT user skills	23	26
Customer handling	46	50	Literary skills	22	<b>31</b>
Technical/practical	44	48	Numeracy skills	21	<b>30</b>
Oral communication	42	49	Office admin. Skills	20	20
Problem solving	40	<b>56</b>	IT professional skills	12	11
Written communication	29	<b>38</b>	Foreign languages	9	10
Management skills	26	30			

Source: NESS 2005

<sup>17</sup> NESS 2005 Main Report

We have survey responses for North West employers reporting skills shortage vacancies on the skills lacking in applicants by occupational category. The table below shows for each occupation, the top three skills that employers identified as lacking in applicants.

#### Skills lacking in applicants for SSVs, by occupation (North West)

Occupational category	Top five skills lacking
Managerial	Management (39.7%), Technical, practical or job specific (38.1%), Customer handling (34.6%), Team working (38.1%), General IT user skills (21.2%).
Professional	Technical, practical or job specific (65.1%), Problem solving (40.7%), Customer handling (36.7%), Management (33.6%), Oral Communication (28.8%).
Associate professional	Technical, practical or job specific (58.2%), Problem solving (37.4%), Team working (36%), Management (33.8%), Customer handling (31.3%).
Admin / Clerical	Technical, practical or job specific (54.5%), Problem solving (47.8%), Customer handling (45.7%), Oral communication (42.5%), Literacy (41.6%).
Skilled trades	Technical, practical or job specific (71.3%), Problem solving (47.8%), Team working (40.6%), Customer handling (32.8%), Numeracy (30.8%).
Personal services	Customer handling (55.8%), Oral communication (53.3%), Team working (50.2%), Technical, practical or job specific (49.7%), Written communication (43.5%).
Sales / customer service	Oral communication (62.9%), Customer handling (62.8%), Team working (54.3%), Literacy (43.6%), Problem solving (39.2%).
Machine operatives	Technical, practical or job specific (66.6%), Problem solving (55.5%), Team working (47.6%), Oral communication (41%), Customer handling (37.1%).
Elementary	Oral communication (53.5%), Team working (52.9%), Customer handling (52.7%), Problem solving (51.3%), Technical, practical or job specific (42.6%).

Source: NESS 2005

### 6.3 Sector Evidence

This section profiles some of the key sectors in the North West, the qualification needs within the sector, and major challenges. It is by no means an exhaustive investigation into the skills needs of sectors, but rather a snap shot of some of the important messages on sector skills requirements that have emerged from the consultation process.

#### 6.3.1 Advanced Engineering and Materials (AEM)

##### Context

- Definition: The Advanced Engineering and Materials sector includes activity in the chemicals, aerospace and automotive sub-sectors.<sup>18</sup>
- Relevant Sector Skills Council(s): Automotive Skills (Automotive); COGENT (Chemicals), Proskills (Processing and Manufacturing), SEMTA
- The sector in the North West employs approximately 145,000 people.

##### Workforce Profile

The number (and proportion) of employees without Level 2 in the Automotive, Chemicals, Manufacturing and Engineering SSCs is 13,739 (27%), 26,141 (29%), 17,809 (39%), and 42,727 (25%) respectively.

##### Automotive Occupational Profile

Automotive	Proportion of Employees
Managers and Senior Officials	19%
Professional	1%
Associate professional & technical	4%
Administrative, clerical & secretarial	13%
Skilled trades	37%
Personal service	0%
Sales & customer service	12%
Machine & transport operatives	9%
Elementary	6%

Source: LFS weighted to employment structure in the North West from ABI 2002

In the Automotive sub-sector 37% of employees are in Skilled Trade occupations, 19% are Managers.

<sup>18</sup> NWRDA

### Aerospace Occupational Profile

Aerospace	Proportion of Employees
Managers and Senior Officials	16%
Professional	21%
Associate professional & technical	12%
Administrative, clerical & secretarial	8%
Skilled trades	26%
Personal service	0%
Sales & customer service	0%
Machine & transport operatives	12%
Elementary	3%

Source: LFS weighted to employment structure in the North West from ABI 2002

In the Aerospace sub-sector 26% of employees are in Skilled Trade occupations, and 21% are Professionals.

### Chemicals Occupational Profile

Chemicals	Proportion of Employees
Managers and Senior Officials	28%
Professional	16%
Associate professional & technical	5%
Administrative, clerical & secretarial	9%
Skilled trades	0%
Personal service	0%
Sales & customer service	3%
Machine & transport operatives	29%
Elementary	9%

Source: LFS weighted to employment structure in the North West from ABI 2002

In the Chemicals sub-sector, 29% of employees are Machine and Transport Operatives, and 28% are Managers.

#### Demand

Our projections of annual demand in the AEM sector for staff qualified to Levels 2 and 3 across the three key sub-sectors are as follows:

Automotive	Level 2 – 902	Level 3 – 693;
Aerospace	Level 2 – 202	Level 3 – 173;
Chemicals	Level 2 – 715	Level 3 – 61
<b>Total</b>	<b>Level 2 – 1,819</b>	<b>Level 3 – 927</b>

#### Supply

The SSA that relates most closely to the AEM Sector is Engineering and Manufacturing Technologies.

### Engineering and Manufacturing Technologies Supply of Full Level 2 / Level 3 2005/06

	Number 2005/06		Success Rate 2005/06	
	Full L2	Full L3	Full L2	Full L3
FE 16 – 18	2,482	1,191	55%	53%
Adults	2,512	915	73%	52%
WBL 16 – 18	3,092	4,786	56%	70%
Adults	826	1,388	64%	70%
Total	8,912	8,280		

Source: LSC

#### Skills Needs and Challenges:

##### Specific Skills Needs

Automotive:

- Skills for Life;
- Level 2 technical apprenticeships; and
- BIT, team leader training and training in global automotive supplier standards, and automotive retail management standards (ARMS).

Chemicals:

- Level 2 BIT; and
- Up-skilling employees through Level 3 skills in manufacturing / production.

Manufacturing:

- Upskilling of existing workforce, including leadership and management; and
- Engineering graduates.

##### Challenges

Automotive:

- Ongoing development of Young Apprenticeships for 14 – 16 pupils.

Chemicals:

- Development and improvement in quality of science related qualifications from GCSE to BSc level – funding constraints due to higher cost of these qualifications; and
- Developing a Programme Led Pathway.

Manufacturing:

- Accessing flexible funding streams to address skills needs; and
- Developing a structure which allows delivery of training for micro issues (which do not fit directly with generic training scheme funding criteria).

6.3.2 Biomedical

**Context**

- Definition: The Biomedical sector includes activity in biotechnology, pharmaceuticals and health care.<sup>19</sup>
- Relevant Sector Skills Council(s): Science, Engineering, Manufacturing Technologies Alliance (SEMTA).
- The Biomedical sector in the North West employs 22,000 people.<sup>20</sup>

**Workforce Profile**

We have data showing the occupation breakdown of the High-Tech Medical sector. This is defined as being “concerned with the development and manufacture of therapeutic and diagnostic drugs / molecules and the means of delivering the drugs and of making the diagnoses and analyses”<sup>21</sup>.

**Hi-Tech Medical Occupational Profile**

Hi-tech Medical	Proportion of Employees
Managers and Senior Officials	20%
Professional	25%
Associate professional & technical	23%
Administrative, clerical & secretarial	10%
Skilled trades	3%
Personal service	0%
Sales & customer service	0%
Machine & transport operatives	12%
Elementary	7%

Source: LFS weighted to employment structure in the North West from ABI 2002

In the Hi-tech Medical sector a quarter of employees are Professionals and 23% are in Associate Professional and Technical occupations.

**Demand**

Our projections of annual demand in the Biomedical sector for staff qualified to Level 2 and Level 3 are 190 and 69 respectively.

<sup>19</sup> Source: NWRDA website

<sup>20</sup> North West Strategic Review of Skills Provision, Bio-Technology Sector Final Report

<sup>21</sup> North West Strategic Review of Skills Provision, Bio-Technology Sector Final Report

**Supply**

The Sector Subject Area definitions are not sufficiently disaggregated to identify provision in this sector.

**Skills Needs and Challenges:**

**Specific Skills Needs**

- Bioprocessing and pharmaceutical industry specific key skills;
- Technical skills;
- Level 2 STEM subjects; and
- Level 3 STEM subjects.

**Challenges**

The key challenge for the sector is attracting high calibre candidates with the necessary technical skills in STEM subject areas.

**6.3.3 Construction**

**Context**

- Definition: This sector covers all building trades and services as well as civil engineering and specialist services such as demolition.
- Sector Skills Council: Construction Skills
- The Construction sector in the North West employs over 151,000 people, equivalent to 5% of the workforce.

**Workforce Profile**

The proportion of employees without Level 2 in the Construction sector is 26%, which equates to 46,029 employees.

**Occupational Profile**

Construction	Proportion of Employees
Managers and Senior Officials	12%
Professional	11%
Associate professional & technical	6%
Administrative, clerical & secretarial	7%
Skilled trades	46%
Personal service	0%
Sales & customer service	1%
Machine & transport operatives	9%
Elementary	8%

Source: LFS weighted to employment structure in the North West from ABI 2002

Almost half of employees are in Skilled Trade occupations and 12% are Managers.

**Demand**

Our projections of annual demand in the Construction sector for staff qualified to Level 2 and Level 3 are 1,619 and 2,115 respectively.

**Supply**

Based on the Construction SSA:

**Construction Supply of Full Level 2 / Level 3 2005/06**

	Number 2005/06		Success Rate 2005/06	
	Full L2	Full L3	Full L2	Full L3
FE 16 - 18	1,854	589	34%	56%
Adults	3,395	1,322	69%	59%
WBL 16 - 18	4,715	1,913	50%	70%
Adults	1,132	900	55%	65%
Total	11,096	4,724		

Source: LSC

In 2005/06 there were 11,096 learning opportunities for full Level 2 and 4,724 for full Level 3. Success rates vary significantly. The success rate for young people in WBL at full Level 3 is 70%. Just 33% of 16 – 18 year olds achieve Full Level 2 in construction in the FE sector.

**Skills Needs and Challenges:****Specific Skills Needs**

- Traditional building craft skills.

**Challenges**

- Need to focus on Technical, Supervisory, and Management and Professional occupations; and
- Assessors/trainers in short supply.

**6.3.4 Digital and Creative Industries****Context**

- Definition: The Digital and Creative Industries sector incorporates digital industries, information and communication technologies, and new media, arts and culture.
- Relevant Sector Skills Council(s): Creative and Cultural Skills, Skillset, E-Skills
- The Digital and Creative Industries sector in the North West employs 128,000 people.

**Workforce Profile**

The proportion of employees without Level 2 in the Digital sector are 11,522 (Creative and Cultural Industries SSC – 1,345, Skillset 1,046 and E-Skills 9,142).

**Digital Occupational Profile**

Digital	Proportion of Employees
Managers and Senior Officials	26%
Professional	34%
Associate professional & technical	13%
Administrative, clerical & secretarial	10%
Skilled trades	10%
Personal service	0%
Sales & customer service	7%
Machine & transport operatives	0%
Elementary	1%

Source: LFS weighted to employment structure in the North West from ABI 2002

In the Digital sub-sector 34% of employees are Professionals and 26% are Managers.

**Creative Occupational Profile**

Creative	Proportion of Employees
Managers and Senior Officials	21%
Professional	3%
Associate professional & technical	37%
Administrative, clerical & secretarial	10%
Skilled trades	14%
Personal service	1%
Sales & customer service	4%
Machine & transport operatives	3%
Elementary	7%

Source: LFS weighted to employment structure in the North West from ABI 2002

In the Creative sub-sector 37% of employees are Associate Professionals and 21% are Managers.

### **Demand**

Our projections of annual demand in the Digital sub-sector for staff qualified to Level 2 and Level 3 are 447 and 330 respectively. For the Creative sub-sector this is 445 and 443 for Level 2 and Level 3 respectively. This is a total of 892 for Level 2 and 773 for Level 3.

### **Supply**

The Sector Subject Area definitions are not sufficiently disaggregated to identify provision in this sector.

### **Skills Needs and Challenges:**

#### **Specific Skills Needs**

Digital sector:

- Engaging workless through IT training;
- Skilled technicians at Level 3;
- IT graduates; and
- Knowledge and interpersonal skills in graduates.

Creative sector:

- Level 3 up-skilling in technical and sales occupations;
- Level 4; and
- Entrepreneurial skills.

#### **Challenges**

Digital sector:

- Uptake of BSc (Hons) in Information Technology Management and Business Programme;
- Strengthening graduate skills base; and
- Developing access routes.

Creative sector:

- Evaluate feasibility of implementing modular i.e. flexible accreditation; and
- Explore opportunities to deliver an entrepreneurial based qualifications.

## **6.3.5 Education and Training**

### **Context**

- Definition: Community based learning and development, further education, higher education, library and information services, work-based learning.
- Relevant Sector Skills Council(s): Lifelong Learning UK
- The Education and Training sector in the North West employs over 280,000 people, equivalent to 9.5% of the workforce.

### **Workforce Profile**

The proportion of employees without Level 2 in the Education and Training sector is 8%, which equates to 5,648 employees.

### **Occupational Profile**

Education and Training	Proportion of Employees
Managers and Senior Officials	3%
Professional	49%
Associate professional & technical	6%
Administrative, clerical & secretarial	8%
Skilled trades	2%
Personal service	19%
Sales & customer service	0%
Machine & transport operatives	1%
Elementary	11%

Source: LFS weighted to employment structure in the North West from ABI 2002

In the Education sector almost half of employees are in Professional occupations and 19% are in Personal Service occupations.

### **Demand**

Our projections of annual demand in the Education and Training sector for staff qualified to Level 2 and Level 3 are 3,515 and 1,190 respectively.

### **Supply**

Based on Education and Training SSA:

## Education Supply of Full Level 2 / Level 3 2005/06

	Number 2005/06		Success Rate 2005/06	
	Full L2	Full L3	Full L2	Full L3
FE 16 - 18	10	13	45%	30%
Adults	274	1,270	71%	58%
WBL 16 - 18	1	1	N/A	100%*
Adults	5	5	N/A	100%*
Total	290	1,289		

Source: LSC

\* Note very low numbers.

There is a total of 290 learning opportunities at Full Level 2, and 1,289 at Full Level 3. Most learners are adults in the FE sector.

**Skills Needs and Challenges:****Specific Skills Needs**

- Level 2 and level 3 in support staff.

**Challenges**

- Meeting Government targets for qualified teaching workforce, especially in WBL provision;
- Embed provision of new vocational qualifications at level 2 and level 3 to facilitate entrance into the sector and provide progression routes.

## 6.3.6 Energy and Environmental Technologies

**Context**

- Definition: The Energy and Environmental Technologies sub-sector includes activity in: nuclear power and energy; waste management and recycling; water and wastewater treatment; energy management; air pollution control; environmental monitoring and instrumentation; environmental consultancy services; contaminated land remediation; renewable energy; marine pollution control; and noise and vibration control.<sup>22</sup>
- Relevant Sector Skills Council(s): Energy and Utility Skills and LANTRA (Environment / Land Based)
- The Energy and Environmental Technologies sector in the North West employs approximately 53,000 people.

**Workforce Profile**

The proportion of employees without Level 2 in the Energy and Environmental sector is 29% in the Energy SSC and 41% in the Environment SSC, which equates to 9,722 and 5,926 employees respectively.

**Energy Occupational Profile**

Energy	Proportion of Employees
Managers and Senior Officials	14%
Professional	13%
Associate professional & technical	15%
Administrative, clerical & secretarial	13%
Skilled trades	21%
Personal service	0%
Sales & customer service	9%
Machine & transport operatives	12%
Elementary	3%

Source: LFS weighted to employment structure in the North West from ABI 2002

In the Energy sector over a fifth of employees are in Skilled Trade occupations and 15% are Associate Professionals.

<sup>22</sup> West Yorkshire SEA 2006, EKOS Consulting

**Environment Occupational Profile**

Environmental Technologies	Proportion of Employees
Managers and Senior Officials	14%
Professional	10%
Associate professional & technical	13%
Administrative, clerical & secretarial	12%
Skilled trades	6%
Personal service	2%
Sales & customer service	3%
Machine & transport operatives	22%
Elementary	19%

Source: LFS weighted to employment structure in the North West from ABI 2002

In the Environmental Technologies sector 22% of employees are Machine and Transport Operatives and 19% are in Elementary occupations.

**Demand**

Our projections of annual demand in the Energy and Environmental Technologies sector for staff qualified to Level 2 and Level 3 are as follows:

Energy	Level 2 – 396	Level 3 - 242
Environmental Technologies	Level 2 - 364	Level 3 - 83.
<b>Total</b>	<b>Level 2 – 758</b>	<b>Level 3 – 325</b>

**Supply**

The Sector Subject Area definitions are not sufficiently disaggregated to identify provision in this sector.

**Skills Needs and Challenges:****Specific Skills Needs**

Energy sector:

- Level 2 and General, Domestic NVQ Level 3 and Electrical Engineers NVQ Level 3;
- Leadership, management and marketing skills; and
- Science and engineering graduates.

Environmental Technologies sector:

- Physics and chemistry provision in schools;
- Professional apprenticeships;
- BIT NVQ Level 3/4; and

- Marketing skills in higher skills occupations.

**Challenges**

Energy sector:

- Business and project management skills provision in science and engineering undergraduate courses.

Environmental Technologies sector:

- Business skills in HE courses; and
- Support and provision for young firms in basic business skills.

### 6.3.7 Financial Services

#### Context

- Definition: The Financial Services sector incorporates – banks (retail and wholesale); building societies; financial advisers; general and life insurance; insurance brokers; investment management; pension fund management; and stockbrokers.
- Relevant Sector Skills Council(s): Financial Services Skills Council
- The Financial Services sector in the North West employs over 400,000 people.

#### Workforce Profile

The proportion of employees without level 2 in the Financial Services sector is 17%, which equates to 18,111 employees.

#### Financial Services Occupational Profile

Financial and professional services	Proportion of Employees
Managers and Senior Officials	19%
Professional	13%
Associate professional & technical	19%
Administrative, clerical & secretarial	27%
Skilled trades	2%
Personal service	1%
Sales & customer service	5%
Machine & transport operatives	1%
Elementary	12%

Source: LFS weighted to employment structure in the North West from ABI 2002

In the Financial Services sector over a quarter of employees are in Administrative, Clerical and Secretarial occupations. Managers and Associate Professionals each account for 19% of employees.

#### Demand

Our projections of annual demand in the Financial Services sector for staff qualified to Level 2 and level 3 are 5,139 and 1,578 respectively.

#### Supply

#### Business and Professional Services Supply of Full Level 2 / Level 3 2005/06

	Number 2005/06		Success Rate 2005/06	
	Full L2	Full L3	Full L2	Full L3
FE 16 - 18	1,515	3,045	61%	56%
Adults	2,833	2,805	66%	61%
WBL 16 - 18	2,638	650	63%	78%
Adults	2,247	1,740	64%	66%
Total	9,233	8,240		

Source: LFS weighted to employment structure in the North West from ABI 2002

Note: Business, Administration and Law numbers and success rates

#### Skills Needs and Challenges:

##### Specific Skills Needs

- Entrepreneurial skills; and
- Leadership and management skills.

##### Challenges

- Supporting the development of a centre of excellence in HE;
- Development of foundation degrees; and
- Establishing bespoke business training programmes which allow for mentoring and graduate placements.

### 6.3.8 Food and Drink

#### Context

- Definition: The Food and Drink sector incorporates agriculture, manufacturing and processing, wholesale of food and drink products, and the retail of food and drink..
- Relevant Sector Skills Council(s): Improve Ltd.
- The Food and Drink sector in the North West employs 114,000 people.

#### Workforce Profile

The proportion of employees without Level 2 in the Food and Drink sector is 45%, which equates to 17,785 employees.

#### Occupational Profile

Food and Drink	Proportion of Employees
Managers and Senior Officials	18%
Professional	3%
Associate professional & technical	7%
Administrative, clerical & secretarial	8%
Skilled trades	7%
Personal service	0%
Sales & customer service	17%
Machine & transport operatives	24%
Elementary	16%

Source: LFS weighted to employment structure in the North West from ABI 2002

Almost a quarter of employees are in Machine and Transport Operative occupations and 18% are Managers.

#### Demand

Our projections of annual demand in the Food and Drink sector for staff qualified to Level 2 and Level 3 are 2,238 and 561 respectively.

#### Supply

The Sector Subject Area definitions are not sufficiently disaggregated to identify provision in this sector.

#### Skills Needs and Challenges:

##### Specific Skills Needs

- ESOL;
- Leadership and Management Skills; and
- Specialist skills in food science and food technology.

##### Challenges

- Provision of degree level qualification in operational and engineering management.

### 6.3.9 Health and Social Care

#### Context

- Definition: The Health and Social Care sector includes: medicine and dentistry, nursing and subjects and vocations allied to medicine, health and social care, public services, child development and well being.
- Relevant Sector Skills Council(s): Skills for Care and Development, and Skills for Health, Government Skills
- The Health and Social Care sector in the North West employs some 383,000 people, equivalent to 11% of the workforce.

#### Workforce Profile

The proportion of employees without Level 2 in the Health and Social Care sector is 20.5%, which equates to 74,414 employees.

#### Health and Social Care Occupational Profile

Health & Social Care	Proportion of Employees
Managers and Senior Officials	7%
Professional	11%
Associate professional & technical	28%
Administrative, clerical & secretarial	12%
Skilled trades	2%
Personal service	31%
Sales & customer service	0%
Machine & transport operatives	1%
Elementary	7%

Source: LFS weighted to employment structure in the North West from ABI 2002

In the Health and Social Care sector almost a third of employees are in Personal Service occupations and 28% are Associate Professionals.

#### Demand

Our projections of annual demand in the Health and Social Care sector for staff qualified to Level 2 and Level 3 are 7,151 and 3,131 respectively.

#### Supply

Based on Health and Social Care SSA:

#### Health and Social Care Supply of Full Level 2 / Level 3 2005/06

	Number 2005/06		Success Rate 2005/06	
	Full L2	Full L3	Full L2	Full L3
FE 16 - 18	3,773	5,483	66%	58%
Adults	4,056	7,922	60%	58%
WBL 16 - 18	2,030	1,010	59%	63%
Adults	1,300	1612	57%	53%
Total	11,159	16,027		

Source: LSC

Note: Numbers include Health, Public Services and Care

There is a total of 11,159 learning opportunities at full Level 2, and 16,027 at full Level 3. Success rates vary from 66% for qualifications taken by 16 – 18 year olds in FE at full Level 2, to 53% for qualifications taken by Adults in WBL at Full Level 3.

#### Skills Needs and Challenges:

##### Specific Skills Needs

- Basic Skills;
- Healthcare awards at Level 2 and Level 3; and
- Leadership and management at Level 4.

##### Challenges

- Funding for Level 4 registered managers training;
- Partnership working (e.g. with HEIs); and
- Developing access to work placements through HEIs.

### 6.3.10 Retail

#### Context

- Definition: The retail sector is one of the largest sectors in the UK economy. It covers well-known high street names and large supermarket chains, as well as everything from corner-shops and newsagents to specialist retailers. Increasingly, large retailers have expanded their activities to e-retailing, mail order and internet services.
- Relevant Sector Skills Council(s): Skillsmart
- The Retail sector in the North West employs 314,000 people.

#### Workforce Profile

The proportion of employees without Level 2 in the Retail sector is 40%, which equates to 120,554 employees.

#### Occupational Profile

Retail	Proportion of employees
Managers and Senior Officials	18%
Professional	2%
Associate professional & technical	4%
Administrative, clerical & secretarial	7%
Skilled trades	5%
Personal service	0%
Sales & customer service	50%
Machine & transport operatives	3%
Elementary	11%

Source: LFS weighted to employment structure in the North West from ABI 2002

Half of employees are in Sales and Customer Service occupations and 18% are Managers.

#### Demand

Our projections of annual demand in the Retail sector for staff qualified to Level 2 and Level 3 are 7,547 and 2,746 respectively.

#### Supply

Based on Retail and Commercial Enterprises SSA:

#### Retail Supply of Full Level 2 / Level 3, 2005/06

	Number 2005/06		Success Rate 2005/06	
	Full L2	Full L3	Full L2	Full L3
FE 16 - 18	4,580	1,343	57%	67%
Adults	4,633	1,621	64%	66%
WBL 16 - 18	4,337	482	57%	53%
Adults	1,800	984	57%	40%
Total	15,350	4,430	-	-

Source: LSC

In 2005/06, there were 15,350 learning opportunities for full Level 2 and 4,430 for full Level 3. Success rates vary between adults and young people, and between WBL and FE.

#### Skills Needs and Challenges:

##### Specific Skills Needs

- Engaging workless through Skills for Life;
- Use of retail technical certificate at Level 2; and
- Level 3 Management, including First Line Management and BIT.

##### Challenges

- Development of bespoke NVQ / Apprenticeship; and
- Mapping in-house management development programmes to foundation degree framework.

## 7 Employability & Worklessness

### 7.1 Introduction and context

Employment has been at the centre of the EU agenda since the commitment to full employment made in 2000 by the European Council in Lisbon. The commitment stemmed from a concern about the impact on local communities created by joblessness and exclusion. This chapter examines the issue of worklessness and the particular learning needs of people outside the workforce.

An important issue to be addressed in terms of employability is the numbers of young people that are leaving school but not entering education or employment (the NEET group – Not in Employment, Education or Training). There is substantial evidence to show that the longer people remain outside employment, the lower the probability that they will find employment in the future.

On 24 January 2006, the government published a Green Paper on Welfare Reform<sup>23</sup>. The Green Paper sets an objective of achieving an employment rate of 80 per cent of the working-age population. To achieve this aim, it sets out three key deliverables:

- Reduce by 1 million the number on incapacity benefits;
- Help 300,000 lone parents into work; and
- Increase by 1 million the number of older workers.

The key programmes to support delivery are the Incapacity Benefit (IB) Pathfinders, which offers greater levels of support for IB customers in a bid to help them return to employment, and the New Deal for Lone Parents, which is a more flexible response designed to assist lone parents back into work.

At a regional level employability and worklessness strategies are also included in the Northern Way C1 strand to 'bring more people into employment' as well as the RES objectives for *Skills and Education* and *People and Jobs*.

Within the *Skills and Education* RES objective, it is noted that there is a need to 'tackle the lack of basic skills and qualifications to improve employability and reduce worklessness with activities focusing on the districts with the highest levels of working age people without qualifications'. The *People and Jobs* objective includes a focus on the health of the current and potential workforce and the need to reduce the numbers of Incapacity Benefit claimants.

### PSA Targets

A range of agencies including the LSC, Jobcentre Plus (JCP) and Strategic Health Authorities are tasked with leading activities in these areas, each operating to a set of targets, including making a contribution to the government set PSA targets.

The national LSC PSA targets include:

- Increase the proportion of 19 year olds who achieve at least NVQ Level 2 by three percentage points between 2004 and 2006, and a further two percentage points between 2006 and 2008
- Improve basic skills of 2.25 million adults between 2001 and 2010 (PSA target), with a milestone of 1.5 million in 2007.
- Reduce by at least 40% the number of adults in the workforce lacking NVQ2 or equivalent by 2010 (PSA target).

For JobCentrePlus (JCP) the current key PSA targets are:

- To reduce the rate of unemployment and increase the employment rate (PSA 3)
- To increase the relative employment rate in target areas (30 worst local authorities) and target groups (PSA 4).

The JCP target groups are:

- Lone parents;
- Black and minority ethnic groups;
- Over 50 year olds;
- Those with the lowest qualifications; and
- People with disabilities. A specific objective of JCP is to improve the rights of people with disabilities and remove obstacles which prevent them from fully taking part in society.

### Learning provision for offenders

Another group who require support to improve skills and access job opportunities is offenders – both those serving custodial sentences and those in the community. The North West is a development region for offender learning and the Offender Learning and Skills Service (OLASS) was implemented from August 2005. LSC has the lead responsibility for OLASS. Learning and skills for offenders in custody is delivered by four lead providers in the NW and is funded from outside LSC mainstream budgets. For offenders in the community (i.e. serving a community order or under supervision following release from prison), learning provision is funded from mainstream provision, supplemented by a small ring fenced budget held by the lead providers.

The North West Regional Offender Learning and Skills Strategic Plan for 2006 – 2008 sets out a multi-agency strategy for addressing the skills needs of offenders. Its vision is that:

"Offenders, in prisons and supervised in the community, should have access to learning and skills, which enable them to gain the skills and qualifications they need to hold down a job as well as

<sup>23</sup> 'A new deal for welfare: Empowering people to work'

perform a positive role in society. The content and quality of learning programmes for all offenders in custody and in the community are the same as comparable provision elsewhere.”

Eight key sectors have been identified by the National Offender Management Service for provision to offenders: Construction; Utilities; Catering and Hospitality; Industrial Cleaning; Sport and Fitness; Transport and Distribution; IT and Communication; and Horticulture.

### Definition of Worklessness

There are a number of ways of measuring worklessness. The Social Exclusion Unit (2004) describes worklessness as including “people who are unemployed or economically inactive, and who are in receipt of working age benefits.” The term worklessness therefore encompasses a broad range of individual circumstances, including both short term and long term unemployed groups. One shortcoming to this definition is that it fails to measure those individuals who may be eligible for benefits but do not claim them. In what follows, we adopt a wider definition of worklessness, which includes all working age people who are unemployed or economically inactive.

## 7.2 Employment, unemployment and economic inactivity

Of the working age population in the North West:

- 72.6% are in employment;
- 4.0% are unemployed; and
- 23.4% are economically inactive.

The table below shows the employment, unemployment and economic inactivity rates for England, the North West and each of the sub regions.

### Employment Status of Working Age Population (by %), 2005

	Economically Active		Economically Inactive	Working Age Population
	Employed	Unemployed		
England	74.6%	3.9%	21.6%	100%
North West	72.6%	4.0%	23.4%	100%
Cheshire & Warrington	77.7%	2.7%	19.6%	100%
Cumbria	76.2%	3.1%	20.7%	100%
Lancashire	73.5%	3.7%	22.8%	100%
G. Manchester	72.0%	4.2%	23.7%	100%
G. Merseyside	68.4%	5.0%	26.6%	100%

Source: Annual Population Survey, December 2005

### Employment Status of Working Age Population (by number), 2005

	Economically Active		Economically Inactive	Working Age Population
	Employed	Unemployed		
England	22,776,000	1,177,400	6,582,100	30,535,500
North West	2,975,300	164,500	959,800	4,099,600
Cheshire & Warrington	412,400	14,300	104,000	530,700
Cumbria	220,900	9,000	60,100	290,000
Lancashire	628,700	31,900	195,000	855,600
G. Manchester	1,109,500	65,000	365,600	1,540,100
G. Merseyside	603,800	44,200	235,100	883,100

Source: Annual Population Survey, December 2005

Key points to note are that:

- Compared to England, the North West has a lower rate of employment (72.6% compared to 74.6%).
- The unemployment rate in the North West is only marginally higher than the national average.
- The lower rate of employment is almost completely a result of a higher rate of economic inactivity.
- There is considerable variation across sub-regions. Of particular note are the high unemployment and inactivity rates in Greater Manchester and Greater Merseyside.

To improve its economic performance, the North West needs to increase the proportion of working age people in employment, especially those who are currently economically inactive. To enable effective targeting of individuals, to ensure they get the support they need to enter employment, it is important to understand the key characteristics of the unemployed and inactive groups. The next sections look at the characteristics of these groups in detail.

### 7.2.1 The Unemployed

#### Context

Whilst there is a working age population of 1,124,300 people in the North West who are outside of employment, the unemployment figure for the North West is 164,500. This is based upon the ILO (International Labour Organisation) definition of unemployment and only includes those people who are actively seeking to (re)enter the job market. As shown in the table above, this figure equates to 4% of the total working age population in the North West, relatively close to the national average of 3.9%.

It should be noted at this point that the standard unemployment rate, as will be used in the following analysis, is measured as a percentage of economically active (working age) population rather than total working age. If this definition is used for the overall rates as above, the figures would become 5.2% for the North West and 4.9% for England.

### The unemployment rate by gender

By gender, unemployment rates are consistently higher for males than for females across England. In the North West, the rate for males is 5.8%, compared to 4.5% for females (% economically active). The England average for males is lower than the North West at 5.3% although the female rate is the same at 4.5%.

#### Unemployment Rate (of Economically Active) by Gender, 2005

	Male		Female		Total	
	%	Number	%	Number	%	Number
England	5.3	691,200	4.5	486,200	4.9	1,177,400
North West	5.8	99,400	4.5	65,100	5.2	164,500
Cheshire & Warrington	4.0	9,200	2.6	5,200	3.4	14,300
Cumbria	4.2	5,200	3.6	3,800	3.9	9,000
Lancashire	5.4	19,600	4.1	12,400	4.8	31,900
G. Manchester	5.9	38,100	5.0	26,900	5.5	65,000
G. Merseyside	7.9	27,500	5.6	16,800	6.8	44,200

Source: Annual Population Survey, December 2005

Greater Merseyside and Greater Manchester have above regional average rates of unemployment for males and females.

### Unemployment rate by age

The age group with the highest rate of unemployment is the 16-19 group. In the North West, 20.7% of this age group are unemployed and in Greater Merseyside, this figure is 28.8%. This compares to 18.5% for England. The unemployment rate decreases with age; in the North West, only 3.0% of people aged between 50 and retirement age are unemployed.

#### Unemployment Rate by Age Group, 2005

(%)	16-19	20-24	25-34	35-49	50-retirement age	Above retirement age
England	18.5	9.5	4.6	3.1	2.9	1.9
North West	20.7	9.4	4.6	3.2	3.0	2.0
Cheshire & Warrington	15.9	4.4	2.2	2.4	2.4	2.0
Cumbria	11.4	8.1	4.6	2.6	1.8	!
Lancashire	18.1	10.0	4.5	2.9	2.3	2.9
G. Manchester	21.4	10.3	4.9	3.5	2.9	!
G. Merseyside	28.8	10.5	5.6	4.0	4.8	2.9

Source: Annual Population Survey, December 2005

### Unemployment rate by disability

Compared to the overall population, those who are disabled have consistently higher unemployment rates. In the North West, the unemployment rate for all disabled people is 7.5%, just below the England average of 7.6%. The sub-regional disparities previously noted are again present, with high rates in Greater Merseyside and Greater Manchester.

#### Unemployment Rate by Disability, 2005

	All Disabled	DDA & Work-limiting	DDA only	Work-limiting only	All Working Age
England	7.6	9.8	3.8	9.1	4.9
North West	7.5	8.9	3.6	10.1	5.2
Cheshire & Warrington	5.5	8.6	!	!	3.4
Cumbria	2.7	!	!	!	3.9
Lancashire	7.6	7.4	4.4	11.1	4.8
G. Manchester	8.1	10.1	2.0	12.9	5.5
G. Merseyside	9.6	11.4	6.1	11.2	6.8

Source: Annual Population Survey, December 2005

! = data suppressed due to small sample size

### Unemployment rate by ethnicity

By ethnicity, a number of patterns emerge across all geographic areas. Firstly, the white population has the lowest unemployment rates, closely followed in most areas by those of Indian ethnicity. The 'other' ethnic group has unemployment rates that are close to, albeit slightly higher than, overall averages. Meanwhile, ethnicities with the highest unemployment rates are Pakistani/Bangladeshi and Black/Black British. In the North West, figures for these groups are 6.3% and 8.7% respectively. In Greater Merseyside, the unemployment rate amongst the Black/Black British group is nearly twice the national average.

#### Unemployment Rate (of Working Age Population) by Ethnicity, 2005

	White	Indian	Pakistani/Bangladeshi	Black/Black British	Other Ethnic
England	3.5%	5.2%	6.8%	9.5%	5.9%
North West	3.8%	3.7%	6.3%	8.7%	5.9%
Cheshire & Warrington	2.7%	!	!	!	!
Cumbria	3.1%	!	!	!	!
Lancashire	3.6%	4.7%	!	9.5%	3.7%
G. Manchester	4.0%	3.9%	6.1%	7.5%	5.4%
G. Merseyside	4.8%	!	!	17.9%	9.3%

Source: Annual Population Survey, December 2005

! = data suppressed due to small sample size

### Duration of unemployment

Analysis of unemployment claimant count data, that is the numbers of people claiming Job Seeker's Allowance (JSA), allows an analysis of the duration of unemployment. (The number of people unemployed in the region based on the claimant count, 117,000, is lower than based on the more comprehensive ILO definition, 164,500.

Duration of unemployment is shown in the table below. Only 4% of the unemployed (4,700 people) in the region have been unemployed for over two years, indicating that unlike in the 1980s and 1990s, long-term unemployment is no longer a major issue. It should be noted however, that the majority of incapacity benefit recipients are long-term claimants.

#### JSA Claimants by Duration of Claiming (%), 2006

	0-6 months	6 months - 2 years	Over 2 years	All Durations
England	62.9	32.4	4.4	100
North West	65.8	30.2	4.0	100
Cheshire & Warrington	70.0	28.2	1.8	100
Cumbria	65.8	30.0	4.3	100
Lancashire	73.2	24.4	2.6	100
G. Manchester	67.2	29.9	2.8	100
G. Merseyside	59.9	33.8	6.4	100

Source: ONS; Claimant Count Age & Duration, August 2006

Note: Claimants and working age population are based on location of residence

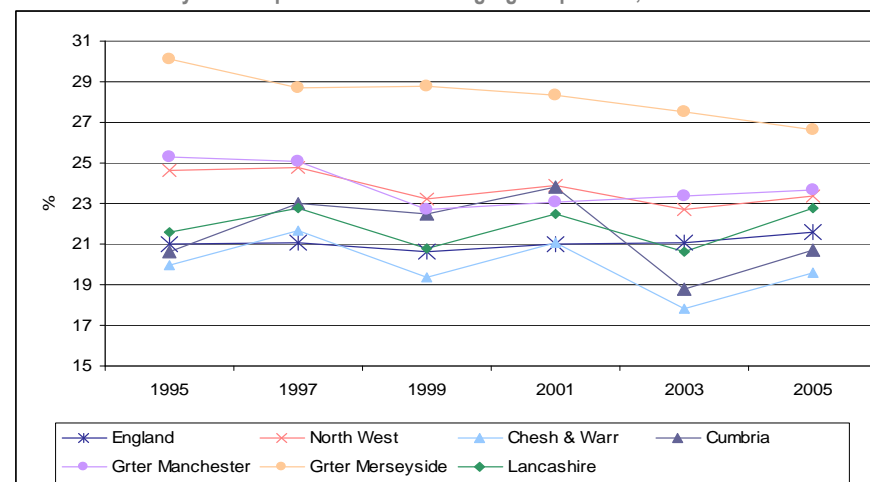
### 7.2.2 Economically Inactive

#### Context

Of the 1,124,300 people in the North West who are not in work, and excluding those who are classed as unemployed, 959,800 people are economically inactive. This figure equates to nearly a quarter of the working age population in the North West at 23.4%. In comparison, the economic inactivity rate for England is 21.6%, nearly 2 percentage points lower than the North West.

As shown in the figure below, this gap with England has been a consistent feature of the past ten years. The rate of economic inactivity in Greater Merseyside has consistently been above the North West average over the past ten years, although the recent upturn in inactivity in the North West (and in England) has not been seen in Greater Merseyside, where the inactivity rate has continued to fall.

### Economic Inactivity as a Proportion of the Working Age Population, 1995-2005



Source: ONS; LFS – Quarter Averages and Annual Population Survey, 1995-2005 (Appendix Table A)

As shown in the table below, the Annual Population Survey gives us an estimate of the proportion of the economically inactive who wish to work. In the North West, this figure is 20%, equivalent to 191,000 people. Of those who do want a job in the North West, the most frequent reasons for not being able to do so are (in descending order): long-term sickness; looking after family/home; 'other' reasons; and being a student.

#### Profile of Economically Inactive Population, 2005

% of economically inactive	DO NOT want a job	DO want a job	DO want a job (Breakdown)			
			Long-term sick	Looking after family/home	Students	Other reason
England	76.1%	23.9%	6.6%	6.8%	3.0%	4.3%
North West	80.1%	19.9%	6.6%	5.2%	2.1%	3.4%
Cheshire & Warrington	84.2%	15.8%	4.2%	4.7%	1.5%	2.2%
Cumbria	76.2%	23.8%	7.9%	6.2%	2.4%	5.0%
Lancashire	80.2%	19.8%	5.7%	5.7%	2.3%	3.3%
G. Manchester	78.8%	21.2%	7.9%	5.2%	2.0%	3.9%
G. Merseyside	81.3%	18.7%	6.3%	4.9%	2.2%	2.7%

Source: Annual Population Survey, December 2005

#### Economic Inactivity by gender

Nationally, the rate of economic inactivity is higher for females than for males - 26.9% versus 16.5%. In the North West, the rate of inactivity for males is notably higher than the national average (by 2.8%

points), indicating that economic inactivity amongst males is a particular issue for the region. Greater Merseyside has a rate of male inactivity that is significantly above the regional and England averages (at 22.3%). The female inactivity rate in Greater Merseyside is also relatively high.

#### Economic Inactivity Rate (of Working Age Population) by Gender, 2005

	Male		Female		Total	
	%	Number	%	Number	%	Number
England	16.5	2,591,200	26.9	3,990,900	21.6	6,582,100
North West	19.3	406,800	27.8	553,000	23.4	959,800
Cheshire & Warrington	16.3	44,800	23.2	59,200	19.6	104,000
Cumbria	17.7	26,800	24.0	33,300	20.7	60,100
Lancashire	18.8	82,900	27.1	112,100	22.8	195,000
G. Manchester	19.3	152,700	28.5	212,900	23.7	365,600
G. Merseyside	22.3	99,600	31.1	135,500	26.6	235,100

Source: Annual Population Survey, December 2005

#### Economic Inactivity by age

Economic inactivity by age categories is shown below. The high rate of inactivity amongst 16-19 year olds reflects the fact that many are in full time education. Excluding the 50+ group, there is a clear decrease in inactivity with age.

#### Economic Inactivity Rate (of Working Age Population) by Age Group, 2005

	16-19	20-24	25-34	35-49	50-retirement age
England	43.2	24.8	16.5	15.0	26.7
North West	44.0	23.2	17.0	15.6	32.4
Cheshire & Warrington	42.0	15.6	13.4	13.2	26.9
Cumbria	31.1	17.6	14.0	13.4	32.2
Lancashire	41.1	23.4	15.7	15.1	31.9
G. Manchester	45.8	25.9	17.1	15.8	32.2
G. Merseyside	48.5	23.5	21.3	17.9	36.8

Source: Annual Population Survey, December 2005

#### Economic Inactivity by disability

Nationally, the rate of economic inactivity for people with a disability is significantly higher than for the population average. This is a particular issue in the North West, which has an inactivity rate for people with a disability of 52.5%, 7.6% points above the national average. All sub-regions in the North West have an above national average rate, with a range of 47.8% in Cheshire and Warrington to 58.1% in Greater Merseyside.

#### Economic Inactivity Rate (of Working Age Population) by Disability, 2005

	Disabled	DDA & Work-limiting	DDA only	Work-limiting only	All Working Age
England	44.9	61.8	15.2	25.1	21.6
North West	52.5	68.4	16.5	28.4	23.4
Cheshire & Warrington	47.8	59.6	22.0	29.6	19.6
Cumbria	48.6	63.3	18.6	31.2	20.7
Lancashire	48.7	66.3	15.0	21.5	22.8
G. Manchester	53.3	69.7	16.4	27.1	23.7
G. Merseyside	58.1	73.5	14.7	36.5	26.6

Source: Annual Population Survey, December 2005

#### Economic Inactivity by ethnicity

The table below shows economic inactivity by ethnicity. Nationally, the highest rate of inactivity is seen in people in the Pakistani/Bangladeshi category, whereas the lowest rate is seen in people in the White category. National patterns are mirrored in the North West and in general, the rates of inactivity by ethnic group in the North West are similar to the England averages. The exception is the Indian ethnic group; people in this group in the North West have a rate of economic inactivity that is 10.5% points higher than the England average.

#### Economic Inactivity Rate (of Working Age Population) by Ethnicity, 2005

	White	Indian	Pakistani/Bangladeshi	Black/Black British	Other Ethnic
England	20.0	25.3	49.4	28.5	34.9
North West	22.3	35.8	50.7	28.8	32.2
Cheshire & Warrington	19.3	!	!	!	23.9
Cumbria	20.8	!	!	!	!
Lancashire	21.1	43.1	51.9	24.5	39.0
G. Manchester	21.7	34.1	50.8	28.6	37.5
G. Merseyside	26.6	21.9	30.1	31.8	20.2

Source: Annual Population Survey, December 2005

! = Data is suppressed due to small sample size

### 7.2.3 Incapacity Benefit (IB) and Severe Disablement Allowance (SDA)

#### Context

The table below shows the claimant rates for major benefit types in the North West and England. A high proportion of workless people are in receipt of Incapacity Benefit, and this is a key target group for efforts to reduce worklessness. There is a reasonable level of characteristics data on IB/SDA claimants, which is summarised in the following paragraphs. This gives some indication of the type of barriers to employment that exist for IB/SDA claimants.

Proportion of Working Age Population claiming DWP Benefits by Type, February 2006

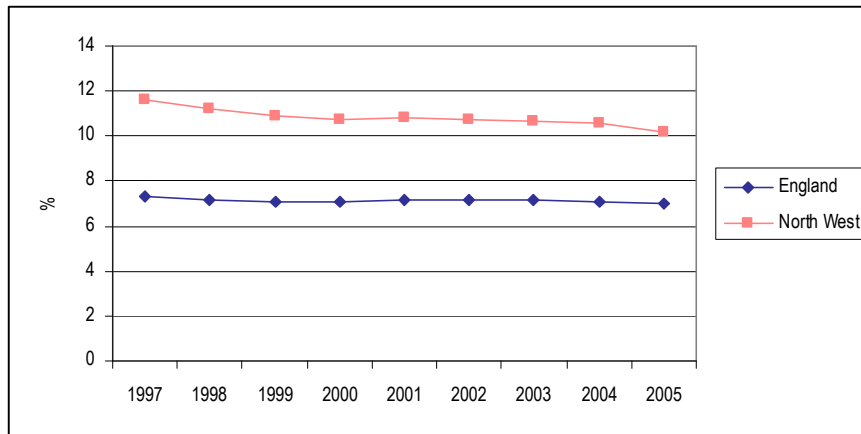
	Job Seeker's Allowance (JSA)	Incapacity Benefit (IB)	Severe Disablement Allowance (SDA)	Income Support (IS)	Disability Living Allowance (DLA)	Total Claimants
England	2.5	6.0	0.6	6.2	4.3	13.0
North West	2.7	8.9	0.7	7.9	5.9	16.7
Cheshire & Warrington	1.7	5.5	0.6	4.3	4.0	10.4
Cumbria	2.0	7.1	0.6	4.9	5.0	12.9
Lancashire	2.3	8.4	0.8	6.9	5.8	15.3
G. Manchester	2.6	9.4	0.6	8.5	5.7	17.3
G. Merseyside	4.0	10.9	1.0	11.0	7.9	22.2

Source: ONS; DWP Benefits Data, February 2006

Note: There is overlap between these categories due to some people claiming for more than one benefit type. Also, figures for JSA, IB and SDA in this table are fractionally different to those highlighted in tables for specific benefits due to a small remainder category.

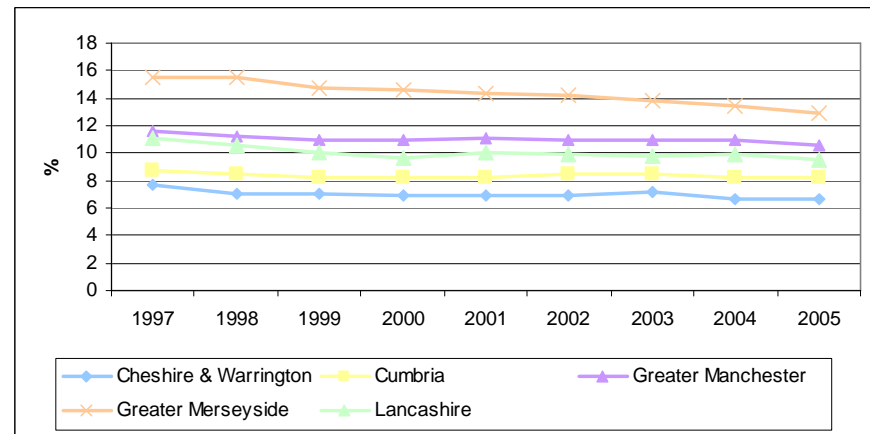
Over the past eight years, the rate of people claiming IB and/or SDA has remained fairly stable although the North West rate has been decreasing and is closing the gap with the English average. Within the North West, trends since 1997 have been relatively stable. One exception is Greater Merseyside though which has decreased its claimant rate significantly, albeit from a much higher starting point. (see the two charts below).

IB and SDA Claimants as a Proportion of the Working Age Population, 1995-2005



Source: ONS; DWP Benefits Data, February 2006

IB and SDA Claimants as a Proportion of the Working Age Population, 1995-2005



Source: ONS; DWP Benefits Data, February 2006

The number of people claiming IB/SDA in the North West is 372,600. The highest numbers are in Greater Manchester and Greater Merseyside.

IB/SDA Claimants by Number and as a Proportion of the Working Age Population by Benefit Type, 2006

	Incapacity Benefit		Severe Disablement Allowance		IB + SDA	
	%	Number	%	Number	%	Number
England	6.1	1,882,900	0.7	229,300	6.8	2,112,200
North West	8.9	372,600	0.9	37,400	9.8	410,000
Cheshire & Warrington	5.5	29,600	0.7	3,800	6.3	33,400
Cumbria	7.1	21,200	0.8	2,300	7.9	23,500
Lancashire	8.4	73,000	0.9	8,100	9.3	81,100
G. Manchester	9.4	149,000	0.8	12,000	10.1	161,000
G. Merseyside	11.0	99,800	1.2	11,200	12.2	111,000

Source: ONS; DWP Benefits Data, February 2006

Note: Claimants and working age population are based on location of residence

The IB data allows us to look at some of the principal reasons for economic inactivity in the population. The table below show the most common conditions of those claiming IB/SDA in the North West. As is also the case for England, by far the most common condition of claimants relates to the Mental/Behavioural disorder category, with 40.6% of recipients having a condition in this category.

**IB/SDA Claimants by (6 most common) Conditions, 2006**

% of all IB/SDA claimants	Mental / behavioural	Nervous system	Circulatory system	Musculo-skeletal	Abnormal clinical findings	Injury	All Other
England	39.8	6.4	5.7	18.5	11.5	5.3	12.7
North West	40.6	5.7	6.2	18.7	11.3	5.3	12.3
Cheshire & Warrington	38.3	6.3	6.9	18.9	10.8	5.7	13.2
Cumbria	35.7	6.4	6.8	20.9	11.1	6.8	12.3
Lancashire	38.6	6.0	6.4	19.4	11.8	5.4	12.3
G. Manchester	42.9	5.5	6.0	17.6	11.2	5.2	11.7
G. Merseyside	40.4	5.3	5.9	19.2	11.2	5.0	13.1

Source: ONS; DWP Benefits Data, February 2006 (Tables B and C of appendix)

Unlike unemployment benefit, a very high proportion of IB/SDA claimants have been in receipt of benefit for more than two years – 78% of recipients in the region, compared to 76% nationally.

**IB/SDA Claimants by Duration of Claiming, 2005**

% of all IB/SDA claimants	0-6 months	6 months - 2 years	Over 2 years	All Durations
England	8.0	15.9	76.1	100
North West	7.4	14.6	78.1	100
Cheshire & Warrington	6.3	15.3	78.4	100
Cumbria	6.8	14.5	78.7	100
Lancashire	8.0	15.2	76.8	100
G. Manchester	7.4	15.2	77.4	100
G. Merseyside	7.3	13.0	79.6	100

Source: ONS; DWP Benefits Data, February 2006

**7.2.4 Other groups that face barriers to employment**

Two groups that face barriers to employment due to their personal circumstances are lone parents and people with care responsibilities.

**Lone Parents**

In 2001, there were 215,600 lone parent households in the North West, or 7.6% of all households in the region. As shown in the table below, 47.8% of these households are in employment, a figure that is considerably lower than the rate for two-parent households. This picture is repeated across the region and in comparison to the English average, the North West is lower by 1.8 percentage points. Within the region, Greater Merseyside has the lowest rate of employment among lone parents.

Furthermore, it should be noted that over half of lone parents employed in the North West, are in part-time jobs rather than working full-time.

**Employment Rate of Lone Parents by Full Time/Part Time Job, 2001**

	% in PT Emp		% in FT Emp		Total % in Emp	
	%	Number	%	Number	%	Number
England	24.6	322,172	24.9	326,897	49.5	649,069
North West	24.7	53,178	23.1	49,834	47.8	103,012
Cheshire & Warrington	28.6	5,468	29.4	5,621	58.0	11,089
Cumbria	31.0	3,539	21.6	2,472	52.6	6,011
Lancashire	26.7	11,047	25.8	10,705	52.5	21,752
Greater Manchester	24.1	20,152	24.0	20,112	48.1	40,264
Greater Merseyside	21.6	12,967	18.2	10,928	39.9	23,895

Source: Census 2001

By gender, male lone parents are far more likely to be in employment compared to female lone parents. Also, the large majority of males are in full time jobs whilst more than half of females are in part-time work. The data clearly highlights female lone parents as one group that finds it particularly difficult to engage in full time employment.

**Employment Rate of Lone Parents by Full Time/Part Time Job and by Gender, 2001**

	Male Lone Parents			Female Lone Parents		
	% in PT Emp	% in FT Emp	Total % in Emp	% in PT Emp	% in FT Emp	Total % in Emp
England	7.0	56.3	63.2	26.4	21.6	48.0
North West	6.6	52.2	58.8	26.4	20.3	46.7
Cheshire & Warrington	6.4	62.8	69.2	31.2	25.4	56.6
Cumbria	6.8	55.3	62.1	33.8	17.7	51.5
Lancashire	7.2	54.5	61.7	28.8	22.8	51.5
Greater Manchester	6.7	50.9	57.6	25.8	21.4	47.2
Greater Merseyside	5.9	46.1	52.0	22.8	16.2	39.0

Source: Census 2001

**Carers**

According to the latest Census, there were 668,471 people in the North West in 2001 who act as carers; this equates to 14% of the regional population. Of these, the large majority spend between 1-19 hours a week caring for another person.

**Proportion of the Population who act as Carers, 2001**

Hours per week	% of Total Population			All Carers	
	1-19 Hours	20-49 Hours	50+ Hours	% of Population	Number
England	8.9	1.4	2.5	12.8	4,464,769
North West	9.3	1.7	3.0	14.0	668,471
Cheshire & Warrington	9.9	1.7	2.4	13.6	84,856
Cumbria	9.4	1.5	2.6	13.6	47,439
Lancashire	9.6	1.6	2.9	14.1	140,366
G. Manchester	9.0	1.6	2.9	13.5	238,205
G. Merseyside	9.1	2.1	3.8	15.0	157,602

Source: Census 2001

Note: figures for 16-74 population and not just working age population

Referring to the table below, unemployment rates for carers are actually relatively low and this is mostly due to few carers actively seeking employment. In contrast, carers do have relatively high economic inactivity rates (as shown below), although further analysis reveals a number of caveats to this finding (see appendix). Firstly, whilst economic inactivity rates are relatively low for those caring for between 1-19 hours a week, it is the 20+ hour carers that have significantly higher economic inactivity rates. Also, these figures include retired economically inactive. If this group is removed, the economic inactivity rates become lower for all types of carer.

**Proportion of Households with Carer(s), 2001**

	Unemployed		Economically Inactive	
	All People	All Carers	All People	All Carers
England	3.4	2.8	32.6	39.4
North West	3.6	2.9	35.6	41.5
Cheshire & Warrington	2.6	2.3	31.5	38.7
Cumbria	3.4	2.7	34.1	40.6
Lancashire	3.2	2.5	34.9	40.8
G. Manchester	3.5	2.8	35.1	40.7
G. Merseyside	4.9	4.0	40.1	45.0

Source: Census 2001

Note: figures for 16-74 population and not just working age population

**7.3 Demand for training****Potential demand for training from within the workless group**

We have undertaken analysis to get an indication of the potential demand for training by people who are unemployed or economically inactive in the North West.

We derived these estimates on the assumption that all unemployed people and approximately 20% of the economically inactive are potentially in the market for training. The economically inactive figure of 20% is based on the proportion of IB recipients who stated that they wanted to work, and does vary somewhat across sub-regions (we used the sub-regional figures to derive the estimates).

We apply these proportions to the unemployed and inactive populations for the region and sub-regions, to derive estimates of the potential demand for training from workless people by level of qualification. The level breakdown is based on applying the qualification profile of the economically inactive population to our total need estimates. The qualification profile of the economically inactive is derived from a comparison of qualification attainment profiles for the working age and economically active populations.

The qualification profiles of the economically active and inactive populations in the North West (and each sub-region) are shown in the table below; the qualification profile of the inactive population is heavily skewed toward lower levels of qualification, when compared to the profile for the economically active.

**Qualification Profile (%) of the Economically Active Population, 2006**

	Level 4+	Level 3	Level 2	No Level 2
England	30.7	19.6	21.2	28.5
North West	29.2	20.5	21.6	28.7
Cheshire & Warrington	35.7	19.1	20.4	24.8
Cumbria	26.8	21.6	24.2	27.4
Lancashire	30.0	21.3	20.7	28.1
G. Manchester	28.2	20.8	21.9	29.1
G. Merseyside	26.9	19.4	22.1	31.6

Source: DfES, 2006

**Qualification Profile (%) of the Economically Inactive Population, 2006**

Area	Level 4+	Level 3	Level 2	No Level 2
Cheshire & Warrington	16.2	16.7	21.0	46.1
Cumbria	11.2	9.8	26.5	52.4
Lancashire	9.5	15.7	24.2	50.6
Greater Manchester	8.5	14.2	21.6	55.7
Gtr Merseyside	6.9	13.8	21.0	58.3

Source: DfES, 2006

Our estimates of the potential demand for training by workless people are shown in the table below. These are by their nature of calculation only indicative, but they give some feel for the potential scale of demand. Given the high proportion of economically inactive people with a low level of educational attainment, the figures indicate that the greatest potential demand is for learning/training

opportunities for people with below level 2 qualifications, with an estimated 193,000 people potentially demanding support below or at level 2.

The NEET problem is spatially concentrated and there are five districts with a very high proportion of young people in the NEET group. These are shown in the table below.

#### Potential Training Demand by Workless Adults

Area	Level 4+	Level 3	Level 2	No Level 2	Total
Cheshire & Warrington	4980	5125	6453	14174	<b>30732</b>
Cumbria	2618	2289	6181	12216	<b>23304</b>
Lancashire	6697	11068	17038	35707	<b>70510</b>
Greater Manchester	12073	20273	30824	79337	<b>142507</b>
Gtr Merseyside	6058	12181	18553	51372	<b>88164</b>
Total	<b>32426</b>	<b>50936</b>	<b>79048</b>	<b>192806</b>	<b>355217</b>

Source: EKOS estimate based on data from DfES, 2006

#### Not in Education, Employment or Training (NEET)

Worklessness is an issue that primarily affects the adult population. For young people, the definition of worklessness is known as NEET – the group includes 16-18 year olds who are not in education, employment or training.

NEET numbers for the North West and each sub-region are shown in the table below.

#### Percentage of 16 – 18 year olds in NEET, June 2006 and June 2005

	Jun-05	Jun-06	Number
England	8.6%	<b>8.6%</b>	94,163
North West	9.9%	<b>10.5%</b>	19,905
Greater Merseyside	12.0%	<b>12.2%</b>	5,442
Greater Manchester	10.0%	<b>11.4%</b>	6,514
Lancashire*	8.9%	<b>8.9%</b>	5,287 *
Cumbria	7.7%	<b>7.7%</b>	1,028
Cheshire & Warrington	6.9%	<b>6.8%</b>	1,634

Source: Connexions

\* Lancashire figures are based on March data

The North West has a higher proportion of 16-18 year olds classed as NEET compared to England (10.5% against 8.6%), and the relative position worsened between 2005 and 2006. The target for the North West is for the number of young people that are NEET to be reduced by more than 20% from this figure by 2010. The proportion of young people in NEET (and the absolute number) are particularly high in Greater Manchester and Greater Merseyside. There was a sharp increase in the proportion in NEET in Greater Manchester between 2005 and 2006.

**NEET 'Hotspots' – Highest Proportion of 16 – 18 year olds in NEET, June 2006**

	% and Number NEET	
Knowsley	16.1%	662
City of Manchester	15.4%	1,656
Halton	15.3%	584
Rochdale	15.2%	753
Liverpool	14.8%	1,818

Source: Connexions

Other districts with above average NEET rates include: Blackpool (12.9%); Nelson (12.6%); Bolton (12.5%); and Wigan (11.9%).

**7.4 Supply (provision) of Training**

Many people who are unemployed or economically inactive will access learning opportunities through LSC mainstream provision. Most people in the workless group would be entitled to complete fee remission, and would not therefore need to pay for learning provided in a college setting. As we saw earlier, many people who are workless do face barriers to participating in learning, such as medical conditions, lone parenthood, or carer responsibilities.

There is provision available specifically for the workless group. The LSC provides training through the Entry to Employment Programme for young people in the NEET group (a small number of adults also participate in the programme) who require significant support to enable progression to employment or more substantial learning programmes. JobCentrePlus funds (and contracts for) a substantial amount of learning provision under the New Deal, which is available to a range of benefit recipients, including the unemployed, lone parents, and target groups with specific characteristics – for example, unemployed disabled people. Details of the Entry to Employment and JobCentrePlus funded programmes are given below.

The ESF programme that was funded under the 2000-2006 funding round also funded provision that was primarily target at workless groups. We estimate that of £26m of funds committed in the North West, just over half the total was targeted at people outside the workforce – approximately £1.5m per annum on average (funding under the 2000-06 programme can be spent up to 2008).

**Entry to Employment: Regional Overview**

Entry to Employment is an LSC programme that focuses on the needs of relatively low skilled young people<sup>24</sup>. It aims to provide the skills necessary for young people to either secure employment, or to progress to a more substantial learning programme.

<sup>24</sup> The data in this section reflects mainstream provision. Other funds, such as ESF, have been used to address this issue.

The scheme is primarily targeted at young people under 19 years of age who are not currently in education, employment or training (NEET), although a small number of adults over the age of 19 do benefit from the initiative. The table below shows the number of people who have started an E2E programme over the last three years in the North West region. The numbers reflect the scheme's aim to target those aged 16 – 18, with the majority of participants falling into this age bracket. Levels of participation between 2003 and 2006 fell for both age-groups, although this drop is considerably more significant for those aged over 19; a 67.9% fall compared to just 18.2% for 16 – 18 year olds.

**Entry to Employment Starts 2003 - 2006**

	2003/04	2004/5	2005/6
16 - 18	10,784	9,539	8,825
19+	209	112	67
<b>Total</b>	<b>10,993</b>	<b>9,651</b>	<b>8,892</b>

Source: LSC

The volume of Entry to Employment provision at any one time is indicated by the number of people in learning in November – this is known as occupancy. E2E occupancy figures are shown in the table below. There has been a steady decline in volume since 2003/04.

**Entry to employment occupancy 2003 - 2006**

	2003/04	2004/5	2005/6
16-18	5,391	4,910	3,747
19+	100	52	28
<b>Total</b>	<b>5,491</b>	<b>4,962</b>	<b>3,775</b>

Source: LSC

The average length of stay in learning, although increasing in the 2004/5 period to 22 weeks, has now declined in the North West region to 19 weeks. This mirrors national trends, with the average length of stay in learning in England being 20 weeks in 2005/06.

**Average length of stay (weeks)**

	2003/04	2004/5	2005/6
16-18	20	22	19
19+	20	26	18
<b>All leavers</b>	<b>20</b>	<b>23</b>	<b>19</b>

Source: LSC

The destination of participants in the Entry to Employment programme is an indicator of its success. The figures below show an upward trend in positive destination for participants, with 49% of 16 – 18 year olds continuing into further education, work-based learning, or employment with or without training in 2005/6. This is above the national average of 46%.

**Leavers into positive destinations (%)**

	2003/04		2004/5		2005/6	
16-18		36%		22%		49%
19+		35%		19%		57%
<b>All leavers</b>		<b>36%</b>		<b>22%</b>		<b>49%</b>

Source: LSC

Further success can be drawn from this increase in positive destinations in combination with the decline in length of stay in learning; indicating more positive outcomes despite less time and resource being invested in each participant. In 2005/06, of those going on to a positive destination, 25% went on to further education; 23% to work based learning; 12% to employment with training; and 40% to employment without training.

**Destination of leavers with positive destinations (%)**

	2003/4		2004/5		2005/6	
	Number	Proportion (%)	Number	Proportion (%)	Number	Proportion (%)
Further education	675	19	910	43	1,182	25
Work based learning	810	23	1,214	57	1,102	23
Employment with training	2,060	58	0	0	567	12
Employment without training	0	0	0	0	1,929	40
<b>Total</b>	<b>3,545</b>	<b>100</b>	<b>2,124</b>	<b>100</b>	<b>4,780</b>	<b>60</b>

Source: LSC

**Entry to Employment: Sub-regional figures**

The table below shows the sub-regional figures for E2E starts and proportion of leavers into positive destinations in 2005/06. There is substantial variation in the proportion of leavers progressing to a positive destination, with a high of 58% in Cheshire and Warrington and a low of 40% in Cumbria.

**E2E starts and outcomes 2005/06 by sub-region**

Sub-region	E2E Starts 05/6	% positive destination
C&W	528	58%
Cumbria	701	40%
G Manchester	2,944	50%
G Merseyside	2,874	47%
Lancashire	1,778	50%
<b>North West</b>	<b>8,825</b>	<b>49%</b>

Source: LSC

**Entry to Employment: By learner characteristics**

The table below shows E2E positive destinations figures for 2005/06 according to a number of learner characteristics: gender; disability; ethnicity; and gender combined with disability/ethnicity. The figures show that:

- A high proportion of males achieve positive destinations compared to females (50% against 47%);
- Whilst there is little variation according to ethnicity, this is based upon a high level breakdown (White, and Black and Minority Ethnic), which might mask differences between BME communities; and
- People with a disability have a lower incidence of positive destination compared to people without a disability (45% against 50%), and the difference is more marked for females (42% against 48%).

**E2E Outcomes 2005/06 by learner characteristics (all ages)**

	All Learners		Destinations of Positive Outcome Learners		
	% Positive	Positive Outcomes	WBL	FE	Employment
<b>All leavers</b>	<b>49%</b>	<b>4,947</b>	<b>23%</b>	<b>25%</b>	<b>52%</b>
<b>By Gender</b>					
Females	47%	1,768	28%	26%	46%
Males	50%	3,179	20%	24%	56%
<b>By ethnicity</b>					
BME	50%	435	20%	39%	41%
White	49%	4,500	23%	23%	53%
<b>By ethnicity/gender</b>					
BME Male	49%	266	15%	39%	45%
BME Female	50%	169	28%	37%	35%
White Male	50%	2,906	21%	22%	57%
White Female	47%	1,594	28%	25%	47%
<b>By Disability</b>					
With Disability	45%	675	24%	24%	52%
Without Disability	50%	4,066	20%	27%	53%
<b>By disability/gender</b>					
Males with Disability	48%	418	16%	24%	60%
Males without Disability	51%	2,625	21%	23%	55%
Females with Disability	42%	257	27%	30%	42%
Females without Disability	48%	1,441	28%	25%	46%

Source: LSC

**JobCentrePlus Provision**

The current programme of JobCentrePlus provision in the North West, most of which is delivered under the New Deal programme, represents a £24m investment in the period mid-2006 to mid- 2008 (approx £12m per annum). The table below shows the provision that is currently contracted as part of this programme across the region.

**JobCentrePlus Training Provision in the North West**

Jobcentre Plus District	Service provided	Location of provision	End date
LANCASHIRE	GTW, Gateway, ETF, VS, FTET, IAP, FTETBS, BET	Blackpool, Fylde	6/30/2008
LANCASHIRE	GTW, Gateway, ETF, VS, FTET, IAP, FTETBS, BET	Lancaster, Morecambe	6/30/2008
CUMBRIA	GTW, Gateway		6/30/2008
CUMBRIA	ETF/VS		6/30/2008
CUMBRIA	FTET, IAP, FTETBS, ESOL, BET		6/30/2008
GTR MANCHESTER CENTRAL	ETF, VS, FTET, IAP, FTETBS, ESOL, BET	Manchester/Salford/Trafford	6/30/2008
GTR MANCHESTER WEST & EAST	GTW, Gateway & Fthru	Bolton/Bury/Stockport/Tameside/Wigan/Oldham & Rochdale	6/30/2008
GTR MANCHESTER WEST & EAST	ETF, VS, FTET, IAP, FTETBS, ESOL, BET	Bolton/Bury/Stockport/Tameside/Wigan/Oldham & Rochdale	6/30/2008
GTR MERSEY	GTW, GATEWAY		6/30/2008
GTR MERSEY	ETF/VS		6/30/2008
GTR MERSEY	FTET, IAP, FTETBS, ESOL, BET		6/30/2008
LIVERPOOL & WIRRAL	GTW		6/30/2008
LIVERPOOL & WIRRAL	ETF/VS	Liverpool and Wirral	6/30/2008
LIVERPOOL & WIRRAL	FTET, IAP, FTETBS, ESOL, BET		6/30/2008
GTR MANCHESTER CENTRAL	GTW, Gateway & Fthru	Manchester/Salford/Trafford	6/30/2008
LANCASHIRE	GTW, Gateway, ETF, VS, FTET, IAP, FTETBS, BET	East Lancs	6/30/2008
LANCASHIRE	GTW, Gateway, ETF, VS, FTET, IAP, FTETBS, BET	Preston	6/30/2008
NW & YH	SELF EMPLOYMENT	NW	6/30/2008

Source: JobCentrePlus

The codes in the second column refer to the type of service provided. Brief descriptions are as follows:

GtW Gateway to Work (2 week mandatory intensive Jobsearch programme)  
 Gateway 16 week voluntary Jobsearch programme  
 ETF 13 weeks Environmental Task Force provision - NDYP - 18-24  
 VS 13 weeks Voluntary Sector provision - NDYP - 18-24

FTET	Full Time Education & Training - NDYP - 18=24
IAP	Intensive Activity Programme - Mandatory for 25+ clients
BS	Basic Skills (FTETBS) <sup>25</sup>
BET	Basic Employability Training
Fthru	Follow-Through programme for after New Deal Options

## 7.5 Matching demand and supply

### Young people

By comparing current NEET numbers (as of June 2006) and E2E starts for 2006 (16-18 year olds only) we derive a ratio of E2E starts to number of NEETs for the region and each sub-region. As shown in the table below, there is considerable variation across the region in the extent to which the E2E programme addresses the NEET need – the ratio varies from 1:3.1 in Cheshire and Warrington to 1:1.5 in Cumbria. In Cheshire and Warrington it is possible that some harder to reach young people are not engaged in the E2E programme – this is hinted at by the relatively high ratio of E2E starts to NEET numbers and the high rate of positive destinations (58% compared to 49% for the North West).

### E2E penetration into the NEET group

Sub-region	E2E Starts 05/6	NEET number	E2E : NEET Ratio	% Positive Destination
C&W	528	1,634	1 : 3.1	58%
Cumbria	701	1,028	1 : 1.5	40%
G Manchester	2,944	6,514	1 : 2.2	50%
G Merseyside	2,874	5,442	1 : 1.9	47%
Lancashire	1,778	5,287	1 : 3.0	42%
<b>North West</b>	<b>8,825</b>	<b>19,905</b>	<b>1 : 2.3</b>	<b>49%</b>

Source: Connexions

### Adults

We have derived some indicative estimates of the potential demand for learning opportunities from within the workless population – this indicates substantial potential demand for below level 2 learning, with an estimated 192,000 people with a need at this level in the region.

Workless adults are able to access general learning opportunities in community based providers and FE colleges, and tailored programmes funded by JobCentrePlus and the European Social Fund. It is not possible to identify how many workless adults currently take up learning opportunities in the North West. Planned adult participation volumes in the North West for 2006/07 are 290,000 funded through FE and 198,000 funded through Personal Community and Development Learning.

Earlier in the chapter, we noted that many workless adults face barriers to employment, including health problems and child and adult care responsibilities. Worklessness is more common in older adults, and many adults in the workless group are likely to have been out of formal education for some time. Combined, these factors suggest a need for tailored packages of support to individuals, with training linked to job opportunities, and progression in learning a key objective.

## 7.6 Conclusions

The unemployment rate in the North West is similar to England, so that the main driver of the lower employment rate relative to England is economic inactivity or worklessness. From both an economic and social perspective, there is a need to assist people who are currently economically inactive to move back into employment, and particularly into jobs with level 2 skills requirements. This need is becoming increasingly pressing, given the forecast reduction in the number of young people who will be looking for level 2 jobs (due to a decline in the size of the cohort, and a planned increase in the proportion progressing to level 3 and higher education).

There is a relatively high incidence of low qualification levels amongst the economically inactive. In the North West, 54% of the inactive do not have a Level 2, compared to 29% of the economically active. We have developed some indicative estimates of the potential demand for training amongst workless people in the NW. We estimate that around 350,000 people might demand training, and that of these, 192,000 do not have level 2 attainment.

In chapter 3 we describe a number of major regeneration initiatives across the region. Many of these projects are a significant opportunity to engage workless people back into employment and to start to address skills needs. To grasp these opportunities, effective partnership working between public agencies and employer groups will be required.

In developing worklessness programmes, high rates of worklessness in groups with particular characteristics need to be taken into account, so that programmes can be tailored accordingly. There is also a strong spatial dimension to worklessness, and programmes need to be developed to reflect this. The rates of worklessness differ quite significantly by sub-region, but all sub-regions have some areas with high rates of worklessness.

<sup>25</sup> Skills for Life funding has now been passed to the LSC

## 8 Lower Level Skills, Including Skills for Life

### 8.1 Context

Below Level 2, the focus is on providing individuals with the skills they need to participate in the labour market, including literacy and numeracy skills. The focus is as much about getting people onto the 'skills ladder' as meeting the needs of employers. However, the underpinning skills of literacy, language and numeracy are vital to ensure the region has a workforce which is able to support a move to higher productivity levels. For lower level skills in these areas, provision is delivered under the umbrella of the national Skills for Life programme.

The North West Skills for Life Strategy (July 2006) is the region's response to developments at a national level in the development of the Skills for Life Policy. The Strategy identifies the following key objectives for Skills for Life in the NW over the next three years:

- Review the balance and mix of provision to ensure the region achieves its PSA (Public Service Agreement) target, increases the contribution of adults to this target and that curriculum being delivered is appropriate to the level of need;
- Ensure Skills for Life is embedded within the North West employer engagement strategies;
- Increase capacity and capability of North West Skills for Life deliverers (specifically vocational tutors and support staff);
- Develop high quality Skills for Life provision in the region;
- Develop a greater understanding of ESOL (English for Speakers of Other Languages) issues across the North West, including the needs of migrant workers, asylum seekers and refugees;
- Raise the profile or numeracy needs across the region;
- Ensure Skills for Life delivery is meeting the needs of those target groups identified in the Skills for Life strategy; and
- Improve communications across the region on Skills for Life issues.

### 8.2 Scale of need

Over 1.4m adults of working age in the North West do not hold qualifications at Level 2 or above (35.1% compared to 33.5% in England) – the minimum considered necessary for productive participation in the modern labour market. The largest number is in Greater Manchester (552,000 or 35.9%) whilst the share of the total number of working age adults ranges from 39.2% in Greater Merseyside to 29.4% in Cheshire and Warrington.

Across the region 70.2% of those without a Level 2 qualification are employed, compared to 87.9% of those qualified to Level 4 – this equates to nearly 250,000 fewer people in work than would be the case if the employment rates were in line with the national average. For those with no qualifications at all, the employment rate is just 45.3%. Many people without any qualifications are also likely to have basic skills needs. Therefore, Skills for Life provision should be targeted at those who are currently unemployed, inactive, or in low-skilled employment but vulnerable to redundancy.

Workers in elementary occupations account for 21% of skills gaps amongst the current workforce in the North West (nearly 35,000 employees), whilst accounting for only 15% of employment covered by the NESS survey. Machine operatives account for another 15% of all skills gaps.

As well as being an issue within the current workforce of employers, basic skills gaps are causing NW employers recruitment difficulties. Based on the results of the 2005 National Employer Skills Survey, employers in the North West are more likely than employers anywhere else in the country to cite written communication, literacy, and numeracy skills as lacking amongst applicants for skills shortage vacancies. Of employers reporting skills shortage vacancies, 38% noted that written communication skills were lacking amongst applicants, 31% noted literacy skills as lacking, and 30% numeracy skills. In all cases, these were the highest responses of the nine English regions.

In addition, a number of the North West's strategically important sectors have identified basic skills as an issue for their workforces. These include: Automotive; Contact Centres; Engineering & Aerospace; and Food & Drink.

The most recent estimates of Basic Skills needs were produced by DfES in October 2003. In the North West some 2.5m working age adults have literacy skills below Level 2, and the numeracy needs are even greater, with 3.5m working age adults below Level 2, a large number of who are below Entry Level 3.

### 8.3 Targets

The region's PSA target is to support 109,670 adults to improve their literacy, language or numeracy skills between 2004-2007. The October 2006 data shows an achievement figure of 128,063 (non-discounted)<sup>26</sup>. This would mean that the region has already over achieved its Skills for Life PSA target for 2007 by 117%, with further achievements due for 2006-7.

Not all Skills for Life (SfL) achievements count towards the target. There is a national benchmark set which encourages providers to work towards the balance and mix of 80% of SfL provision to be target or approved provision, and the remaining 20% to be non-accredited provision. Current performance in the North West (2004/05) is shown in the table below. For each sub-region, the table shows for 16-18 year olds and adults separately, the proportion of basic skills achievements that

<sup>26</sup> Non-discounted means that the figures do not take into account that some learners will achieve more than one qualification.

count towards the target in 2004/05. The last two columns show how achievements split between young people and adults.

In 2004/05, in the North West, 89% of SfL achievements by young people counted towards the target - this is to be expected, as a large proportion of under 19 learners will be following key skills programme or re-taking GCSEs, which count towards the target. Most adults follow discrete Skills for Life programmes, which are less substantial in terms of guided learning hours. For adults, only 35% of achievements count towards the target. As adults account for 71% of SfL achievements (the final column of the table), this means that across all ages, only 51% of achievements count towards the target. The challenge is to increase the number of adults on basic skills courses that count towards the target, and this challenge is likely to increase over time if school performance continues to improve (so that fewer 16-18 year olds require SfL provision).

#### Skills for Life Achievements (Target / Non-Target) -2004/05 all routes

	Age	% count towards target	% achievements
Cheshire & Warrington	16-18	91%	34%
	19+	41%	66%
	All ages	58%	
Cumbria	16-18	91%	31%
	19+	38%	69%
	All ages	55%	
Greater Manchester	16-18	90%	29%
	19+	33%	71%
	All ages	50%	
Greater Merseyside	16-18	83%	26%
	19+	37%	74%
	All ages	49%	
Lancashire	16-18	93%	31%
	19+	31%	69%
	All ages	50%	
North West	16-18	89%	29%
	19+	35%	71%
	All ages	51%	

Source: LSC (EKOS analysis)

In the FE sector, there is some early data available for achievements in 2005/06. Compared to 2004/05, this shows that the proportion of Skills for Life achievements that count towards the target has increased from 50% in 2004/05 to 53% in 2005/06. This is shown in the table below.

#### FE Sector: % achievements that count towards target (all ages)

Area	% count towards target	
	2004/05	2005/06
Cumbria	47%	58%
Lancashire	52%	53%
Greater Merseyside	48%	37%
Greater Manchester	51%	61%
Cheshire and Warrington	51%	60%
<b>Grand Total</b>	<b>50%</b>	<b>53%</b>

Source: LSC (EKOS analysis)

## 8.4 Demand

### The Survey

The Moser Report concluded in 1999 that 'one in five adults has less literacy than is expected of an 11 year old child' and about '40% of adults experienced significant numeracy problems'. To establish a stronger evidence base to underpin the Skills for Life Strategy, the DfES commissioned the Skills for Life (SfL) Survey in 2002. The results were published in October 2003.

The SfL Survey was in two parts. The first was based around a 20-minute background interview and two skills assessments - one for literacy and one for numeracy. On this basis respondents were assigned to one of 5 skill levels for both literacy and numeracy (Entry level 1 or below, Entry level 2, Entry level 3, Level 1, and Level 2 and above). Level 1 is broadly comparable with a low level GCSE (D-G), while Level 2 is comparable with a high level GCSE (A\*-C). Entry Level is below a low level GCSE. The survey covers people aged 16-65.

The second part of the survey comprised a follow-up information, communication and technology (ICT) questionnaire, whereby about half of the original respondents sat an ICT awareness assessment and an ICT practical test. They were then assigned to one of 2 levels for ICT competency; Entry Level or below, or Level 1 and above.

The survey also provides estimates of the number of people with a potential requirement for English for Speakers of Other Languages (ESOL) training.

### Literacy

The table below shows the proportion of people (adults aged 16-65) in each sub-region with literacy skills at each of the three levels. There is a significant basic skills needs across the region, with 13% of people at Entry Level and 47% at Level 1. In total, 60% of 16-65 year olds have literacy skills which are below level 2; this compares to 56% for England.

There is some variation by sub-region; Greater Merseyside has the highest proportion of adults with below level 2 literacy skills, at 63%, and Cumbria has the lowest, at 57%.

#### Adults (16-65): Distribution of Literacy Skills by Level of Need

	Entry Level	Level 1	Below L2	L2 or higher
C & W	9%	50%	60%	40%
Cumbria	12%	46%	57%	43%
Grt Manchester	13%	46%	60%	40%
Grt Merseyside	15%	48%	63%	37%
Lancashire	12%	47%	59%	41%
North West	13%	47%	60%	40%
England	16%	40%	56%	44%

Source: Skills for Life Survey 2002/03, DfES

There is a substantial need for basic skills training in literacy across the North West. The table below shows the number of adults with literacy skills at the different levels. There are about 2.5 million adults in the region with literacy skills below Level 2, indicating a significant requirement for provision to address this need.

#### Number of Adults by Literacy Skill Level of Need

	Entry Level	Level 1	Below L2	L2 or higher
C & W	51,610	276,300	327,910	219,900
Cumbria	35,450	137,700	173,150	129,200
Grt Manchester	208,800	725,200	934,000	630,600
Grt Merseyside	139,800	440,800	580,600	336,500
Lancashire	101,100	411,600	512,700	358,600
North West	536,760	1,991,600	2,528,360	1,674,800

Source: Sfl Survey 2002/3, DfES

#### Numeracy

The table below shows the proportion of people (adults aged 16-65) in each sub-region with numeracy skills at each of the three levels. There is a significant basic skills needs across the region, with 53% of people at Entry Level and 30% at Level 1. In total, 83% of 16-65 year olds have numeracy skills which are below Level 2; this compares to 75% for England.

#### Adults (16-65): Distribution of Numeracy Skills by Level of Need

	Entry Level	Level 1	Below L2	L2 or higher
C & W	49%	30%	79%	21%
Cumbria	47%	33%	80%	20%
Grt Manchester	53%	31%	84%	16%
Grt Merseyside	61%	26%	87%	13%
Lancashire	49%	32%	81%	19%
<b>North West</b>	<b>53%</b>	<b>30%</b>	<b>83%</b>	<b>17%</b>
England	47%	28%	75%	25%

Source: Sfl Survey 2002/3, DfES

There is some variation across the sub-regions; Greater Merseyside has the highest proportion of adults with below Level 2 numeracy skills, at 87%, and Cheshire and Warrington has the lowest, at 79%. All sub-regions have a higher proportion of adults with numeracy skills below Level 2 than the England average.

There is a substantial need for basic skills training in numeracy across the North West. The table below shows the number of adults with numeracy skills at the different levels. There are about 3.5 million adults in the region with numeracy below Level 2, indicating a significant requirement for provision to address this need.

#### Number of Adults by Numeracy Skill Level of Need

	Entry Level	Level 1	Below L2	L2 or higher
C & W	266,500	163,800	430,300	117,600
Cumbria	142,600	100,500	243,100	59,220
Grt Manchester	834,600	479,900	1,314,500	250,400
Grt Merseyside	559,000	241,300	800,300	116,900
Lancashire	426,500	278,800	705,300	166,100
<b>North West</b>	<b>2,229,200</b>	<b>1,264,300</b>	<b>3,493,500</b>	<b>710,220</b>

Source: Sfl Survey 2002/3, DfES

#### ICT

The table below shows the results of the ICT assessment. In total, 64% of adults in the North West are classified as having ICT skills at Entry Level; this equates to 2.7 million adults with a basic skills need in ICT. The proportion at Entry level is well above the England average of 53%. There are 2.7 million people in the region with ICT skills below Level 1.

Again there is some variation by sub-region; Cumbria has the highest proportion of adults at Entry Level (69%), and Cheshire and Warrington the lowest (56%).

**Number of Adults by ICT Skills Level (and as % total)**

	Number		Proportion (%)	
	Entry Level	Level 1 or Higher	Entry Level	Level 1 or higher
C & W	308,000	239,840	56%	44%
Cumbria	209,000	93,320	69%	31%
Grt Manchester	993,500	571,375	63%	37%
Grt Merseyside	606,300	310,885	66%	34%
Lancashire	560,000	311,410	64%	36%
<b>North West</b>	<b>2,676,800</b>	<b>1,526,830</b>	<b>64%</b>	<b>36%</b>
England	16,538,095	14,398,470	53%	47%

Source: Sfl Survey 2002/3, DfES

**ESOL**

As noted earlier, the survey provides an estimate of the number of people who may require ESOL training. The numbers for the North West are shown in the table below.

By far the greatest potential need for ESOL training is in Greater Manchester, with over 100,000 people in the ESOL group. The North West Skills for Life Strategy notes that there is now higher demand for ESOL in the region which is not reflected in the 2003 survey. This is a result of an inflow of migrants with ESOL needs. The North West has established an ESOL task group to identify the scale of demand and suggest ways to plan and address the increase in demand.

**Adults in the ESOL group**

	Number	% 16-65 population
C & W	6,595	1%
Cumbria	1,870	1%
Grt Manchester	102,780	7%
Grt Merseyside	14,625	2%
Lancashire	48,045	6%
North West	173,915	4%
England	2,358,060	8%

Source: Sfl Survey 2002/3, DfES

**8.5 Matching Supply and Demand**

The table below shows the total basic skills needs in each sub-region (based on a summation of the numeracy, literacy, ESOL and ICT needs derived from the DfES Sfl survey discussed above. The provision figures relate to achievements of all basic skills qualifications.

**Basic skills: need versus provision**

	Need (no.)	Provision (no.)	Provision as % of need
Cheshire & Warrington	1,275,105	61,030	4.8%
Cumbria	731,140	10,359	1.4%
Greater Manchester	3,876,650	80,115	2.1%
Greater Merseyside	2,228,765	146,935	6.6%
Lancashire	2,103,875	134,143	6.4%
North West	10,215,535	432,582	4.2%

Source: LSC, DFES (EKOS analysis)

The table indicates that annual provision meets only a small proportion of need. This is partly a result of the nature of the survey, which across England results in very high proportions of people identified with basic skills needs. However, it does suggest that there is a need for sustained action to tackle the basic skills needs of the NW population. The figures also show some variation in the balance of provision to need, with annual provision in Cumbria addressing 1.4% of need, rising to 6.6% in Greater Merseyside.

**8.6 Issues and Conclusions**

There is a major need identified in the region in terms of basic skills needs and it is clearly an issue for employers. People without qualifications (a proxy for Skills for Life needs) are significantly more likely than those who have qualifications to be excluded from the labour market. Given the importance of addressing basic skills needs – both for employers and individuals – the issue arises of whether sufficient resources are being directed to meeting adult needs. On current volumes, only a small proportion of the region's basic skills needs are being addressed each year.

The major challenges for the region are how to convert need into demand – and in particular, how to make provision more accessible – and ensuring that providers have the capacity and capability to deliver.

## 9 Level 2

### 9.1 Context

#### **National focus on Level 2**

DfES has two PSA targets which relate to Level 2 attainment, one for young people (level 2 at 19) and one for adults. These are as follows:

- Increase the proportion of 19 year olds who achieve at least Level 2 by 3 percentage points between 2004 and 2006, and a further 2 percentage points between 2006 and 2008.
- Reduce by at least 40 per cent the number of adults in the workforce who lack NVQ 2 or equivalent qualifications by 2010.

A Level 2 qualification is the equivalent of five A\*-C grades at GCSE. The importance placed on Level 2 attainment reflects a belief that this level is the minimum a person requires for employability. Attainment of Level 2 is also a platform for progression to developing intermediate and higher level skills.

The importance placed on Level 2 reflects a number of concerns: the productivity gap with major competitor nations such as Germany and France, which have much higher proportions of their workforces qualified to intermediate and higher levels; a resultant need to upskill the adult population, at least to Level 2, and in many cases, beyond this; and the higher incidence of worklessness amongst low skilled adults.

#### **Level 2 attainment – young people**

Population forecasts indicate that young people will become an increasingly scarce resource in future. Set against this, future forecasts of employment by occupational category indicate significant replacement demand at Level 2 in a number of occupational categories which have traditionally been major employers of young people, in particular, Sales and Customer Services, and Personal Services.

Looking at the cohort of young people in the NW who reached age 19 in 2005, 48% had attained Level 2 at age 16, rising to 68% age 19. The performance of the North West is somewhat below the England average, with comparable figures of 50% and 70%. This is shown in the table below.

#### **Level 2 attainment of young people by sub-region**

Cohort: Reaching age 19 in 2005	Eng.	NW	Cumbria	Lancs	G. Mer	G. Man	C&W
Level 2 at 16	50%	48%	53%	48%	45%	47%	57%
Level 2 at 19	70%	68%	72%	67%	65%	67%	76%
% cohort achieving Level 2 post 16	19%	20%	19%	19%	20%	20%	19%
Level 2 at 16 including GCSE Maths and English	43%	41%	45%	42%	37%	41%	50%
Level 2 at 19 including GCSE Maths and English	45%	44%	47%	44%	39%	43%	51%
% cohort achieving Level 2 (inc Maths/English) post 16	2%	2%	2%	2%	2%	2%	2%

Source: LSC

Concerns that many young people lack basic numeracy and literacy skills have led to an increased focus nationally on the number of young people attaining Level 2 including good GCSE passes (A\*-C) in Maths and English. Of the cohort of young people who reached age 19 in 2005, 41% had attained Level 2 including GCSE Maths and English at age 16. By age 19, the figure was little changed, at 44%. Between age 16 and 19, an additional 20% of the 2005 cohort attained Level 2, but only an additional 3% attained Level 2 including Maths and English GCSE.

Attainment of Level 2 at age 16 and 19 shows some variation across the sub-regions. Attainment rates are highest in Cheshire and Warrington and lowest in Greater Merseyside.

#### **Level 2 attainment – Adults**

Of the working age population in the North West, 36% have not attained Level 2 (England = 33%). A far higher proportion of the economically inactive lack a Level 2 (54%), compared to the economically active (29%).

There is considerable variation by sub-region. Greater Merseyside has the highest proportion of working age population below level 2 (39%), and Cheshire and Warrington the lowest proportion (29%).

### 9.2 Targets

Reflecting the high profile given to Level 2, the North West has its own regional trajectories for Level 2 attainment at 19 and for adults.

**Level 2 at 19 trajectory**

The trajectories show the number of full Level 2 achievements to be delivered in 2007/08 and include 2 components:

- FE - full Level 2 achievements<sup>27</sup>
- WBL – Apprenticeship achievements at Level 2.

**Projected Achievements of full Level 2 qualifications, Age 16-18**

	04/5	05/6	06/7	07/8	Total
FE Full level 2	10,997	11,385	11,858	12,409	46,649
WBL level 2	4,653	6641	6,658	7,274	25,226
All level 2	15,650	18,026	18,516	19,684	71,875

Source: LSC

In FE, there were 19,965 learners age 16-18 undertaking full Level 2 courses in 2005/06. Based on the 04/05 success rate (latest year available) for full Level 2 courses taken by 16-18 year olds in the North West of 64%, this would indicate about 12,800 successful full Level 2s in 2006/07. This suggests that the 2007/08 FE trajectory of 12,409 learner achievements should be achievable without increased learner volumes.

In WBL in 2005/06, 6,651 16-18 year olds achieved a full Level 2 qualification (full framework or NVQ only). The trajectory for 2007/08 is 7,274. To achieve this, an additional 623 achievements would be needed on the 05/6 baseline – an increase of 9%. This could be delivered by a combination of expansion of numbers and improvements to success rates.

**Adult Level 2 trajectory**

The trajectories show the number of full Level 2 achievements to be delivered in 2007/08 and include 3 components:

- FE – full Level 2 achievements
- WBL – apprenticeship (at Level 2) achievements
- Train to Gain – full Level 2 achievements.

Trajectories are also available for 08/09 and 09/10, and we include these in the table below for completeness.

<sup>27</sup> A full Level 2 qualification, is a qualification that if successfully completed, would on its own, result in the learner attaining the Level 2 threshold – that is equivalent to 5 GCSE passes at grades A\*-C – independent of their prior attainment.

**Projected Achievements of full level 2 qualifications, Adults**

	04/5	05/6	06/7	07/8	08/9	09/10	Total
FE Full level 2	11,655	12,828	16,142	18,701	21,196	23,130	103,653
WBL level 2	2,639	3494	3,503	3,827	3,974	4,136	21,573
Train2Gain	-	0	8,862	23,816	25,379	24,896	82,954
All level 2	14,294	16,322	28,507	46,344	50,549	52,163	208,179

Source: LSC

The adult Level 2 trajectory appears to be within striking distance; to meet the FE trajectory of 18,701 achievements in 2007/08, requires an additional 950 completions on the 2004/05 total.

Taking as our base line the learner volume in 2005/06 and the 2004/05 success rate, this would require an additional 1,523 learners (on top of the 28,451 2005/06 baseline volume). The distribution of learner numbers by region would be as shown below, if we assumed an equal proportionate increase in each sub-region, adjusted for differences in success rates. In all sub-regions, FE learner volume would need to increase by 5%.

**Estimates of additional Full L2 adult learners to meet target**

Sub-region	Baseline volume	Baseline success rate %	Baseline estimated completions	07/8 completions needed	Volume to meet completions needed	Increase in volume on baseline
C&W	3,097	73%	2,261	2,382	3,263	5%
Cumbria	1,631	68%	1,106	1,165	1,718	5%
G Man.	10,358	59%	6,150	6,479	10,912	5%
G Mer.	6,698	61%	4,076	4,294	7,057	5%
Lancs	6,667	62%	4,158	4,380	7,024	5%
<b>NW</b>	<b>28,451</b>		<b>17,751</b>	<b>18,701</b>	<b>29,974</b>	<b>5%</b>

Source: EKOS estimates

If the trajectory was to be met by adjusting for need – that is, recruiting more full Level 2 adult learners in Greater Manchester and Greater Merseyside, where the proportion of adults without Level 2 is relatively high – then a greater volume increase would be needed in these areas. This is shown in the table below. The last column shows the revised volume increases needed on baseline. Under this scenario, the increase in learner volume required in Greater Merseyside is 18%.

**Estimates of additional Full L2 adult learners to meet target (need adjusted)**

Sub-region	Baseline volume	Baseline success rate %	Baseline estimated completions	07/8 completions needed	Volume to meet completions needed	Increase in volume on baseline
C&W	3,097	73%	2,261	1,996	2,734	-12%
Cumbria	1,631	68%	1,106	1,102	1,626	0%
G Man.	10,358	59%	6,150	6,618	11,146	8%
G Mer.	6,698	61%	4,076	4,796	7,880	18%
Lancs	6,667	62%	4,158	4,204	6,741	1%
<b>NW</b>	<b>28,451</b>		<b>17,751</b>	<b>18,701</b>	<b>29,974</b>	<b>5%</b>

Source: EKOS estimates

**Balance of provision**

There is an increasing focus on increasing the extent to which adult level 2 provision is employer facing – in the sense that delivery is flexible and provision is not completely classroom based. Employer facing provision includes Train2Gain, Work Based Learning, and FE provision delivered in the workplace. LSC administrative data indicates that in 2005/06, 57% of full Level 2 provision is delivered entirely or partly in the workplace<sup>28</sup>.

The table below shows the proportion of projected adult volumes which are employer facing and non-employer facing, where employer facing is all WBL and Train to Gain provision, and 57% of FE provision (so that non-employer facing provision is 43% of FE provision). The table also shows of potential adult learners requiring level 2 provision, the proportion in employment, and the proportion workless. The balance of provision appears broadly appropriate, assuming that all those outside employment would be classroom based.

**Balance of provision (trajectory)**

	06/7	07/8	08/9	09/10
Employer facing	76%	83%	82%	81%
Non-employer facing	24%	17%	18%	19%
% market in employment	82%	82%	82%	82%
% market outside employment	18%	18%	18%	18%

Source: EKOS estimates

**9.3 Demand for Training**

The table below shows estimated total demand for new employees in the North West over the period 2004-14 by broad occupational category. These figures are taken from the Working Futures 2006 report, and give an indication of the total demand for labour by occupation over the period 2004-14.

**NW: Replacement and expansion demand by occupational category (total requirement over the period 2004-14)**

Occupational category	Expansion demand (000)	Replacement demand (000)	Total demand (000)
Managers and Senior Officials	39	149	188
Professional	72	126	198
Associate professional & technical	25	140	165
Administrative, clerical & secretarial	-7	138	130
Skilled trades	-20	124	104
Personal service	52	84	136
Sales & customer service	41	95	136
Machine & transport operatives	-17	99	82
Elementary	-84	127	44
All occupations	101	1082	1183

Source: Working Futures 2006

To derive estimates of the demand for people with Level 2 qualifications by sector, we adopted the following approach:

- We allocated the total estimated demands by occupation to sector, based on previous analysis EKOS undertook of North West Labour Force Survey data, which showed the profile of occupations across sectors. For example, for professionals, 38% are in the education sector, 15% are in the finance sector, and 11% are in the health sector.
- For each occupation, we assumed that a given educational level profile applied across all sectors. For example, we assumed all professionals required a Level 4 or higher qualification.
- As the demand estimates relate to 2004-14, we divided by ten to obtain an annualised estimate of the demand for employees at each educational level.

The annualised figures for the number of new employees needed with Level 2 qualifications in each sector are shown below. These figures should be viewed as indicative, as the allocation of occupation to level in step two above is based on professional judgement, rather than data evidence.

<sup>28</sup> Based on ILR variable A18.

## Potential Level 2 Demand by Sector

Sector	Level 2 demand	% total sector demand	% total L2 demand
Automotive	902	39%	2%
Aerospace	202	22%	0%
Aviation	205	49%	0%
Chemicals	715	38%	2%
Construction	1,619	25%	4%
Creative	445	19%	1%
Digital	447	14%	1%
Education	3,515	26%	8%
Engineering	1,722	32%	4%
Energy	396	32%	1%
Env. Technologies	364	44%	1%
Food & Drink	2,238	53%	5%
Financial Services	5,139	33%	11%
Health & Social Care	7,151	41%	16%
High Tech Medical	190	20%	0%
Land Based	479	33%	1%
Logistics	4,364	57%	10%
Other Services	2	41%	0%
Public Admin	2,405	36%	5%
Port & Related	33	38%	0%
Retail	7,547	54%	17%
Sport	758	39%	2%
Textiles	1,798	53%	4%
Tourism	2,785	44%	6%
<b>Total</b>	<b>45,420</b>	<b>38%</b>	<b>100%</b>

Source: EKOS estimates

The greatest potential demands for Level 2 qualified people by sector are as follows:

- Retail – additional 7,547 Level 2 employees per annum;
- Health and Social Care – additional 7,151 Level 2 employees per annum;
- Financial Services – additional 5,139 Level 2 employees per annum;
- Logistics - additional 4,362 Level 2 employees per annum; and
- Education - additional 3,515 Level 2 employees per annum.

In some sectors, there are likely to be additional demands for Level 2 qualifications, as employers need to upskill a large proportion of their existing workforce. The table below shows the number of employees in the North West by Sector Skills Council without a Level 2 qualification. In some sectors such as construction, new regulations mean that all employees must attain level 2. Sectors with a

substantial potential demand for upskilling of the existing workforce are: retail; logistics; and hospitality, leisure and tourism (People 1<sup>st</sup>). The estimates of total demand above should be seen as minimum estimates, as they do not take into account demand for upskilling of existing workers (only new jobs due to expansion and leavers).

## Employees without Level 2: by Sector Skills Council

Sector Skills Council	Sector	Number below Level 2	% below Level 2
Automotive Skills	Automotive	13,739	27%
CITB - Construction Skills	Construction	46,029	26%
COGENT	Chemicals	26,141	29%
Creative and Cultural Industries SSC	Creative	1,345	16%
Energy and Utility Skills	Energy	9,722	29%
E-skills uk	IT and Telecoms	9,142	16%
Facilities	Facilities Management	21,712	41%
Financial Services Skills Council	Financial Services	18,111	17%
GoSkills	Transport	17,719	39%
Improve (Food & Drink)	Food and Drink	17,785	45%
LANTRA	Environment / Land Based	5,926	41%
Lifelong learning UK	Education	5,648	8%
People 1st (previously HtF)	Hospitality and tourism	49,856	36%
Proskills (Process & Manufacturing)	Manufacturing	17,809	39%
SEMTA	Engineering	42,727	25%
Skillfast – UK	Textiles	13,610	50%
Skills for Care & Development	Health and Social Care	30,464	21%
Skills for Health	Health and Social Care	43,950	20%
Skills for Justice	Custodial Care, Policing and Law Enforcement)	13,264	25%
Skills for Logistics	Logistics	45,488	50%
SkillsActive	Sport and Active Leisure	5,888	24%
Skillset	broadcast, film, video	1,046	18%
Skillsmart	Retail	120,554	40%
Not elsewhere included inc SummitSkills	Various	155,476	24%
<b>Total</b>		<b>733,153</b>	<b>28%</b>

Source: LSC

## 9.4 Supply of Skills

### Young people

We do not have data on the number of young people who attain Level 2 at school age 16 and then progress into the workforce, although the drive to foster progression to level 3 and HE would suggest that the figure is quite low, and will continue to decline.

The numbers of young people studying for a full Level 2 qualification in the FE sector in 2005/06 by sector subject area are shown in the table below.

#### Number of Young People in FE: Full Level 2, 2005/06

Subject area	C&W	Cumbria	G Man	G Mer	Lancs	NW
Agriculture	80	25	145	109	132	492
Arts, media & publ.	197	52	647	352	254	1,502
Business, admin and law	116	86	533	196	302	1,232
Construction	170	169	685	421	286	1,731
Education and Training	2	4	0	4	0	11
Eng. & man. Tech	181	164	800	524	430	2,099
Health	314	174	1,436	549	709	3,183
History, Philosophy and Theology	1	0	18	2	10	31
ICT	128	61	561	237	235	1,223
Languages, Lit. and Culture	19	14	127	36	84	280
Leisure, travel, tourism	196	55	667	346	345	1,608
Preparation for Life and Work	221	137	999	516	413	2,286
Retail	447	272	1,488	1,017	753	3,976
Science & Maths	35	8	219	74	120	456
Social Sciences	2	3	6	4	13	29
Unknown	67	16	610	185	394	1,273
<b>All subject areas</b>	<b>2,176</b>	<b>1,242</b>	<b>8,939</b>	<b>4,573</b>	<b>4,480</b>	<b>21,410</b>

Source: LSC

Success rates for 16-18 year olds on full Level 2 courses in FE by sub-region are shown below. The latest data available is for 2004/05. The North West success rate is just above the England average (64% v 63%). The highest rate is in Cumbria (67%) and the lowest in Greater Merseyside (59%).

#### Success rate: Full Level 2 courses taken by Young People (16-18)

Sub-region	Success rate (%) 04/05
Cheshire & Warrington	66%
Cumbria	67%
G Manchester	66%
G Merseyside	59%
Lancashire	66%
<b>North West</b>	<b>64%</b>
England	63%

Source: LSC

Note: success rates by sub-region relate to the location of the institution, not the learner.

The number of young people studying for a Level 2 apprenticeship in the WBL sector in 2005/06 by sector subject area are shown in the table below.

#### Number of Young People (16-18) in WBL: Full Level 2, 2005/06

Sector Subject Area	C&W	Cumbria	G. Man	G. Mer	Lancs	NW
Agriculture	73	47	94	74	108	396
Arts, Media and Publishing	0	0	15	0	3	18
Business, Admin and Law	294	217	1,037	590	500	2,638
Construction	393	493	1,719	1,076	1,033	4,715
Education and Training	0	1	0	0	0	1
Eng. and Man Tech.	285	239	1,202	646	720	3,092
Health, Public Serv. & Care	258	116	706	658	292	2,030
ICT	13	11	49	55	16	144
Leisure, Travel and Tourism	17	19	83	147	47	313
Preparation for Life and Work	0	0	0	0	0	0
Retail	571	292	1,519	1,106	850	4,337
Science & Maths	0	0	0	1	0	1
<b>Total</b>	<b>1,904</b>	<b>1,435</b>	<b>6,423</b>	<b>4,353</b>	<b>3,570</b>	<b>17,685</b>

Source: LSC (average in learning)

The success rate in WBL at Level 2 across all sectors is currently 50%.

### Adults

The number of adults studying for a full Level 2 qualification in the FE sector in 2005/06 by sector subject area are shown in the table below.

## Number of Adult (19+) Learners in FE: Full Level 2, 2005/06

Subject area	C&W	Cumbria	G Man	G Mer	Lancs	NW
Agriculture	88	35	286	234	159	802
Arts, media & publ.	51	6	93	88	40	278
Business, admin and law	550	335	1,360	896	1,115	4,256
Construction	402	167	1,644	919	900	4,033
Education and Training	68	20	68	162	93	411
Eng. & man. Tech	386	232	1,173	861	613	3,265
Health	504	356	2,538	1,217	1,732	6,346
History, Philosophy and Theology	0	1	1	1	3	7
ICT	150	21	315	400	157	1,044
Languages, Literature and Culture	3	3	16	10	7	39
Leisure, travel, tourism	94	120	515	246	307	1,282
Preparation for Life and Work	61	45	254	184	169	713
Retail	728	286	1,995	1,423	1,275	5,707
Science & Maths	2	2	50	21	8	85
Social Sciences	0	0	4	3	2	10
Unknown	9	2	45	33	86	174
<b>All subject areas</b>	<b>3,097</b>	<b>1,631</b>	<b>10,358</b>	<b>6,698</b>	<b>6,667</b>	<b>28,451</b>

Source: LSC

Success rates for adults on full Level 2 courses in FE by sub-region are shown below. The latest data available is for 2004/05. The North West success rate is above the England average (62% against 60%). The highest rate is in Cheshire and Warrington (73%) and the lowest in Greater Manchester (59%).

## Success rate: Full Level 2 courses taken by Adults (19+)

Sub-region	Success rate (%) 04/05
C&W	73%
Cumbria	68%
G Man	59%
G Mer	61%
Lancs	62%
<b>North West</b>	<b>62%</b>
England	60%

Source: LSC

The numbers of adults studying for Level 2 apprenticeships in the WBL sector in 2005/06 by sector subject area are shown in the table below.

## Number of Adults (19+) in WBL: Full Level 2, 2005/06

	C&W	Cumbria	G. Man	G. Mer	Lancs	NW
Agriculture	29	13	56	38	46	182
Arts, Media and Publishing	0	0	3	0	1	4
Business, Admin and Law	277	134	834	622	380	2,247
Construction	103	84	476	274	194	1,132
Education and Training	0	0	2	3	0	5
Eng. and Man Tech.	92	50	330	123	230	826
Health, Public Serv.& Care	155	71	423	403	248	1,300
ICT	49	5	51	67	22	194
Leisure, Travel and Tourism	29	12	81	50	55	227
Preparation for Life and Work	0	0	0	0	0	0
Retail	251	174	711	365	300	1,800
Science & Maths	0	0	0	2	0	2
<b>Total</b>	<b>985</b>	<b>544</b>	<b>2,965</b>	<b>1,949</b>	<b>1,476</b>	<b>7,920</b>

Source: LSC (average in learning)

The success rate for adults in WBL at Level 2 across all sectors is currently 50%. (See Chapter 5 for table)

**Total Supply**

The tables above show total learner volumes by age. For the purpose of matching demand and supply, it is the total number of successful completions that we are interested in, independent of age or funding route (FE, WBL and Train2Gain).

For FE, the baseline number of estimated successful completions in the North West is shown below. The completions estimates are based on 05/06 learner numbers and 04/05 success rates for full Level 2 courses.

FE: Number of Full Level 2 Completions, 2004/05 Baseline

	Learners		Completions		
	16-18	19+	16-18	19+	Total
Agriculture etc	492	802	297	439	736
Arts, Media and Publishing	1,502	278	1,031	172	1,203
Business, Admin and Law	1,232	4,256	750	2,820	3,570
Construction	1,731	4,033	592	2,802	3,394
Education and Training	11	411	5	291	296
Engineering & Man. Tech	2,099	3,265	1,160	2,381	3,540
Health, Public Services and Care	3,183	6,346	2,086	3,813	5,898
History, Philosophy and Theology	31	7	15	4	20
ICT	1,223	1,044	787	563	1,350
Languages, Literature and Culture	280	39	141	24	165
Leisure, Travel and Tourism	1,608	1,282	1,072	702	1,774
Preparation for Life and Work	2,286	713	1,151	443	1,594
Retail and Commercial Enterprise	3,976	5,707	2,260	3,624	5,884
Science and Mathematics	456	85	290	60	350
Social Sciences	29	10	14	6	21
Unknown	1,273	174	451	36	486
<b>Total</b>	<b>21,410</b>	<b>28,451</b>	<b>12,101</b>	<b>18,182</b>	<b>30,283</b>

Source: EKOS estimates

Note: where success rate unavailable for 04/5, weighted average success rate across all SSAs used

For WBL, we can apply 2005/06 full Level 2 (framework & NVQ only) success rates to the 2005/06 learner volumes to derive estimates of the baseline number of successful completions. This is shown below:

WBL: Estimated Number of Full Level 2 Completions

	Learners		Success Rates		Estimated Completions		
	16-18	Adults	16-18	Adults	16-19	Adults	Total
Agriculture	396	182	55%	74%	216	134	350
Arts, Media, Publishing	18	4	63%	50%	11	2	13
Business, Admin and Law	2,638	2,247	63%	64%	1,667	1,447	3,113
Construction	4,715	1,132	50%	55%	2,352	622	2,974
Education and Training	1	5	0%	0%	0	0	0
Eng. and Man Tech.	3,092	826	56%	64%	1,740	529	2,269
Health, Public Serv., Care	2,030	1,300	59%	57%	1,189	742	1,930
ICT	144	194	74%	59%	107	114	221
Leisure and Tourism	313	227	73%	69%	230	157	386
Prep' for Life and Work	0	0	0%	0%	0	0	0
Retail	4,337	1,800	57%	57%	2,465	1,033	3,498
Science & Maths	1	2	100%	100%	1	2	3
<b>Total</b>	<b>17,685</b>	<b>7,920</b>	<b>57%</b>	<b>60%</b>	<b>10,093</b>	<b>4,748</b>	<b>14,841</b>

Source: LSC; EKOS estimates

## 9.5 Gaps

In the demand section, we estimate that there is potential demand for 45,000 people per year to be upskilled to full Level 2 in the North West. As mentioned, this is a low-end estimate, as it does not take account of demand for upskilling existing workers (only new jobs from expansion and replacing leavers).

The baseline estimate of successful completions at level 2 is just over 45,000, indicating a balance between supply and demand. The need to upskill existing workers, suggests that there is an important role for the Train 2 Gain programme. As highlighted in projections tables at the beginning of the chapter, Train 2 Gain learner volumes are expected to increase dramatically between 2006/07 and 2007/08.

By sector, there appear to be some significant demand-supply imbalances. For example, the estimated demand for new and replacement employees in the Construction sector is 1,619 per annum and this compares to successful completions in the sector which currently amount to 6,368 per annum. Whilst this suggests that supply is much higher than demand, there is also a large number of employees who currently work within the sector who need to achieve a full Level 2 due to recently introduced regulations. Overall, the number of people who need to be upskilled to this level in the Construction sector in the North West is estimated to be 46,000. Similarly for Retail, annual demand is 7,547 and annual supply is currently 9,382. However, there are currently estimated to be 120,554 people working in retail in the North West who do not have a Level 2.

## 10 Level 3

### 10.1 Context

The DfES 'Level 2 at 19' PSA target incorporates an aim to increase Level 3 attainment, but there is no specific increase required:

- Increase the proportion of 19 year olds who achieve at least Level 2 by 3 percentage points between 2004 and 2006, and a further 2 percentage points between 2006 and 2008 **and increase the proportion of young people who achieve Level 3**

There is no Level 3 target for adults, and nationally, it is Level 2 and basic skills that appear to be the main focus of post-16 education policy at present. However, there is evidence (including the ongoing Leitch review) that highlights the increasing importance of Level 3. For example, the interim Leitch report notes that evidence of spillover effects, where lower skilled workers become more productive as a result of working with higher skilled colleagues, is only present for Level 3 and above qualifications. Strong earnings returns to Level 3 qualifications are also seen, indicating an impact on productivity.

It is also important to note that Level 3 attainment is the platform for progression to HE and higher level skills, and the additional earnings and productivity benefits that this brings.

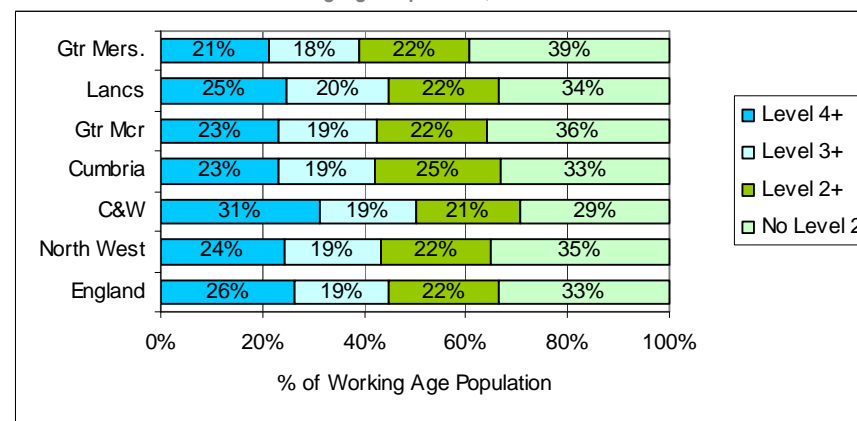
#### Level 3 attainment – Young people

Looking at the cohort of young people in the NW who reached age 19 in 2005, 43% of this group had achieved Level 3. This compares to 46% of the national cohort.

#### Level 3 attainment – Adults

Of the working age population in the North West, 57% have not attained level 3 (England = 55%). The proportion of the North West working population who might be in a position to enter a Level 3 programme is 22% based on the proportion of the population with a Level 2 (which is generally required for progression to level 3). Most of this group are already in employment.

Qualification Profile of the Working Age Population, 2005/06



Source: DfES, 2006

Across the sub-regions, the proportion of adults who are ready to embark on a Level 3 programme varies from 25% in Cumbria to 21% in Cheshire and Warrington.

### 10.2 Focus on Level 3

Survey base estimates show that there are approximately 875,000 adults in the North West below Level 2, and approximately 660,000 at Level 2. In Chapter 7, we derive indicative estimates of training demand from people outside the workforce. Our estimates indicate that approximately 192,000 people have a potential training demand at or below Level 2, and about 79,000 have a potential training demand at Level 3.

Overall this indicates that approximately 1,067,000 people have a training need at Level 2 or below, and 739,000 at Level 3. In proportionate terms, 60% of need is at Level 2 or below, whereas 40% is at Level 3.

In 2005/06, 24% of the North West adult FE budget was spent on Level 3 provision, whilst the vast majority of the remainder was spent on Level 2 or below provision.

According to these estimates, the funding proportion of 24% is much lower than the need proportion of 40%. This may be justifiable for a number of reasons:

- There is likely to be less market failure at Level 3, and employers should be more likely to find this provision themselves; and
- People with below Level 2 qualifications are more likely to be economically disadvantaged, and there is a strong social equity argument for public subsidy of their learning.

### 10.3 Demand for Training

The table below shows estimated total demand for new employees in the North West over the period 2004-14 by broad occupational category. These figures are taken from the Working Futures 2006 report, and give an indication of the total demand for labour by occupation over the period 2004-14.

**North West: Replacement and expansion demand by occupational category (total requirement over the period 2004-14)**

Occupational category	Expansion demand (000)	Replacement demand (000)	Total demand (000)
Managers and Senior Officials	39	149	188
Professional	72	126	198
Associate professional & technical	25	140	165
Administrative, clerical & secretarial	-7	138	130
Skilled trades	-20	124	104
Personal service	52	84	136
Sales & customer service	41	95	136
Machine & transport operatives	-17	99	82
Elementary	-84	127	44
All occupations	101	1082	1183

Source: Working Futures 2006

To derive estimates of the demand for people with level 3 qualifications by sector, we adopted the following approach:

- We allocated the total estimated demands by occupation to sector, based on previous analysis EKOS undertook of North West Labour Force Survey data, which showed the profile of occupations across sectors. For example, for professionals, 38% are in the education sector, 15% are in the finance sector, and 11% are in the health sector.
- For each occupation, we assumed that a given educational level profile applied across all sectors. For example, we assumed all professionals required a Level 4 or higher qualification.
- As the demand estimates relate to 2004-14, we divided by ten to obtain an annualised estimate of the demand for employees at each educational level.

The annualised figures for the number of new employees needed with Level 3 qualifications is shown below – this indicates a need for just under 19,000 people per annum with Level 3. These figures should be viewed as indicative, as the allocation of occupation to level in step two above is based on professional judgement, rather than data evidence.

### Potential Level 3 Demand by Sector

Sector	Level 3 demand	% Total sector demand	% Total L3 demand
Automotive	693	30%	4%
Aerospace	173	19%	1%
Aviation	79	19%	0%
Chemicals	61	3%	0%
Construction	2,115	33%	11%
Creative	443	19%	2%
Digital	330	10%	2%
Education	1,190	9%	6%
Engineering	1,118	21%	6%
Energy	242	20%	1%
Env. Technologies	83	10%	0%
Food & Drink	561	13%	3%
Financial Services	1,578	10%	8%
Health & Social Care	3,131	18%	17%
High Tech Medical	69	7%	0%
Land Based	609	42%	3%
Logistics	646	9%	3%
Other Services	1	17%	0%
Public Admin	828	13%	4%
Port & Related	17	19%	0%
Retail	2,746	19%	15%
Sport	378	20%	2%
Textiles	462	14%	2%
Tourism	1,128	18%	6%
<b>Total</b>	<b>18,680</b>	<b>16%</b>	<b>100%</b>

Source: EKOS estimates

The greatest potential demands for Level 3 qualified people by sector are as follows:

- Health & Social Care – additional 3,131 Level 3 employees per annum;
- Retail – additional 2,746 Level 3 employees per annum;
- Construction – additional 2,115 Level 3 employees per annum;
- Financial Services - additional 1,578 Level 3 employees per annum; and
- Education - additional 1,190 Level 3 employees per annum.

The estimates of total demand above should be seen as minimum estimates. In some sectors, there are likely to be additional demands for Level 3 qualifications due to a need to upskill the existing workforce, and these are not taken account of in the figures.

## 10.4 Supply of Skills

### Young people

The numbers of young people studying for a full Level 3 qualification in the FE sector in 2005/06 by sector subject area (SSA) are shown in the table below.

#### Number of Young People (16-18) in FE: Full Level 3, 2005/06

Subject area	C&W	Cumbria	G Man	G Mer	Lancs	NW
Agriculture	186	28	192	135	283	823
Arts, media & publ.	1,185	217	3,427	1,609	1,959	8,398
Business, admin and law	366	86	1,452	394	943	3,241
Construction	70	38	224	109	150	592
Education and Training	3	3	1	3	3	13
Eng. & man. Tech	170	69	466	177	369	1,250
Health	652	264	2,267	943	1,658	5,784
History, Philosophy and Theology	176	38	1,008	292	563	2,077
ICT	325	119	1,215	506	696	2,862
Languages, Literature and Culture	302	79	1,340	519	805	3,045
Leisure, travel, tourism	545	158	1,198	691	1,093	3,685
Preparation for Life and Work	373	163	1,145	502	627	2,809
Retail	156	79	514	274	346	1,370
Science & Maths	698	134	3,024	1,046	1,839	6,742
Social Sciences	202	31	859	278	564	1,934
Unknown	361	51	1,984	470	1,234	4,101
<b>All subject areas</b>	<b>5,769</b>	<b>1,559</b>	<b>20,315</b>	<b>7,948</b>	<b>13,133</b>	<b>48,724</b>

Source: LSC

Success rates for 16-18 year olds in the North West on full Level 3 courses in FE are shown below by SSA. The latest data available is for 2004/05.

#### FE Success rates: Full Level 3 courses taken by Young People (16-18), 2004/05

	Success Rate %
Agriculture, Horticulture and Animal Care	56%
Arts, Media and Publishing	66%
Business, Administration and Law	56%
Construction, Planning and the Built Environment	56%
Education and Training	30%
Engineering and Manufacturing Technologies	53%
Health, Public Services and Care	58%
Information and Communication Technology	57%
Languages, Literature and Culture	50%
Leisure, Travel and Tourism	60%
Preparation for Life and Work	42%
Retail and Commercial Enterprise	67%
Science and Mathematics	59%

Source: LSC

The numbers of young people studying for a Level 3 apprenticeship in the WBL sector in 2005/06 by sector subject area are shown in the table below.

#### Number of Young People (16-18) in WBL: Full Level 3, 2005/06

Sector Subject Area	C&W	Cumbria	G. Man	G. Mer	Lancs	NW
Agriculture	8	18	5	8	28	67
Arts, Media and Publishing	16	10	20	7	11	64
Business, Admin and Law	69	42	224	105	210	650
Construction	167	185	696	325	539	1,913
Education and Training	0	0	0	1	0	1
Eng. and Man Tech.	605	833	1,350	809	1,189	4,786
Health, Public Serv. & Care	102	113	345	233	217	1,010
ICT	15	14	39	25	33	126
Leisure, Travel and Tourism	30	22	168	115	84	419
Preparation for Life and Work	0	0	1	2	3	6
Retail	66	22	159	162	73	482
Science & Maths	4	10	3	2	0	18
<b>Total</b>	<b>1,082</b>	<b>1,269</b>	<b>3,011</b>	<b>1,794</b>	<b>2,387</b>	<b>9,543</b>

Source: LSC

Success rates for 16-18 year olds on full Level 3 courses in WBL by SSA are shown below.

**WBL Success rates: Full Level 3 courses taken by Young People (16-18), 2005/06**

	2003/04	2004/05	2005/06
Agriculture, Horticulture and Animal Care	54%	78%	79%
Arts, Media and Publishing	67%	80%	82%
Business, Administration and Law	57%	65%	78%
Construction, Planning and the Built Environment	48%	61%	70%
Education and Training	0%	0%	100%
Engineering and Manufacturing Technologies	49%	63%	70%
Health, Public Services and Care	58%	55%	63%
Information and Communication Technology	33%	43%	38%
Leisure, Travel and Tourism	54%	60%	84%
Preparation for Life and Work	50%	100%	100%
Retail and Commercial Enterprise	37%	46%	53%
Science and Mathematics	60%	74%	89%
Unknown	0%	0%	0%
Grand Total	50%	57%	67%

Source: LSC

**Adults**

The number of young people studying for a full Level 3 qualification in the FE sector in 2005/06 by sector subject area is shown in the table below.

**Number of Adult (19+) Learners in FE: Full Level 3, 2005/06**

Subject area	C&W	Cumbria	G Man	G Mer	Lancs	NW
Agriculture	47	20	102	72	111	351
Arts, media & publ.	185	48	566	353	228	1,380
Business, admin and law	367	212	1,062	663	566	2,870
Construction	160	145	427	260	354	1,346
Education and Training	145	179	319	318	328	1,289
Eng. & man. Tech	118	117	322	191	193	941
Health	623	458	3,314	1,537	2,187	8,119
History, Philosophy and Theology	4	98	262	22	70	457
ICT	50	38	226	115	112	541
Languages, Literature and Culture	37	11	74	62	30	214
Leisure, travel, tourism	62	18	117	88	64	349
Preparation for Life and Work	499	36	1,405	1,051	196	3,187
Retail	206	83	633	382	365	1,670
Science & Maths	34	8	235	100	111	487
Social Sciences	6	19	63	44	97	229
Unknown	11	8	100	36	69	225
<b>All subject areas</b>	<b>2,554</b>	<b>1,498</b>	<b>9,225</b>	<b>5,295</b>	<b>5,083</b>	<b>23,655</b>

Source: LSC

Success rates for 19+ year olds in the North West on full Level 3 courses in FE are shown below by SSA. The latest data available is for 2004/05.

**FE Success rates: Full Level 3 courses taken by Adults (19+), 2004/05**

	Success Rates (2004/05)
Agriculture, Horticulture and Animal Care	35%
Arts, Media and Publishing	61%
Business, Administration and Law	61%
Construction, Planning and the Built Environment	59%
Education and Training	58%
Engineering and Manufacturing Technologies	52%
Health, Public Services and Care	58%
Information and Communication Technology	48%
Languages, Literature and Culture	51%
Leisure, Travel and Tourism	47%
Preparation for Life and Work	48%
Retail and Commercial Enterprise	66%
Science and Mathematics	66%

Source: LSC

The number of young people studying for a Level 3 apprenticeship in the WBL sector in 2005/06 by sector subject area is shown in the table below.

**Number of Adults (19+) in WBL: Full Level 3, 2005/06**

	C&W	Cumbria	G. Man	G. Mer	Lancs	NW
Agriculture	26	2	33	32	22	115
Arts, Media and Publishing	3	3	20	3	10	39
Business, Admin and Law	272	110	606	463	288	1,740
Construction	112	75	297	191	225	900
Education and Training	0	0	3	1	1	5
Eng. and Man Tech.	167	154	418	353	295	1,388
Health, Public Serv. & Care	242	46	619	462	242	1,612
ICT	42	8	89	33	36	208
Leisure, Travel and Tourism	19	8	76	70	32	205
Preparation for Life and Work	10	0	5	30	6	51
Retail	184	66	332	222	180	984
Science & Maths	2	1	3	3	0	9
<b>Total</b>	<b>1,081</b>	<b>473</b>	<b>2,502</b>	<b>1,864</b>	<b>1,337</b>	<b>7,257</b>

Source: LSC

Success rates for 19+ year olds on full level 3 courses in WBL by SSA are shown below.

**WBL Success rates: Full Level 3 courses taken by Adults (19+), 2005/06**

	2003/04	2004/05	2005/06
Agriculture, Horticulture and Animal Care	43%	55%	66%
Arts, Media and Publishing	58%	0%	64%
Business, Administration and Law	45%	54%	66%
Construction, Planning and the Built Environment	53%	63%	65%
Education and Training	0%	0%	100%
Engineering and Manufacturing Technologies	57%	70%	70%
Health, Public Services and Care	42%	47%	53%
Information and Communication Technology	39%	38%	49%
Leisure, Travel and Tourism	28%	39%	51%
Preparation for Life and Work	27%	41%	69%
Retail and Commercial Enterprise	30%	36%	40%
Science and Mathematics	85%	33%	100%
Unknown	64%	1%	9%
<b>Grand Total</b>	<b>42%</b>	<b>49%</b>	<b>57%</b>

Source: LSC

**Total Supply**

The tables above show total participation volumes by age and by institution type. For the purpose of matching demand and supply, it is the total number of successful completions that we are interested in, independent of age or funding route (FE, WBL and Train2Gain). For FE and WBL, we can apply the latest available success rates to the 2005/06 learner volumes to derive estimates of the baseline number of completions of full Level 3 qualifications by SSA. This is shown below:

Estimated baseline completions per annum in FE (North West), 2005/06

SSA	Learners		Success Rates		Completions		
	16-18	19+	16-18	19+	16-18	19+	Total
Agriculture etc	823	351	56%	35%	463	122	584
Arts, Media and Publishing	8,398	1,380	66%	61%	5,530	844	6,375
Business, Admin and Law	3,241	2,870	56%	61%	1,819	1,761	3,581
Construction	592	1,346	56%	59%	329	792	1,121
Education and Training	13	1,289	30%	58%	4	747	751
Engineering & Man. Tech	1,250	941	53%	52%	657	492	1,149
Health, Pub Serv and Care	5,784	8,119	58%	58%	3,375	4,690	8,065
History, Phil. and Theology	2,077	457	0%	0%	0	0	0
ICT	2,862	541	57%	48%	1,626	258	1,883
Languages, Lit and Culture	3,045	214	50%	51%	1,522	110	1,632
Leisure, Travel and Tourism	3,685	349	60%	47%	2,199	164	2,363
Preparation for Life and Work	2,809	3,187	42%	48%	1,170	1,525	2,696
Retail	1,370	1,670	67%	66%	914	1,096	2,010
Science and Mathematics	6,742	487	59%	66%	3,972	323	4,295
Social Sciences	1,934	229	0%	0%	0	0	0
Unknown	4,101	225	0%	0%	0	0	0
<b>Total</b>	<b>48,724</b>	<b>23,655</b>			<b>23,581</b>	<b>12,925</b>	<b>36,506</b>

Source: EKOS estimates derived from LSC data

Note: where success rate unavailable for 04/5, weighted average success rate across all SSAs used

Estimated baseline completions per annum in WBL (North West), 2005/06

	Participants		Success Rates		Estimated Completions		
	16-18	Adults	16-18	Adults	16-19	Adults	Total
Agriculture	67	115	79%	66%	53	76	129
Arts, Media and Publishing	64	39	82%	64%	53	25	78
Business, Admin and Law	650	1,740	78%	66%	509	1,149	1,658
Construction	1,913	900	70%	65%	1,345	586	1,931
Education and Training	1	5	100%	100%	1	5	6
Eng. and Man Tech.	4,786	1,388	70%	70%	3,366	977	4,343
Health, Public Serv. & Care	1,010	1,612	63%	53%	641	857	1,498
ICT	126	208	38%	49%	48	102	150
Leisure, Travel and Tourism	419	205	84%	51%	351	105	456
Preparation for Life and Work	6	51	100%	69%	6	35	41
Retail	482	984	53%	40%	254	391	644
Science & Maths	18	9	89%	100%	17	9	25
<b>Total</b>	<b>9,543</b>	<b>7,257</b>			<b>6,642</b>	<b>4,317</b>	<b>10,959</b>

Source: EKOS estimates derived from LSC data

## 10.5 Gaps

In the demand section, we estimate that there is potential demand for 18,700 people per year to be upskilled to full Level 3 in the North West. As mentioned, this is a low-end estimate as it does not take account of demand for upskilling existing workers (only new jobs from expansion and replacing leavers).

Annual number of successful completions at full level 3 currently amounts to 47,500 and against demand this would seem to indicate a large oversupply of almost 30,000 learners per annum. However, a high proportion of 16-18 year olds will progress to HE and there will be upskilling needs within the workforce.

As noted earlier in the chapter, the greatest potential demands for Level 3 qualified people by sector have been identified as follows:

- Health & Social Care – additional 3,131 Level 3 employees per annum;
- Retail – additional 2,746 Level 3 employees per annum;
- Construction – additional 2,115 Level 3 employees per annum;

- Financial Services - additional 1,578 Level 3 employees per annum; and
- Education - additional 1,190 Level 3 employees per annum.

Relative to demand, provision in these key growth sectors appears:

- High in Health & Social Care (but there is likely to be a big upskilling need from the existing workforce)
- Adequate in Retail
- Adequate to slightly high in Construction
- Low in Education

Of the other sector subject areas, Arts, Media and Publishing provision looks to be in over-supply. For the Financial Services sector, it is difficult to match supply and demand, and sector subject areas do not map easily to the sector.

## 11 Higher Level Skills (Level 4+)

### 11.1 Context

Higher level skills at Level 4 and above are vitally important for ensuring that the North West is able to improve its regional competitiveness. The Leitch review is highlighting the importance of intermediate and higher level skills to support international competitiveness and productivity, in increasingly open global markets. Sector level evidence often points to intermediate and higher level skills needs.

In the North West, recent growth in new jobs has been concentrated in occupations requiring intermediate and higher level skills. Employment forecasts by occupational category suggest significant demand for Level 4+ qualifications, particularly in the Associate Professional and Professional occupational categories.

Currently, the North West has a deficit in intermediate and high level skills when compared to England. If the qualification profile of the North West working age population was in-line with the England average, the region would currently have an additional 80,000 people with higher level qualifications.

The National Employer Skills Survey 2005 indicates that recruitment difficulties in the North West are most prevalent in Skilled Trades and Associate Professional occupations, where intermediate (level 3) and high level skills will typically be required. Sector level qualitative evidence tends to highlight skills gaps at intermediate and higher levels. This reflects the forward looking nature of these studies and the projected expansion in jobs that require higher skills levels, to support value-added corporate strategies in an increasingly competitive global market place.

There is a strong sector dimension to higher level skills needs, with significant demand from the regions high growth sectors. Specific examples taken from the RES include: Energy and Environmental Technologies - deliver the National Nuclear Skills Academy; Advanced Engineering & Materials - extend "Grow Your Future Workforce" which delivers more science and engineering skills; Digital and Creative Industries - digital content development skills to support the Media Enterprise Zone, linked to the BBC relocation; and Business and Professional Services - support the development of the regional arm of the Financial Services National Skills Academy.

### 11.2 Demand for Training

The table below shows estimated total demand for new employees in the North West over the period 2004-14 by broad occupational category. These figures are taken from the Working Futures 2006 report, and give an indication of the total demand for labour by occupation over the period 2004-14.

**North West: Replacement and Expansion Demand by Occupational Category (Total requirement over the period 2004-14)**

Occupational category	Expansion demand (000)	Replacement demand (000)	Total demand (000)
Managers and Senior Officials	39	149	188
Professional	72	126	198
Associate professional & technical	25	140	165
Administrative, clerical & secretarial	-7	138	130
Skilled trades	-20	124	104
Personal service	52	84	136
Sales & customer service	41	95	136
Machine & transport operatives	-17	99	82
Elementary	-84	127	44
All occupations	101	1,082	1,183

Source: Working Futures, 2006

To derive estimates of the demand for people with level 4 qualifications by sector, we adopted the following approach:

- We allocated the total estimated demands by occupation to sector, based on previous analysis EKOS undertook of North West Labour Force Survey data, which showed the profile of occupations across sectors. For example, for professionals, 38% are in the education sector, 15% are in the finance sector, and 11% are in the health sector.
- For each occupation, we assumed that a given educational level profile applied across all sectors. For example, we assumed all professionals required a Level 4 or higher qualification.
- As the demand estimates relate to 2004-14, we divided by ten to obtain an annualised estimate of the demand for employees at each educational level.

The annualised figures for the number of new employees needed with Level 4 qualifications is shown below – this indicates a need for 54,200 people per annum with Level 4. These figures should be viewed as indicative, as the allocation of occupation to Level in step two above is based on professional judgement, rather than data evidence.

There are three sectors with very high potential demands for Level 4 qualified people, as follows:

- Health & Social Care – additional 7,309 Level 4 employees per annum;
- Financial Services - additional 9,011 Level 4 employees per annum; and
- Education - additional 8,652 Level 4 employees per annum.

As well as needing to recruit people with Level 4 attainment, these and other sectors will need to source training at Level 4 – often Continuous Professional Development for professional staff.

#### Potential Level 4 Demand by Sector

Sector	Level 4 demand	% total sector demand	% total L4 demand
Automotive	706	31%	1%
Aerospace	542	59%	1%
Aviation	136	32%	0%
Chemicals	1,127	59%	2%
Construction	2,685	42%	5%
Creative	1,440	62%	3%
Digital	2,484	76%	5%
Education	8,652	65%	16%
Engineering	2,510	47%	5%
Energy	591	48%	1%
Env. Technologies	374	46%	1%
Food & Drink	1,461	34%	3%
Financial Services	9,011	57%	17%
Health & Social Care	7,309	42%	13%
High Tech Medical	708	73%	1%
Land Based	364	25%	1%
Logistics	2,581	34%	5%
Other Services	2	42%	0%
Public Admin	3,364	51%	6%
Port & Related	38	43%	0%
Retail	3,790	27%	7%
Sport	784	41%	1%
Textiles	1,108	33%	2%
Tourism	2,435	38%	4%
Total	54,200	46%	100%

Source: EKOS estimates

### 11.3 Supply of Skills

We are interested in the extent to which provision is available at Level 4 for adults in the region. The LSC does fund some learners to study level 4 learning aims within FE, although volumes are generally small. FE learner numbers at Level 4 over the last three years are shown below. Participation appears to reflect the demand side – with the greatest number of learners being in the; Business, Administration and Law; Education and Training; and Health, Public Services and Care sectors.

#### North West: Participation in FE at Level 4 (Adults and Young People, Short and Long Courses)

Sector Subject Area	2003/04	2004/05	2005/06
Agriculture, Horticulture and Animal Care	192	107	38
Arts, Media and Publishing	315	290	243
Business, Administration and Law	4,192	4,099	3,494
Construction, Planning and the Built Environment	245	251	162
Education and Training	2,338	2,619	2,175
Engineering and Manufacturing Technologies	234	188	146
Health, Public Services and Care	1,899	1,746	2,169
History, Philosophy and Theology	17	13	10
Information and Communication Technology	311	283	209
Languages, Literature and Culture	147	81	127
Leisure, Travel and Tourism	87	58	50
Preparation for Life and Work	98	101	79
Retail and Commercial Enterprise	136	173	140
Science and Mathematics	39	32	14
Social Sciences	114	47	13
Unknown	21	20	25
Grand Total	10,386	10,108	9,096

Source: LSC

As shown in the table below, the regional success rate for long Level 4 courses is 51%, slightly higher than the national average of 50%. The highest success rates for the North West at Level 4 are in Arts, Media and Publishing; Retail; and ICT. It should be noted that for a number of subjects, the provision volumes are small.

## FE Success Rates: 19+ Level 4+ Long Courses, 2002-04

Subject area	North West Success rate			% Improvement 2002-04		England Success rate	Gap with England
	2002	2003	2004	North West	England	2004	2004
Agriculture, Horticulture and Animal Care	52%	54%	63%	22%	24%	48%	-15%
Arts, Media and Publishing	42%	47%	78%	84%	46%	57%	-21%
Business, Administration and Law	38%	43%	48%	28%	19%	45%	-3%
Construction, Planning and the Built Environment	36%	31%	33%	-8%	31%	47%	14%
Education and Training	56%	53%	63%	12%	5%	60%	-3%
Engineering and Manufacturing Technologies	21%	5%	70%	232%	-1%	55%	-15%
Health, Public Services and Care	46%	46%	48%	5%	18%	47%	-1%
History, Philosophy and Theology	0%	0%	0%		194%	100%	100%
Information and Communication Technology	55%	57%	73%	33%	56%	81%	7%
Languages, Literature and Culture	27%	22%	25%	-5%	13%	28%	3%
Leisure, Travel and Tourism	86%	55%	75%	-13%	14%	52%	-23%
Preparation for Life and Work	0%	0%	0%			0%	0%
Retail and Commercial Enterprise	46%	10%	77%	69%	66%	74%	-3%
Science and Mathematics	80%	0%	100%	25%	85%	100%	0%
Social Sciences	0%	0%	0%			100%	100%
Unknown	27%	22%	0%	-100%	-67%	10%	10%
Total	40%	44%	51%	27%	23%	50%	-1%

Source: LSC

## 11.4 Higher Education

The table below shows participation numbers for the region's HE providers. The two largest universities in the region are based in Manchester and this is true when looking at all students and for

those that are part time. Similarly, the University of Manchester and Manchester Metropolitan University receive the highest amounts of funding from HEFC compared to other universities in the region, as shown in the second table.

In terms of full time and part time study, the North West provides a greater share of the national full time HE provision for undergraduates. At postgraduate level, part time study is more common in the North West and makes up a greater share of the national total than full time provision.

## North West: All Full Time and Part Time HE Provision by Institution, 2004/05

	First Degree		Other Undergraduate		Postgraduate		All Students
	Full Time	Part time	Full Time	Part time	Full Time	Part time	
The University of Manchester	22,300	850	1,785	4,025	6,155	4,870	39,985
The Manchester Metropolitan University	20,810	1,895	1,040	2,260	2,330	3,885	32,215
The University of Central Lancashire	11,975	1,890	3,500	6,295	1,035	2,030	26,725
Liverpool John Moores University	12,795	2,405	1,635	2,265	1,325	2,530	22,955
The University of Liverpool	13,245	660	120	2,885	1,860	2,440	21,210
The University of Salford	10,000	995	2,855	1,990	1,415	2,850	20,100
The University of Lancaster	8,120	30	70	5,570	1,760	1,785	17,340
Edge Hill College of Higher Education	3,975	600	1,500	4,185	640	3,720	14,620
University of Chester	4,625	815	1,980	2,630	445	2,015	12,510
St Martin's College	3,630	645	885	3,840	725	2,625	12,355
Liverpool Hope University	4,080	905	240	585	775	1,085	7,670
The University of Bolton	2,570	1,150	765	1,480	595	915	7,475
Cumbria Institute of the Arts	945	25	25	15	0	40	1,045
Royal Northern College of Music	375	0	30	0	150	0	555
Total	119,445	12,865	16,430	38,025	19,210	30,790	236,760

Source: North West Universities Association

As shown below, HE institutions in the North West received over £500m in teaching funding in 2004/05.

## HEFCE Funding of North West Institutions, 2004/05

Institution	Teaching funds			Other recurrent teaching grants	Total teaching funding
	Core funding	Additional funded places	Widening participation		
University of Manchester	87,011,675	610,745	1,976,116	1,137,847	90,736,383
Manchester Metropolitan University	69,565,787	402,474	8,486,799	491,229	78,946,289
University of Liverpool	59,108,623	1,254,056	1,955,321	1,106,819	63,424,819
University of Central Lancashire	53,797,239	511,796	6,934,511	26,736	61,270,282
Liverpool John Moores University	52,731,693	1,371,147	5,505,040	0	59,607,880
University of Salford	40,570,083	326,462	4,516,726	0	45,413,271
Lancaster University	24,161,577	36,373	1,180,533	0	25,378,483
University of Chester	17,053,986	783,013	2,434,288	897,383	21,168,670
University of Bolton	17,678,235	198,035	3,132,207	0	21,008,477
Edge Hill C of Higher Education	13,064,147	181,865	2,563,980	707,040	16,517,032
Liverpool Hope University	12,407,541	0	2,379,445	0	14,786,986
St Martin's College	8,751,740	81,583	1,188,616	0	10,021,939
Royal Northern College of Music	4,944,888	0	65,360	0	5,010,248
Cumbria Institute of the Arts	3,523,044	550,963	392,932	0	4,466,939
<b>Total</b>	<b>464,370,258</b>	<b>6,308,512</b>	<b>42,711,874</b>	<b>4,367,054</b>	<b>517,757,698</b>

Source: North West Universities Association

Many larger employers will also have their own in-house training courses for level 4 provision, focusing on higher level technical, leadership, and management skills. For smaller employers, there is typically a need to access relevant provision within public or private providers. The North West is expanding Train to Gain to cover Level 4 provision to meet this need.

### 11.5 Graduate Attraction and Retention

Graduate attraction and retention is an important contributor to the economic prosperity of the North West. Even if the region had the best participation and success rates at level 4, the positive effects for the region would be diluted substantially if a large proportion of learners migrated from the region on completion.

The figures below relate to HESA surveys of learners six months after completions and provide a partial picture of graduate attraction and retention. According to the findings, the North West has some of the highest graduate retention rates in the UK. Referring to the same dataset, only London has a higher rate for those completing first degrees.

### Graduate Retention by Course Type

	Total postgraduate	Total first degree	Total other undergraduate
Total Students in the UK that studied in the NW	5,520	17,095	3,090
Total Students in England that Studied in the NW	5,245	16,355	3,035
Number that stayed in the North West after their studies	3,900	11,280	2,745
Percentage of Total UK students that stayed in the NW	70.7	66.0	88.8
Percentage of Total England students that stayed in the NW	74.4	69.0	90.4

Source: Higher Education Statistics Agency (HESA)