

Final Report

State of Skills in Devon – Workforce Skills Research Programme

Year 2 Annual Report – 2014/15

November 2015



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Final Report

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1. Executive Summary

1.1 Introduction

The 'Workforce Skills Research Programme' spans a three-year period from February 2013 to March 2016 and is led by SERIO based at Plymouth University. The overall aim of the Programme is to produce a skills evidence base, supporting the Council's Employment and Skills Action Plan, to identify the issues and challenges facing businesses in relation to skills. This report is intended to summarise the key findings from the second year of the Workforce Skills Research Programme, and should be read alongside the various research outputs that have already been submitted.

1.2 Understanding the Environment

Regular reviews of research reports and policy announcements were made throughout the second year of the Programme. Despite signs of improvement, youth unemployment remains a key challenge, although the new 'Youth Allowance' announced in the 2015 Queen's Speech will support movement toward paid employment through a stronger work-related conditionality requiring apprenticeships, training, or community work.

The report references an increasing requirement for highly skilled workers, with particularly strong demand in key growth sectors such as construction, manufacturing, engineering, science, and high-tech. Further, the UKCES identified that STEM occupations were twice as likely to be left unfilled due to skill shortages than other types of posts. Looking forward, the HotSW LEP outlined their case for a devolution deal through a 'Statement of Intent' submitted to Government in September 2015. Following submission and approval of a full proposal, this could mean devolved powers and budgets from Westminster enabling greater control over skills development and provision.

1.3 Analysis of the Evidence Base

The contractors developed a Labour Market Monitoring Framework against which the health of Devon's labour market could be assessed. This was updated at regular intervals throughout Year 2 of the Programme and presented through an interactive Dashboard of Indicators. Analysis revealed an increase in both the economic activity rate for those of working age in Devon, and the proportion of working age population qualified to NVQ Level 4 or above since the last end of year report.

Devon's unemployment rate fell by -0.6 percentage points from 4.9% in 2013 to 4.3% in 2014. However, while there has been a marked fall in male unemployment over this period (by -2.8 percentage points) the unemployment rate for females rose by 1.9 percentage points and is 2.9 percentage points above the level it was in 2008. In terms of Job Seeker's Allowance, a key indicator of labour market activity, the proportion of JSA claimants in Devon decreased over the last twelve months from 1.2% in May 2014 to 0.8% in May 2015, suggesting greater success at placing those seeking employment into jobs.

1.4 The Issues and Challenges Facing Businesses

The Programme explored the issues and challenges facing businesses through a large-scale telephone survey with 381 of the county's businesses. Where possible, survey data was benchmarked against results from the UK Commission's 2013 Employer Skills Survey and their 2014 Employer Perspective's Survey. As in 2013, a higher proportion of Devon businesses had experienced a hard-to-fill vacancy than businesses nationally, predominantly attributed to a lack of suitably skilled applicants.

Similarly to the position in 2013, although the survey found low levels of employment for those in their first job since leaving education, this still compared favourably to the position at a national level.

A lower proportion of Devon (5%) than UK (15%) businesses reported having an employee or employees that were not fully proficient at their job (a 'skills gap'). Skills gaps amongst Devon-based businesses were predominantly in skilled trade and administrative/ secretarial occupations. At a UK level, reported skills gaps were predominantly found in sales and customer service occupations and elementary roles. Lastly, in terms of training and development, just 31% of Devon businesses had a training plan, whilst 20% had a training budget. This is in contrast to 44% and 30% respectively at a national level.

1.5 Devon's Enterprise in Schools Grant

A key area of activity under Year 2 of the Workforce Skills Research Programme was to evaluate the first year of the Devon Enterprise in Schools Grant (EiSG). The EiSG was a competitive grant scheme, launched by DCC in October 2014, to fund enterprise education in state funded secondary schools and Year 6 of primary schools, and the formation of strong links with businesses. A total of 10 projects were awarded funding totalling £113k.

The evaluation concluded that EiSG funding had been used successfully to meet the target outcomes for pupils. The evaluators also found broad agreement that the EiSG programme had successfully developed and delivered entrepreneurial teaching and learning, with the Programme's flexibility highlighted as a key strength. One of the striking aspects of the Programme has been the level of engagement with the business community, which has generated relationships of mutual value. Taking an overall view of performance, the evaluators assessed the EiSG programme to have 'largely achieved' its targets - this was considered to be particularly strong performance in the pilot year.

1.6 Summary and Recommendations

The report summarises key policy and strategy announcements, and primary research findings from Year 2 of the Workforce Skills Research Programme under the five priority areas from DCC's Employment and Skills Action Plan. Based upon these findings and emerging themes, and looking forward toward Year 3 of the Programme, a number of areas for further activity and follow-up were recommended for consideration by DCC.

Priority Area 1: Influencing and Leadership

The Employment and Skills Action Plan outlines a priority to ensure that Devon's skills needs and requirements are represented as part of the LEP skills agenda. Looking forward, one of the most notable developments will be the outcome of Devon's proposal for devolution, which could enable greater control over skills development and provision. As such, it will be important to ensure that skills needs, identified through this programme, are shared and understood. To this end we recommend that:

- The **Workforce Skills Research Programme is used (where appropriate) to inform the full proposal for devolution** through articulating the issues and challenges facing businesses and the workforce in relation to skills.

NB: In support of this recommendation, SERIO met with DCC, and representatives from Plymouth City Council in October 2015 to discuss how the Workforce Skills programme can help inform the required evidence base.

Priority Area 2: Support for Businesses

The HotSW Growth Deal investment package and the proposal for devolution will provide further scope for the county's policy-makers to work with employers to address skills shortages. As noted by the AoC and the UKCES in Section 3, engagement between local authorities, employers and learning and skills providers will be necessary to ensure that key skills shortages (especially STEM) are addressed. As such we recommend that:

- DCC consider additional research with industry representatives to **explore the reasons behind the fall in employment in three of Devon's high growth sectors** and to consider how improved skills provision might be used to stimulate employment growth.

Priority Area 3: Support for Devon's Young People

Engagement between employers and education providers remains critical in efforts to enhance levels of employability amongst Devon's young people, and in responding to local demand for skills. This includes, for example, opportunities for apprenticeships, and work-based learning or placements, supported by real-life projects and assessments; and employer engagement in curriculum delivery and design.

Evidence from the Workforce Skills Programme to date, however, indicates that businesses need to know more about the practical implications of engaging with young people, and would benefit from increased opportunities for engagement with schools and colleges. As such, and echoing the recommendations made in the 2014 Workforce Skills Survey report, we suggest that:

- Work is undertaken to ensure that **businesses are made aware of the practical implications of engagement** through the distribution of coherent and consistent information.
- Partners and stakeholders **ensure that opportunities for engagement with schools and colleges are made accessible** to the business community through an increasingly proactive approach.

The Workforce Skills Programme Year 1 Annual Report recommended that the 2014 Employer Skills Survey is enhanced to establish business awareness of, and attitudes toward apprenticeship reform. This recommendation was subsequently actioned, with findings from the updated 2014 survey indicating limited awareness of reform measures amongst responding businesses. Further, just 14% of businesses felt that the reforms would encourage them to take on apprenticeships. In the context of declining apprenticeship starts, and the likely increase in requirement for apprenticeships through the Youth Deal and Raising the Participation Age reform we recommend:

- Continued work with industry representatives and learning and skills providers to **publicise both apprenticeship reform and the new forms of apprenticeships available, including Higher Apprenticeships**. This could include awareness raising regarding the forthcoming changes to apprenticeship funding.

Priority Area 4: Support for the Under and Unemployed

Whilst there has been an overall decline in Devon's unemployment rate, continued support for jobseekers, particularly women, remains critical. Reflecting the importance placed on ICT skills by employers in the Second Workforce Skills Survey we recommend:

- Ongoing **support for job seekers to enter or return to the labour market through digital skills training.**

NB: In support of this recommendation, Connecting Devon and Somerset secured funding under Phase 2 of the Women and Broadband Challenge Fund. Proposed activities include a pilot to better understand the digital barriers to women entering, or returning to the labour market; and research to understand the associated digital skills needs of employers.

Priority Area 5: Funding for Skills

The forthcoming Autumn 2015 Comprehensive Spending Review is anticipated to reveal considerable cuts to public spending, particularly in the areas of economic development and adult education, which will be in addition to planned reductions in SFA funding. This theme will be revisited in year 3 once the outcome of the CSR is clear. In the meantime, and in line with recommendations from previous reports, we suggest that:

- Appropriate **opportunities relating to skills development and funding should be communicated to businesses** and representative organisations to support the cost of training.

2. Introduction

2.1 Workforce Skills Research Programme

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

The key objectives of the commission are to provide:

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

And to deliver:

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

2.2 Employment and Skills Action Plan (2013-16)

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

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

Table 1: Employment and Skills Action Plan, Priority Areas

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

Source: Devon County Council, Employment and Skills Action Plan

2.3 An Evolving Programme

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

Enterprise in Schools Grant

As identified in Table 2, a key area of activity was the evaluation of the Devon Enterprise in Schools Grant (EiSG) - a competitive grant programme to fund enterprise education and the formation of strong links with businesses. This was underpinned by primary research with 29 operational level stakeholders and strategic partners, and 67 beneficiaries. The salient points from the evaluation are summarised in Section 6 and should be read alongside the 'Devon Enterprise in Schools Grant Evaluation' report, September 2015.

2.4 Report Overview and Structure

This report is intended to summarise the key findings from the Workforce Skills Research Programme to date, and should be read alongside the various research outputs that have already been submitted in the second year of activity. The remainder of the report is structured as follows:

- **Section 3:** presents an overview of the key policy announcements from the second year of the programme, to inform an **understanding of the environment**;
- **Section 4:** provides a high-level **analysis of the evidence base**, informed by the core indicators from the labour market monitoring framework and dashboard of indicators. Where appropriate, this includes a comparison of findings from Year 1;
- **Section 5:** summarises the **issues and challenges facing businesses**, based on data from the second annual workforce skills survey;
- **Section 6:** presents the salient points from the **Devon Enterprise in Schools Grant evaluation**;
- **Section 7:** presents a **summary** of the previous sections of the report, and a **forward look** to Year 3 of the Workforce Skills Research Programme.

Table 2: Overview of the Workforce Skills Research Programme – Year 2: April 2014 – September 2015

Research Component	Overview of Component
1. Labour Market Monitoring Framework	Continued monitoring of the core indicator set from Year 1 against which the health of Devon's labour market can be mapped and assessed. The Framework was originally designed to reflect and run alongside the Employment and Skills Action Plan and has been updated at regular intervals since the start of the Programme (see Section 4).
2. Dashboard of Indicators	Using the data from the Labour Market Monitoring Framework an interactive dashboard of indicators was developed to present key findings and analysis in a way that is succinct, clear and pertinent to stakeholders and decision makers. Similarly to the Monitoring Framework, this has also been updated at regular intervals throughout both Year 1 and 2 (see Section 4).
3. Workforce Skills Survey	Completion of the second annual Workforce Skills survey - a large-scale business skills telephone survey conducted with a sample of businesses that reflects Devon's sectoral composition (see Section 5).
4. Skills Briefing - Apprenticeships	The skills briefings were designed to unpick recent data releases and policy announcements in terms of what they mean for Devon. In July 2015 SERIO developed a briefing on recent and forthcoming changes to government apprenticeship policy, including the delivery and funding of apprenticeships. The briefing also drew on the findings from the second annual Workforce Skills Survey to set out the potential implications for businesses, training providers and policy makers in Devon.
5. Skills Mapping	Reflecting the findings from the Workforce Skills Survey this component reviewed the skills demanded by employers responding to the survey, and determined which organisations they have used to supply these (see 'Key Findings from the Workforce Skills Survey' October 2014 Report).
6. Flexible Funding – Evaluating the Enterprise in Schools Grant	SERIO were asked to use the flexible funding from Year 2 to conduct an evaluation of the Enterprise in Schools Grant (EiSG) – a competitive grant programme to fund enterprise education and the formation of strong links with businesses. The salient points from the evaluation are summarised in Section 6 and should be read alongside the 'Devon Enterprise in Schools Grant Evaluation' report, September 2015.

3. Understanding the Environment

3.1 Introduction

In April 2013 DCC produced a policy summary, setting the scene for the skills landscape in terms of the strategies and policies that will underpin the Employment and Skills Action Plan. Building on this document, the contractors conducted regular reviews of research reports and policy announcements throughout both Year 1 and Year 2 of the Workforce Skills Research Programme. This section provides a high-level overview of the reports and announcements that were deemed to be of direct relevance to the Employment and Skills Action Plan.

Summary of Key Points:

- **Key Skills Challenges:** Although there are signs of improvement, youth unemployment remains a key challenge. The Full Employment and Welfare Benefits Bill will introduce a new 'Youth Allowance' for 18-21 year olds which will include stronger work-related conditionality from the first day of a claim. This is likely to increase demand for apprenticeships, training and work placements.
- **Supply and Demand:** Recent research reports commissioned by the CBI and the UK Commission for Employment and Skills (UKCES) both suggest that the demand for highly skilled workers has increased. More specifically, they identify skills shortages in STEM skills and in advanced manufacturing. Research by the UKCES and the AoC has called for greater coordination and leadership at a local level to ensure skills provision is better linked to employer demand. Take-up of apprenticeships is higher than ever and the introduction of new degree models will serve to increase the diversity of the apprenticeship offer in the future.
- **Support for Devon's Young People:** The government confirmed in June 2014 the new requirements for vocational qualifications, which include the direct involvement of employers in new Tech Level qualifications and Technical Certificates. The government has also been working with employers to develop a series of apprenticeship standards for a variety of occupations and industries. To boost the number of under 19 apprentices, the government will make incentive payments to employers recruiting from this age group.
- **Funding for Skills:** There have been a number of developments in the area of skills funding. In February 2015 it was announced that LEPs would play an indirect advisory role in the allocation of EU Structural Investment Funding (ESIF) whilst in March the first calls for ESIF funding were released in the HotSW area. The new HotSW Growth Deal includes an extra £92m from the Local Growth Fund and commitment to ensure that skills gaps are addressed through local provision. In terms of apprenticeships the government announced in March 2015 the creation of new apprenticeship vouchers to fund apprenticeships in the future and provide employers with purchasing power. These will be partly funded through the introduction of an apprenticeship levy on large employers announced in the July 2015 budget.
- **Forward Look:** Looking toward Year 3 of the Workforce Skills Research Programme, it will be important to assess how the new ESIF funding and the Local Growth Deal will be used to stimulate skills funding and to meet local demand in Devon. The HotSW LEP outlined their case for a devolution deal through a 'Statement of Intent' submitted to Government in September 2015. Following submission and approval of a full proposal, this could mean devolved powers and budgets from Westminster enabling greater control over skills development and provision. At a national level there are a number of forthcoming changes to skills provision which will have an impact. These include compulsory maths and English tuition from August 2015 for those without a GCSE at A*-C in these subjects. While it is outside the timescales of the Workforce Skills project, the introduction of new Apprenticeship vouchers from 2017 will provide the county's employers with more purchasing power when taking on apprentices.

Key Skills Challenges

Youth Unemployment

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

- According to the most recent national statistics 740,000 people aged 16-24 were unemployed in February to April 2015, down 115,000 on the previous year¹.
- The number of 16-18 year olds not in education, employment or training (NEET) in England is at its lowest since records began². This reflects the raised participation age, with all young people in England now being required to continue in education or training until at least their 18th birthday.
- The government's proposed Full Employment and Welfare Benefits Bill, announced in the 2015 Queen's Speech, will introduce a new 'Youth Allowance' for 18-21 year olds which will include stronger work related conditionality from the first day of their claim. After six months of support every young person will be required to enrol on an apprenticeship, training or community work placement in order to continue receiving support.
- The Bill also includes a proposal to provide Jobcentre Plus adviser support in schools across England to supplement careers advice and to provide routes into apprenticeships and work placements.

Recent CIPD research has suggested that the outlook for young jobseekers is starting to improve, with an increase in the number of businesses with hard-to-fill-vacancies planning to hire school-leavers, apprentices and graduates³. In addition, recent ONS data (UK Labour Market, August 2015) showed that the employment rate for 16-24 year olds who are not in full-time education has risen to 74%, a level not seen since 2008.

Supply and Demand

The Year 1 report highlighted an increased demand for more highly skilled workers. It also noted that while the take-up of apprenticeships was higher than ever, participation for those aged under 19 had declined.

Growing Demand for Highly Skilled Workers

- The CBI Education and Skills Survey 2015 found further evidence of an increasing demand for higher skilled workers, reinforcing the findings from the 2013 survey. The 2015 survey found that the percentage of firms requiring employees with higher level skills was over 65% in 2015, with particularly strong demand in key growth sectors such as construction, manufacturing, engineering, science and high-tech.

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

² Department for Education and BIS Press Release: 20 August 2015 – 'Young people NEET hits record low'

³ CIPD: Summer 2015 – 'Labour market outlook – views from employers'

Hard-to-fill Vacancies in STEM Occupations and Advanced Manufacturing

- The CBI Education and Skills Survey also identified widespread difficulties in recruiting people with STEM skills. This includes finding new entrants to train as apprentices as well as applicants with more than five years' experience. The UK Commission for Employment and Skills (UKCES) report *'Reviewing the Requirement for High Level STEM Skills'* (July 2015) confirmed these skills shortages and noted that STEM occupations were twice as likely to be left unfilled due to skills shortages than other types of posts.
- UKCES also noted in their June 2015 Sector insights report into skills and performance challenges in the advanced manufacturing sector that the advance of robotics and 3D printing is boosting demand for highly skilled, IT literate workers in the UK's manufacturing sector.

Skills Mismatch

- In August 2015 the CIPD published *'Over-qualification and Skills Mismatch in the Graduate Labour Market'*. The report observed that the expansion of higher education in the UK has led to an increasing number of graduates being employed in traditionally non-graduate level jobs. CIPD refer to this as 'occupational filtering down' and suggest that graduate underutilisation is higher in the UK than in most European countries.

Meeting Employer Demand

- The UKCES and the Association of Colleges (AoC) calls on employers, education providers and local government to work together to address endemic skills shortages at a local level. The June 2015 report entitled *'Local Action, National Success: How Outcome Agreements Can Improve Skills Delivery'* argues that local leadership is needed to better link skills provision to employer demand. Through the report UKCES and AoC propose that outcome agreements are used to bring together local organisations and to ensure that each partner is held accountable for the delivery of their element of the agreement. The new Local Growth Deal has an emphasis on greater partnership working in order to address local skills.

Apprenticeships

- The 2013/14 State of Skills in Devon Year 1 Annual Report stated that the take-up of apprenticeships was higher than ever. Analysis reveals that the trend has continued into this year with BIS reporting that, based on provisional data, more than 872,000 people were employed on government funded apprenticeships during 2014/15. In addition, the number of people starting higher level apprenticeships experienced strong growth⁴.
- In contrast to the reported decline of under 19s in apprenticeships in 2012/13, participation amongst this age group and 19-24 year olds increased between 2012/13 and 2013/14. However, there was a decrease in participation by those aged over 25 years.⁵

⁴ BIS Press Release: 14 October 2015 – *'More people than ever doing an apprenticeship'*

⁵ Skills Funding Agency 14 October 2015 Statistical First Release. Further Education and Skills: Learner Participation, Outcomes and Level of Highest Qualification Held.

- A new integrated Degree Apprenticeship model was announced in November 2014 with places available from September 2015. The new apprenticeships have been developed in 14 areas including: chartered surveying; aerospace engineering; nuclear; digital; construction; and automotive engineering.

Higher Education Provision

As cited in the 2013/14 State of Skills in Devon Year 1 Annual Report, the cap on student numbers at publicly-funded institutions in England will be removed altogether from the 2015-16 academic year onwards. More recent developments include:

- The July 2015 budget announced that maintenance grants will be abolished for new full-time students from the 2016-17 academic year. These will be replaced by maintenance loans that only have to be paid back once the student earns over £21,000 a year. The value of maintenance loans will rise to £8,200 a year for students studying away from home, outside London.
- The government also announced in the July 2015 budget that institutions offering 'high teaching quality' would be able to increase their tuition fees in line with inflation from 2017-18 onwards.

The Devon Position

The last report described the changing educational infrastructure in Devon. Further recent developments that impact on the supply and demand of skills locally include:

- The first new nuclear power station in the UK for 25 years, Hinkley Point C in Somerset, has now been given a government guarantee. The development represents the largest construction project in Europe, and one of the most technologically complex. The HM Treasury estimate that 25,000 jobs will be created, providing sustained employment and enhanced skills provision for businesses and individuals across both Somerset and the wider South West.
- The previous report noted the opening of Plymouth University Technical College (UTC) in September 2013. Since this point, the South Devon UTC opened in September 2015 and involves a partnership of employers, including Centrax, Galliford Try, South West Water, the Environment Agency and WaterAid, as well the University of Exeter and South Devon College.

Support for Devon's Young People

The Wolf Review of Vocational Education (March 2011) was cited in the previous report. The Review recommended an overhaul of vocational education, including the direct involvement of employers in the assessment and awarding process. Further details on how this will be achieved are summarised below.

Employer Involvement in Shaping Provision

- In June 2014, the government produced technical guidance confirming the full requirements for vocational qualifications. This includes a requirement that, from September 2016 onwards, the new Tech Level qualifications must stipulate direct involvement of employers in delivery and/or assessment. The same requirement will apply to Technical Certificates from September 2017 onwards.

Apprenticeships

Changes to apprenticeships and training schemes were previously reported, including plans to deliver new and improved apprenticeships. The government has continued to make changes throughout this reporting year.

- The Summer Budget 2015 pledged that 3 million new apprentices will be created by 2020. To help achieve this, public sector bodies are to be set apprenticeship targets.
- The government has been working with employers to develop a series of standards to meet the needs of specific industries and occupations. A total of £1.6 million of funding was made available for ‘trailblazers’ to develop the standards. Through the trailblazer funding trial, the government contributes two thirds of costs (up to a cap) with employers contributing the remaining third. As of August 2015, more than 120 standards had been published with more than 220 in development⁶.
- In order to address the declining take-up of under 19 apprenticeships, the government announced in March 2015 that, as part of the new apprenticeship funding model, additional incentive payments will be made to employers recruiting apprentices aged between 16 and 18.
- On the 1st October 2015, BIS announced that apprentices were to get the biggest ever uplift in hourly pay as the National Minimum Wage increased by 57 pence to £3.30. The purpose of this increase was to bring apprenticeship wages in line with other work choices⁷.

Job Creation – Plymouth and South West Peninsula City Deal

The Plymouth and South West Peninsula City Deal, signed off in January 2014, placed importance on ensuring that young people are able to access employment and can benefit from the local economies’ growing sectors such as marine.

- The City Deal’s £750,000 Wage Progression Pilot went live in November 2014. The programme, which is run by Working Links, provides support for young people across the city deal area through in work career planning and job brokering, as well as further learning and training to help narrow skills gaps.

Funding for Skills

European Skills Funding

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

⁶ House of Commons Library, ‘*Apprenticeships Policy, England*’, Briefing Paper Number 03052, 2 September 2015

⁷ BIS Press Release: 1 October 2015: ‘*Government introduces largest ever increase to apprentices’ wages*.’

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

- The government has, however, abandoned plans for LEPs to play a direct role in the allocation of ESIF funds in favour of a more advisory role.
- The first calls for outline applications for ESIF funding in the HotSW area were launched in March 2015. These related to: innovation in the photonics sector; superfast broadband infrastructure; innovation in the nuclear sector; personal caseworker mentoring; international trade; and support for manufacturing.
- More recently, four ERDF calls were launched in August 2015 and in October 2015, new social inclusion and rural tourism funding opportunities were announced. The ERDF funding calls related to the HotSW Growth Hub, Small Business Support, the Hinkley Supply Chain and SME support. The Hinkley opportunity has been established in response to the identified need to support SMEs to participate in the nuclear supply chain.
- Social inclusion funding is available via the Big Lottery's Building Better Opportunities ESF fund, which will support young people to move into education, employment or training. Funding for rural tourism is provided by the first European Agricultural Fund for Rural Development (EAFRD). This will provide grants of between £35K - £140K, from a total pot of £500K, to create, develop or support visitor attractions, information and infrastructure.

National Skills Funding

- In February 2015 the government released details of funding for adult skills for 2015-16. This included a 17% reduction in funding through the Skills Funding Agency which, due to existing commitments to fund apprenticeships, will mean a 24% reduction in non-apprenticeship adult skills funding.

With specific regard to 16-19, the 2013/14 State of Skills in Devon Year 1 Annual Report noted that the government had changed the approach from funding per qualification to funding per student.

- In November 2014, the House of Commons produced a briefing paper on the impact of the reforms to funding for 16-19 education⁹. The paper raised concerns around the impact of the funding changes on school sixth forms, sixth form colleges and FE colleges. In the case of sixth form colleges the paper cited evidence from a Sixth Form College Association survey that some had dropped courses as a result of the funding cuts.

Funding for Apprenticeships

In the last report it was noted that the government was moving towards an employer-led system of apprenticeship funding with employers receiving finance directly through an HMRC system as opposed to via training providers. The government has since modified its approach in response to feedback received during a consultation period. Consequently, a new apprenticeship funding model was launched in March 2015 including:

- A new 'digital apprenticeship voucher'. The new July 2015 vouchers (due to be fully implemented in 2017) will provide employers with purchasing power, although the actual funding will continue to be routed directly to the providers.

⁹House of Commons Library, *'Issues around the Funding of 16-19 Education'*, Standard Note SN/SP/7019, 11th November 2014

- In line with previous announcements, the government will make a ‘core contribution’ worth £2 for every £1 from employers up to a set cap.
- Further incentive payments (of between £500 and £5,400) will be made where employers: recruit a 16-18 year old (as mentioned above); are a small business; and on successful completion of an apprenticeship.

More recently, the July 2015 budget announced the creation of a new Apprenticeship Levy. A levy on large employers will be introduced to fund apprenticeships, with further details to be provided in the Spending review¹⁰.

Local Skills Priorities

In July 2014, following the submission of the HotSW LEP’s 2014-2030 Strategic Economic Plan, the government agreed a HotSW Growth Deal. This included an announcement of £92m from the Local Growth Fund which, in combination with previous funding commitments and provisional budget allocations, comes to a total of £130.3m of funding for the LEP area. In January 2015, it was announced that an extra £65.2m would be invested in the deal. The growth deal itself includes:

- A commitment on behalf of the LEP to clearly articulate and evidence skills priorities to the Further Education and skills sector, and to engage with the sector through key strategic partnerships.
- A commitment on behalf of the LEP to open up new jobs associated with the Local Growth Fund to local unemployed and long-term unemployed people.
- A government commitment to work with the LEP to ensure that local employer priorities are fed into the operations of the new National Careers Service providers in the LEP area.
- The Skills Funding Agency will ensure that skills provision meets local priorities by involving LEPs in: the procurement of new provision; by ensuring providers are accountable to LEPs; and by taking into account providers’ records in delivering to LEP requirements in future funding allocations.

Forward Look

Looking towards Year 3 of the Workforce Skills Research Programme, the impact of the ESIF funding and the Local Growth Deal in stimulating skills funding and in meeting local demand will be clearer.

The HotSW LEP outlined their case for a devolution deal through a ‘Statement of Intent’ submitted to Government in September 2015. Following submission and approval of a full proposal, this could mean devolved powers and budgets from Westminster enabling greater control over a range of local priorities including workforce development. As part of the approach to workforce development, a business-led strategy for skills and apprenticeships has been proposed¹¹.

¹⁰ House of Commons Library, ‘Apprenticeships Policy, England’, Briefing Paper Number 03052, 2 September 2015

¹¹ Heart of the South West September 2015: Statement of Intent, ‘Towards a Devolution Deal’

At a national level there are a number of forthcoming changes to skills provision which will have an impact:

- From August 2015 the funding conditions for 16-17 year olds will be revised. All full-time students with a grade D GCSE or equivalent in maths and/or English must be enrolled on a GCSE or IGCSE qualification in these subjects. This follows a recommendation from the Wolf Review that students without a GCSE at A*-C in English and/or maths be required to work towards one. From 2015 a new headline 16-19 English and maths performance table measure will be introduced for these students to show their progress.
- While it is outside the timescales of the Workforce Skills project, the introduction of new Apprenticeship vouchers from 2017 will provide the county's employers with more purchasing power when taking on apprentices.

4. Analysis of the Evidence Base – Headline Findings

4.1 Introduction

Achieving an internationally competitive skills base is a key component of economic growth. As part of the Workforce Skills Research Programme, the contractors developed a Labour Market Monitoring Framework – a statistical database encompassing fifteen core indicators against which the health of Devon’s labour market could be assessed. This has been updated at regular intervals throughout both Year 1 and Year 2 of the Programme.

The indicator set reflects and runs alongside four of the five skills priority areas from the Employment and Skills Action Plan: influencing and leadership; support for business; support for Devon’s young people; and support for the unemployed¹². Data for Devon was also presented alongside national and regional benchmarks and data from Norfolk and Cumbria, which were identified as appropriate comparator areas by DCC through a CIPFA Nearest Neighbour Analysis¹³.

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

NB: The latest iteration of the Labour Market Monitoring Framework and Dashboard of Indicators was produced for DCC in July 2015. In addition to drawing together the core indicator set, the Dashboard also presents summary statistical bulletins for each of the four skills priority areas from the Employment and Skills Action Plan: support for young people; support for business; influencing and leadership; and support for the unemployed.

In order to avoid repetition with this existing output, this section is intentionally limited to just the headline findings from the available evidence and should be reviewed alongside both the July 2015 Labour Market Monitoring Framework and Dashboard of Indicators. The next iteration of the Framework and Dashboard is scheduled to be released in January 2016.

¹² Planned activity around the fifth priority area, funding for skills, relates to harnessing knowledge and understanding of funding opportunities to support skills projects and activities. As such, it was not appropriate to monitor this activity through the use of indicators.

¹³ The CIPFA Nearest Neighbours Model was developed to aid local authorities in comparative and benchmarking exercises, and adopts a scientific approach to measuring the similarity between authorities.

Summary of Key Points:

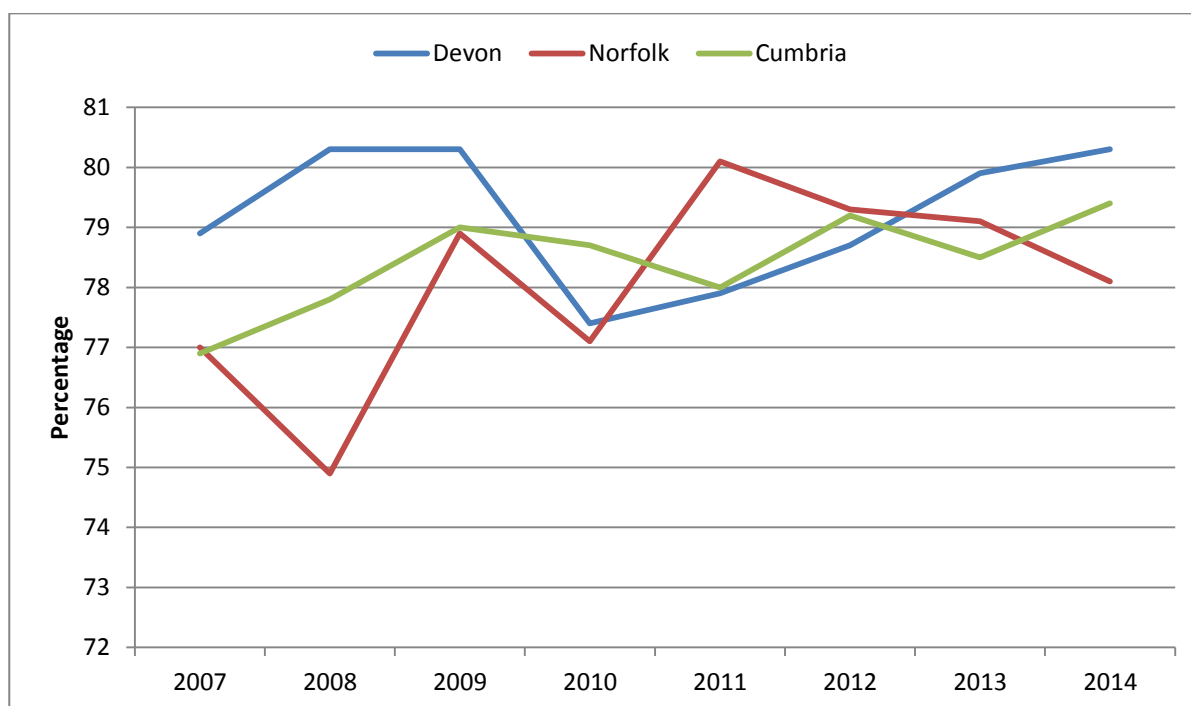
- **Influencing and Leadership:** The economic activity rate for those of working age in Devon was 80.3% in 2014, an increase of 0.4 percentage points from 2013 and higher than the rate for any of the other comparator areas. In terms of skills, 36.4% of the working age population in Devon were qualified to NVQ level 4 or above – an increase of 1.9 percentage points from 12 months previously.
- **Support for Businesses:** As in 2012, the highest proportion of employment in Devon in 2013 was in the broad industry group of health, which encompassed 50,498 workers or 16.1% of total employment (an increase of 2.1 percentage points from 12 months previously). A review of employment over the period from 2010 to 2013 revealed the biggest decrease to be in wholesale where employment fell by 3,687 jobs (-23.5%). Conversely, the largest increase in employment was felt in the broad industry group of health, which grew by 9,840 jobs (+24.2%).
- **Support for Devon's Young People:** The number of young people in Devon classified as NEET decreased by -1.3 percentage points between 2013 and 2014 which compares favourably a regional decrease of -0.7 percentage points. The number of apprenticeship starts continued to decline, in line with national and regional trends, falling by -11.8% (850) between 2012/13 and 2013/14.
- **Support for the Under and Unemployed:** Devon's unemployment rate fell by -0.6 percentage points from 4.9% in 2013 to 4.3% in 2014. However, while there has been a marked fall in male unemployment over this period (by -2.8 percentage points) the unemployment rate for females rose by 1.9 percentage points and is 2.9 percentage points above the level it was in 2008. In terms of Job Seeker's Allowance, a key indicator of labour market activity, the proportion of JSA claimants in Devon decreased over the last twelve months from 1.2% in May 2014 to 0.8% in May 2015, suggesting greater success at placing those seeking employment into jobs.

4.2 Influencing and Leadership

Economic Activity

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

- In December 2014 the working age economic activity rate (16-64) in Devon was 80.3% - an increase of 0.4 percentage points from 12 months previously and 1.6 percentage points on the 2012 figure. The economic activity rate in Devon is now higher than the rate experienced in Norfolk (78.1%) and Cumbria (79.4%), as well as national (77.4%) and regional (80.2%) levels.
- Despite the increase in overall economic activity, the economic activity rate for Devon-based males fell by -0.8 percentage points from 83.5% in 2013 to 82.7% in 2014, compared to a growth of +0.5 percentage points at a regional level. In contrast, the economic activity rate for females in Devon continued to grow, rising from 76.2% in December 2013 to 78.1% in December 2014 – an increase of +1.9% (the highest rate amongst the comparator areas).
- Full-time employees accounted for 66.7% of 16-64 employment in Devon in 2014, a decrease of -0.8 percentage points from 12 months previously and -1.4 percentage points since 2012. In contrast, part-time employment increased considerably, rising by +3.3 percentage points from 29.2% in December 2013 to 32.5% in December 2014.

Chart 1: Working Age Economic Activity Rate (2007 - 2014)

Source: Annual Population Survey

Qualification Levels

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

- Level 2 is widely accepted as the minimum benchmark for entry level employment requiring basic skills. In 2014 77.1% of those aged 16-64 in Devon had NVQ2+, compared to 77.3% in 2012 and 77.0% in 2013¹⁴. This remains higher than the level experienced in the comparator areas of Norfolk (69.8%) and Cumbria (73.7%), and the South West (76.5%) and England as a whole (73.2%).
- In terms of higher level skills, the proportion of residents aged 16-64 that were qualified to NVQ4+ in Devon rose from 34.5% in 2013 to 36.4% in 2014 – an increase of +1.9 percentage points. Whilst this exceeds the level experienced in Norfolk (27.9%), Cumbria (28.9%), and England as a whole (35.7%), it lies just below the regional rate of achievement (36.6%).
- Importantly, the proportion of those with no qualifications in Devon fell by -4.1 percentage points from a high of 10.5% in 2008 to 5.0% in 2014. Current levels compare favourably to the proportion found in the comparator areas of Norfolk (9.3%) and Cumbria (8.8%), and both nationally (8.6%), and regionally (5.6%).

¹⁴ NB: The differences between these figures need to be treated with caution as they fall within the confidence intervals of the survey (+/- 2.5 percentage points).

Table 3: Qualification Levels for Devon and Comparator Areas (2008 and 2014)

	Level 2+						Level 4+					
	2008		2014		Difference (2008-2014)		2008		2014		Difference (2008-2014)	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Devon	298,100	66.5	340,900	77.1	42,800	10.6	122,400	27.3	161,000	36.4	38,600	9.1
Norfolk	306,000	58.6	361,700	69.8	55,700	11.2	109,700	21.0	144,500	27.9	34,800	6.9
Cumbria	199,400	64.4	221,600	73.7	22,200	9.3	73,800	23.9	86,800	28.9	13,000	5.0
South West	2,176,200	67.0	2,502,600	76.5	326,400	9.5	904,300	27.8	1,197,000	36.6	292,700	8.8
England	21,046,200	63.4	24,904,200	73.2	3,858,000	9.8	9,372,500	28.3	12,144,600	35.7	2,772,100	7.4

Source: Annual Population Survey

Average Earnings (by Residence)

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

- Median annual pay in Devon increased by £905 (4.9%) over the last 5 years from £18,301 in 2010 to £19,206 in 2014 – a higher rate of increase when compared to regional (3.5%) and national change (3.7%) over the same period. However, despite this improved position, median pay in Devon remains below the comparator areas of Norfolk (£19,443) and Cumbria (£19,695), and national (£22,354) and regional (£20,690) values.
- Devon registered the highest proportional increase in weekly pay over the past 5 years, rising by 6.1% from £344.30 in 2010 to £365.40 in 2014. However, median weekly pay in 2014 still fell below the level experienced across the two comparator areas of Norfolk (£366.40), Cumbria (£381.00), and both national (£421.60) and regional (£386.70) values.
- Mirroring the situation found across regional, national and comparator areas, median annual pay for males in Devon outstripped that of females (Table 5). In 2014, median annual pay for Devon males was £24,571, in comparison to £14,500 for females. Similarly, at £454.90, weekly pay for Devon males exceeded that of females at £276.00.

Table 4: Median Residential Annual Pay (2008 and 2013)

	Annual Pay (2008)	Annual Pay (2014)	Difference (2008–2014)	
			Freq.	%
Devon	£17,663	£19,206	£1,543	8.7%
Norfolk	£17,781	£19,443	£1,662	9.3%
Cumbria	£18,430	£19,695	£1,265	6.9%
South West	£19,605	£20,690	£1,085	5.5%
England	£21,172	£22,354	£1,182	5.6%

Source: ASHE

Table 5: Median Residential Male and Female Annual Pay and Weekly Earnings (2013)

	Annual Pay (2014)		Weekly Pay (2014)	
	Males	Females	Males	Females
Devon	£24,571	£14,500	£454.90	£276.00
Norfolk	£25,009	£14,365	£467.90	£273.40
Cumbria	£26,551	£14,499	£491.10	£290.80
South West	£26,205	£15,716	£487.50	£300.50
England	£27,562	£17,226	£513.30	£333.00

Source: ASHE

4.3 Support for Businesses

Employment by Sector

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

- In 2013, the highest proportion of employment in Devon was in the broad industry group of health, which encompassed 50,498 workers or 16.1% of total employment - an increase of +2.1 percentage points from 12 months previously.
- A review of trend data from 2010 to 2013 revealed the biggest decrease in Devon's employment to be in the broad industry group of wholesale. Employment in this group fell by 3,687 (-23.5%) jobs, from 4.8% of total employment to 3.8%. In contrast, the greatest increase in employment over the same time period was in health, which grew by 9,840 jobs (24.2%), whilst its share of total employment increased by +3.6 percentage points from 12.5% in 2010 to 16.1% in 2013.
- Professional, Scientific and Technical jobs accounted for 5.6% of Devon's employment in 2013, (a fall from 6.4% in 2010). The proportion of employment in this industry exceeds that in the comparator areas of Cumbria (5.4%) and Norfolk (5.3%), although falls short of the proportions regionally (6.3%) and nationally (8.3%).

Enterprise Start-up and Survival Rates

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

- In the five years from 2009 to 2013, the count of new enterprises formed per year in Devon rose from 2,440 to 3,170 - an increase of 29.9%. This is largely attributable to the rate of new enterprise formation between 2012 and 2013, which increased by 24.3%. The four year increase in Devon (29.9%) exceeded Norfolk's (19.8%), although fell behind the level experienced in Cumbria (38.6%), regionally (42.8%), and nationally (47.7%) over the same period.
- Analysis of the annual count of deaths of enterprises in Devon revealed a reduction of -19.4% in the number of businesses failing, from 3,280 per year in 2009 to 2,645 in 2013. This trend of falling annual enterprise deaths was also seen at national (-15.2%), and regional (-14.6%) levels, and in the comparator areas of Norfolk (-19.0%) and Cumbria (-13.2%).
- Notwithstanding the aforementioned increase in new enterprises and reduction in business deaths in Devon, the overall count of active enterprises in the county decreased by -2.5%, from 31,360 in 2009 to 30,575 in 2013. This trend was mirrored in the comparator areas of Cumbria and Norfolk, where the count of active enterprises fell by -3.6% and -2.9% respectively. In contrast the number of active enterprises rose by 1.6% at the regional level and 4.9% nationally over the same period.

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

- A review of one year survival rates indicates a slight downward trend from 2012 to 2013. Businesses that started up in Devon in 2012 had a success rate of 92.5%, compared to 93.6% in 2011. This latest position compares favourably to the national and regional averages of 91.1% and 92.2% respectively, but is lower than that experienced in both Cumbria (92.7%) and Norfolk (93.2%).

Employment in High Growth Sectors

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

- In 2013, employment in the high growth sector of business services represented 3.3% of total employment in Devon. Employment in this sector has decreased by -6.9% from 12,562 in 2010 to 10,440 in 2013. This mirrors the decline seen in Cumbria (-4.3%) and at the regional level (-8.9%), but is in contrast to growth over the same period in Norfolk (+14.1%) and nationally (+12.5%).
- The high growth sector of construction and property experienced a decline in employment of 4,325 in Devon between 2010 and 2013, a drop of -26.3%. In 2013 the sector employed 12,137, 3.9% of Devon's total employment, compared to 5.1% in 2010. The number of employees in this sector was also found to have fallen in the comparator area of Norfolk (-12.6%) but it increased at a national (+7.4%), and at a regional level (+13.7%).
- Over the period 2010 to 2013, the number of people employed in the high growth sector of creative media in Devon increased from 342 to 383, an increase of +12.0%. However, despite this increase, the sector only represents 0.1% of total employment in the area. The sector has also seen growth in Cumbria (+42.0%) and at a regional (+0.4%) and national level (+3.7%). In contrast the proportion of those employed in Creative Media declined by -15.8% in Norfolk.
- Devon's distribution and logistics sector saw a decrease of -37.7% from 10,435 in 2010 to 7,319 in 2013. The decrease in employment in this sector was mirrored in the comparator areas of Norfolk (-5.8%) and Cumbria (-8.2%), and also at a regional level (-18.6%). This was in contrast to an increase at the national level of +3.7%.

Table 6: Employment in Devon's High Growth Sectors (2010-2013)

	2010		2013		Difference (2010-2013)	
	Freq.	% of Total Employment	Freq.	% of Total Employment	Freq.	%
Business Services	12,562	3.9%	10,440	3.3%	-2,122	-16.9%
Construction and Property	16,462	5.1%	12,137	3.9%	-4,325	-26.3%
Creative Media	342	0.1%	383	0.1%	41	+12%
Distribution and Logistics	10,435	3.2%	7,319	2.3%	-3,116	-29.9%

Source: BRES

4.4 Support for Devon's Young People

Not in Education, Employment or Training (NEET)

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

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

Looking forward, it is likely that the proportion of 16-18 year olds classified as NEET will decline further on account of the rise in the age of participation in education or training to 18 by 2015.

Apprenticeships

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

- In 2013/14 there were 6,350 apprenticeship starts in Devon, a decrease of -11.8% (850) from 2012/13, and -18.9% (1,480) from 2011/12. This trend was also reflected in the comparator areas.
- With regard to apprenticeship achievements, in 2013/14 3,940 young people in Devon gained the qualification - a decrease of 3.7%, from 2012/13 (4,090 achievements). This is in contrast to increased achievement over the same period in Cumbria (+7.0%), as well as at regional (+1.6%) and national (+1.4%) levels.

4.5 Support for the Under and Unemployed

Unemployment Rate (16-64)

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

- In 2014 the unemployment rate in Devon was 4.3% of the economically active population aged 16-64 (Table 7). This compares favourably with the comparator economies of Cumbria (5.6%) and Norfolk (4.9%), as well as both the regional (5.2%) and national (6.4%) levels.
- The rate of unemployment in Devon represents a decrease of -0.6 percentage points from 4.9% in 2013. However, this latest position still exceeds the county rate from both 2008 (3.1%) and 2012 (4.2%).

- For males, the economically active unemployment rate fell by -2.8 percentage points from 6.3% in 2013, to 3.5% in 2014 (a decrease of -0.4 percentage points from 2008). In contrast, the unemployment rate for females increased by +1.9 percentage points over the same period from 3.3% in 2013, to 5.2% in 2014 (an increase of +2.9 percentage points from 2008).

Table 7: Devon's Working Age Unemployment Rate (2008-2014)

	2008		2014		Difference (2008-2014)	
	Freq.	Unemployment Rate (%)	Freq.	Unemployment Rate (%)	Freq.	Percentage Points
All 16-64	11,300	3.1	15,500	4.3	4,200	1.2
Males 16-64	7,400	3.9	6,300	3.5	-1,100	-0.4
Females 16-64	3,900	2.3	9,200	5.2	5,300	2.9

Source: Annual Population Survey

Claimant Count – Job Seeker's Allowance (JSA)

The claimant count records the number of people claiming JSA and is used as a key indicator of labour market activity. Claimant count rates are expressed as a percentage of the resident working age population (16-64), and data is sourced from the ONS.

- In May 2015 there were 3,720 claimants in Devon of working age, representing 0.8% of the working age population. This is 0.3 percentage points below the regional level of 1.1% and 0.9 percentage points below the national level of 1.7%. The level of JSA claimants in Devon also compares favourably with the comparator areas of Norfolk (1.4%) and Cumbria (1.2%).
- In line with regional, national and comparator trends, the proportion of JSA claimants in Devon continued to decrease over the last 12 months from 1.2% in May 2014 to the current level of 0.8% in May 2015. This represents a reduction of 1,700 individuals suggesting greater success at placing those seeking employment into jobs.
- Overall the claimant count in Devon has fallen by -1.6 percentage points from its recessionary high of 2.4% in 2009, and is now lower than it was in May 2007. Of all Devon-based claimants, 30.1% (1,120) had been claiming for over 6 months, whilst 16.7% (620) had been claiming for over 12 months.
- Of the 3,720 Devon-based claimants of working age in May 2015, 2,390 (64.2%) were male, compared to 1,330 (35.8%) who were female. This broadly echoes regional and national trends, where males accounted for 65.3% and 63.5% respectively of all claimants in May 2015.
- Young people aged 18-24 accounted for just under a fifth (20.4%) of all Devon-based claimants in May 2015; a reduction of -2.9 percentage points from 12 months previously. This is broadly in line with the national figure (20.3%), although is lower than the regional level 22.2%.

5. The Issues and Challenges Facing Businesses

5.1 Introduction

This section summarises the key findings from the Year 2 Workforce Skills Survey including the needs of Devon businesses, approaches to recruitment and investment in training and skills, and the impact of skills gaps on growth. Key findings have been benchmarked against results from the UK Commission's 2013 Employer Skills Survey (ESS)¹⁵ and their 2014 Employer Perspective's Survey (EPS)¹⁶.

The UK data is presented wherever available throughout this section of the report and a traffic light system is used to indicate how the experiences of Devon businesses compare with national survey findings. Where there is little or no difference (+/-5%) an amber rating has been assigned.

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

Summary of Key Points:

- **Recruitment:** As in 2013, a higher proportion of Devon businesses had experienced a hard-to-fill vacancy than businesses nationally, predominantly attributed to a lack of suitably skilled applicants. Similarly to the position in 2013, although the survey found low levels of employment for those in their first job since leaving education, this still compared favourably to the position at a national level. Over the last three years 24% of Devon's businesses had employed a school leaver, 24% and FE leaver, and 17% a university leaver.
- **Retention:** Just 4% of businesses were found to have experienced difficulties in the retention of their employees – a decrease of -6 percentage points from the position in 2013 (10%). Whilst comparable UK data is not available, the latest UKCES found that 18% of establishments experiencing a skills gap reported retention problems. Difficulties in retention were most commonly attributed to the requirements of the jobs such as working hours and the requirement for travel.
- **Skills Gaps:** A lower proportion of Devon (5%) than UK (15%) businesses reported having an employee or employees that were not fully proficient at their job (a 'skills gap'). Skills gaps amongst Devon-based businesses were predominantly in skilled trade and administrative/ secretarial occupations. At a UK level, reported skills gaps were predominantly found in sales and customer service occupations and elementary roles.
- **Skills Under-Use:** A lower proportion of county-based businesses (14%) reported having staff members with skills and qualifications that were not currently being used in their job than UK employers (48%).
- **Training and Development Provision:** The proportion of businesses in Devon arranging training or staff development activities for their employees fell slightly from 65% in 2013 to 60% in 2014 – this latest figure compares with 66% nationally. Just 31% of Devon businesses had a training plan, whilst 20% had a training budget. This is in contrast to 44% and 30% respectively at a national level.

¹⁵ UKCES (2014) UK Commission's Employer Skills Survey 2013: UK Results – NB: Findings from the 2014 Employer Skills Survey were awaiting publication at the time of writing

¹⁶ UKCES (2014) UK Commission's Employer Perspectives Survey 2014 : UK Results

5.2 Recruitment

A higher proportion of business based in Devon experienced a hard-to-fill vacancy than UK businesses as a whole. The Workforce Skills Survey found that of the 156 Devon-based businesses that had **vacancies** in the previous 12 months, over a third (37%) had experienced difficulties filling them. This compares with just 28.9% at a UK national level (Table 8). For businesses in the county, particular issues were faced when attempting to fill vacancies in information and communication, education, and business administration and support service roles.

Devon was also found to have a higher proportion of businesses perceiving recruitment issues to be on account of a lack of suitably skilled applicants – 50% compared to 40% nationally. However, it should be noted that the latest Devon position represents a decline of -19 percentage points from 69% in 2013.

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

Area	UKCES	Workforce Skills Survey (Devon)	How Devon Compares
Hard-to-Fill Vacancies	28.9% of establishments with a vacancy experienced difficulty filling it (ESS).	37% of businesses that had vacancies in the last 12 months experienced difficulty in filling them.	
	Businesses operating in the Agriculture, Manufacturing, Community, Social and Personal Service Activities, and Construction sectors experienced more difficulty filling vacancies (ESS).	Businesses operating in the following sectors experienced the most difficulties in filling vacancies: information and communication; education; and business administration and support services.	
	40% reported that a low number of applicants with the required skills was a cause of the difficulty filling a vacancy (ESS).	50% reported that a lack of suitably skilled applicants was a reason for the difficulty in filling vacancies.	

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

Trend analysis between the 2013 and 2014 Workforce Skills surveys revealed an overall decline in the employment of career starters. For example, the proportion of Devon-based businesses employing schools leavers fell by -8 percentage points from 32% in 2013, to 24% in 2014. Similarly, decline was also seen in the proportion employing FE leavers (-7 percentage points), and recent graduates (-5 percentage points).

Businesses that did not employ anyone in their first job since leaving school, further education, or university were asked to identify their reasons why. Not being in a period of recruitment was the most commonly identified explanatory factor for not employing school leavers (cited by 59%) and FE leavers (63%). In terms of graduate employment, the most commonly cited explanatory factor was a lack of applications from this group (15%).

In common with findings from 2013, university leavers continued to be perceived as the most prepared for the workplace by Devon businesses, with 86% of employers identifying them to be either 'very well prepared' or 'well prepared'. Businesses were also very positive about school leavers, considered by 73% of businesses to be very well, or well prepared; and FE leavers, considered to be very well or well prepared by 79% (Table 9).

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

Area	UKCES	Workforce Skills Survey (Devon)	How Devon Compares
Employing Career Starters	Employment of career starters:		
	10% had employed a 16 year old school leaver; 11% a 17-18 year old school leaver (EPS).	24% had employed a school leaver.	
	11% a 17-18 year old college leaver (EPS).	24% a FE leaver.	N/A ¹⁷
	14% a university or other HEI graduate (EPS).	17% a recent graduate.	
	Perceptions of preparedness amongst those employing education leavers:		
	81% perceived University or HE leavers to be very well or well prepared (EPS).	86% perceived university leavers to be very well, or well prepared.	
	71% of FE leavers (EPS).	79% FE leavers.	
	60% of 17-18 year old school leavers; 53% of 16 year old school leavers (EPS).	73% school leavers.	

The CIPD's 2015 Labour Market Outlook (Section 3) indicates that the higher proportion of businesses in Devon employing education leavers, when compared to the proportion nationally, may partly reflect the higher prevalence of hard-to-fill vacancies in the county. It is also possible that the employment of education leavers is higher amongst Devon businesses because of a commitment to 'growing your own' talent.

In terms of apprenticeships, just over a fifth of Devon businesses had employed an apprentice in the three years prior to survey completion (21%), while 18% planned to offer apprenticeships in the next three years. As in the case of the UK as a whole, construction was one of the sectors with the highest number of businesses offering apprenticeships.

Table 10: Proportion of UK and Devon Businesses Employing Apprentices

Area	UKCES	Workforce Skills Survey (Devon)	How Devon Compares
Employing Apprentices	10% of businesses had an apprentice at the time of the survey (EPS).	21% had employed an apprentice in the past three years.	N/A ¹⁸

5.3 Retention

Reflecting on issues and challenges with regard to **retention**, the 2014 Workforce Skills Survey found that 16 (4%) businesses experienced difficulties in retaining employees – a decrease of -6 percentage points from the position in 2013 (10%). Whilst comparable UK data is not available, the latest UKCES found that 18% of establishments experiencing a skills gap reported retention problems.

Difficulties in retention were most commonly attributed to the requirements of the job; for example the associated working hours, and the requirement for travel. Other difficulties cited by businesses were limited opportunities for career progression; the location of the business; and the terms and conditions of the post.

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

¹⁸ The UKCES data is not directly comparable with the Workforce Skills Survey results and is presented here for contextual purposes.

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

Area	UKCES	Workforce Skills Survey (Devon)	How Devon Compares
Employee Retention	18% of establishments with skills gaps reported problems with retaining staff (ESS).	4% of businesses experienced difficulties in retaining employees.	N/A (see above)

5.4 Skills Gaps and their Impact

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

A lower proportion of Devon (5%) than UK (15%) businesses reported a skills gap. This also compares favourably to the findings from the 2013 survey where 11% of Devon-based businesses reported a skills gap.

Devon-based staff considered not to be fully proficient at their job were predominantly in skilled trade occupations (the occupational group that also experienced the most problems with retention), and administrative/ secretarial occupations. At a UK level, reported skills gaps were predominantly found in sales and customer service occupations, and elementary roles.

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

Area	UKCES	Workforce Skills Survey (Devon)	How Devon Compares
Skills Gaps	15% of employers reported having at least one employee with a skills gap (ESS).	5% of businesses reported a skills gap (where an employee is not fully proficient at their job).	
	Sales and customer service (7.8%) and elementary roles (7.3%) had the highest proportion of staff with skills gaps (ESS).	Skilled trades occupations had the highest proportion of skills gaps (35%).	N/A

5.5 Skills Under-Use

A lower proportion of county-based businesses (14%) reported having staff members with skills and qualifications that were not currently being used in their job than UK employers (48%). Although this may indicate a better 'skills match' between business needs and staff in Devon, it could also be indicative of the greater difficulties faced by Devon businesses in sourcing applicants with more advanced skills. As such, and reflecting the assigned rating from 2013, an amber rating has been given.

The lower levels of skills under-utilisation in the county may also partly explain the higher levels of retention amongst Devon-based businesses, should employees feel their skills are being appropriately used.

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

Area	UKCES	Workforce Skills Survey (Devon)	How Devon Compares
Skills Not Being Used	48% of establishments had at least one employee with both qualifications and skills that are more advanced than required for their current job role (ESS).	14% of businesses had employees with skills that are not currently being used in their job.	See above

5.6 Training and Development Provision

Three in five county-based businesses (60%) were found to have arranged training or staff development activities for their employees in the 12 months preceding the survey (Table 14). This compares to 66% of businesses nationally, and a reduction of -5 percentage points from the 2013 Workforce Skills Survey findings (65%).

Training and staff development activities over the last 12 months were found to be most prevalent in the broad industry groups of education; health, and public administration and defence (the 2013 survey also revealed training to be commonplace in the latter two groups). In contrast, businesses in the broad industry groups of information and communication; and finance and insurance registered the lowest levels of investment in training and staff development activities over the same period.

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

Area	UKCES	Workforce Skills Survey (Devon)	How Devon Compares
Training Demand	66% of workplaces had funded or arranged on-the-job or off-the-job training for at least one of their employees in the 12 months preceding the survey (ESS).	60% of business had funded or arranged staff development activities for their employees in the 12 months prior to survey.	

Businesses responding to the survey were asked to reflect on their **investment in training and skills**. As shown in Table 15, just 31% of Devon businesses had a training plan, whilst 20% had a training budget. This compares to 44% and 30% respectively at a national level.

With specific regard to Devon, the prevalence of businesses with a training plan and budget in place represents a decrease from the 2013 survey, where 46% had a training plan and 35% a training budget. This might reflect the increase of micro-businesses responding to the survey, where the identification of training needs could take place on a more informal basis.

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

Area	UKCES	Workforce Skills Survey (Devon)	How Devon Compares
Training Plan and Budget	44% of workplaces had a training plan in place (ESS).	31% of businesses had a training plan in place.	
	30% had a budget for training expenditure (ESS).	20% had a training budget.	

6. Devon’s Enterprise in Schools Grant Evaluation

6.1 Introduction

As outlined in Section 2, a key area of activity under Year 2 of the Workforce Skills Research Programme was to evaluate the first year of the Devon Enterprise in Schools Grant (EiSG). More specifically, the evaluation aimed to understand the success factors and to highlight any areas that could be reviewed to maximise future impact and efficiencies; and, explore the experiences of beneficiaries engaged in the Programme to review the impact that it has had on their entrepreneurial attitudes and behaviours.

This section provides a brief overview of the key findings from the evaluation, and should be read alongside the September 2015 report *‘Evaluation of the Devon Enterprise in Schools Grant for Devon County Council’* produced by SERIO.

Summary of Key Points:

- **Overview:** The EiSG was a competitive grant scheme, launched by DCC in October 2014, to fund enterprise education in state funded secondary schools and Year 6 of primary schools, and the formation of strong links with businesses. A total of 10 projects were awarded funding totalling £113k.
- **Summary of Activity:** EiSG funding has been used successfully to meet the target outcomes for pupils. The evaluators also found broad agreement that the EiSG programme had successfully developed and delivered entrepreneurial teaching and learning, with the Programme’s flexibility highlighted as a key strength. One of the striking aspects of the Programme has been the level of engagement with the business community, which has generated relationships of mutual value.
- **Project and Programme Level Performance:** Eight of the ten sponsored projects were deemed to have an overall success rating of ‘largely achieved targets’ based on an assessment of their performance against target outputs and anticipated outcomes. Taking an overall view of performance, the evaluators assessed the EiSG programme to have ‘largely achieved’ its targets. This is considered to be particularly strong performance in the pilot year of the Programme.

6.2 Overview

In October 2014, Devon County Council launched the Enterprise in Schools Grant (EiSG) – a competitive grant scheme to fund enterprise education and the formation of strong links with businesses. Applications were invited from state funded Secondary Schools and from Year 6 of Primary Schools across Devon for projects to deliver the following two **outcomes**:

- Expansion of current or the creation of new educational opportunities within the areas of enterprise and innovation for both pupils and staff; and,
- The development and delivery of entrepreneurial teaching and learning.

Following the receipt and assessment of applications by programme staff at Devon County Council, 10 projects were awarded funding totalling £113,000. The grants awarded were generally sized between £5,000 and £10,000 and, as a condition of funding, were required to be spent by 31st March 2015.

The grant was designed to be flexible, enabling each project to design their own suite of entrepreneurship and enterprise-based activities. However **project activities**, wherever possible, were required to:

- Integrate and support existing school and local community activity around enterprise, innovation, and entrepreneurship; and
- Further promote existing relationships with local learning communities, feeder primary schools, and colleges of further education and the wider business community.

6.3 Evaluation Approach

The evaluation of the EiSG was based around five key elements: consultation with operational level stakeholders and Project Leads; an online survey of strategic partners; consultation with beneficiaries; an assessment of performance against objectives; and project case studies. These components are summarised in Table 16.

Table 16. Summary of Methodological Approach

Approach	Overview
Consultation with operational stakeholders and project leads	<ul style="list-style-type: none"> • Depth interviews with 14 operational stakeholders and 10 project leads from the individual participating schools • Consultations covered: key successes of the Programme, suggested areas for improvement, and perceptions of programme value
Online survey of strategic partners	<ul style="list-style-type: none"> • Online survey distributed to 29 strategic partners to establish views on the impact and associated value of the EiSG Programme • The survey yielded a response of 15 (52%)
Consultation with beneficiaries	<ul style="list-style-type: none"> • Consultation with 67 beneficiaries across 6 different schools involved in the EiSG • A flexible approach was offered to maximise engagement combining tele-focus groups, in-person focus groups, and a paper based survey with student/ pupil beneficiaries
Assessment of performance against objectives	<ul style="list-style-type: none"> • An assessment of overall programme and individual project performance based on Completion Report data submitted by each of the participating schools
Project case studies	<ul style="list-style-type: none"> • Separate case studies based on each of the ten EiSG funded projects

6.4 Summary of Activity

EiSG funding has been used successfully to meet the target outcomes for pupils. Whilst the evaluators found numerous accounts of positive benefit for staff, overall progress was less assured in terms of meeting target outcomes for this beneficiary group. There was also broad agreement that the EiSG Programme had successfully developed and delivered entrepreneurial teaching and learning, with the evaluators highlighting the strength of the Programme's flexible approach in supporting this.

There is clear evidence of Programme success in integrating with, and supporting existing activity around enterprise, innovation, and leadership. A number of projects also expressed plans to further embed learning into their school or college, or to integrate project activity with the local community.

One of the striking aspects of the Programme has been the level of engagement with the business community, which has generated relationships of mutual value.

6.5 Project and Programme Level Performance

Eight of the ten sponsored projects were deemed to have an overall success rating of 'largely achieved' targets based on an assessment of their performance against target outputs and anticipated outcomes. In three instances, projects that were deemed to have fully achieved their output targets were considered to have an overall success rating of 'largely achieved' for the project as a whole.

Taking an overall view of the performance of all ten sponsored projects, the evaluators assessed the EiSG programme to have 'largely achieved' its targets. This is considered to be particularly strong performance in the pilot year of the programme, and provides a solid foundation from which future iterations can develop.

6.6 Points for Consideration

Four broad themes for future consideration emerged from the evaluation: i) the timescales could be adjusted to strengthen the application stage and allow projects more opportunity to embed learning into the curriculum and integrate activity more efficiently with existing timetables; ii) the Application Form could be clearer in articulating the requirements from DCC; iii) DCC could consider an increased brokerage role in linking successful projects with the local business community; and iv) opportunities for wider collaboration between projects could be encouraged.

7. Summary and Recommendations

7.1 Introduction

This section presents a summary of the key policy and strategy announcements, and primary research findings from Year 2 of the Workforce Skills Research Programme, presented under the five priority areas from the Employment and Skills Action Plan.

Based upon these findings and emerging themes, and looking forward toward research activity in Year 3, a number of areas for further activity and follow-up have been recommended for consideration by DCC.

7.2 Summary and Recommendations

Priority Area 1: Influencing and Leadership

Priority Area 1 has a remit to ensure that DCC are aware of the issues and challenges facing businesses and the workforce in relation to skills and to ensure that the impact of policy change on Devon is communicated. For the contractors, research activity was predominantly underpinned by two key outputs: to develop a data monitoring tool, and to produce a dashboard of indicators to allow partners and stakeholders to have simple access to key Devon skills and employment statistics.

In common with 2013, the report referenced an increasing requirement for highly skilled workers, with particularly strong demand in key growth sectors such as construction, manufacturing, engineering, science, and high-tech. For Devon, the Labour Market Monitoring Framework once again indicated an increase in the proportion of Devon's working age population qualified to NVQ Level 4, with current levels of attainment outstripping the national comparator. Reflecting specifically on Devon's young people, the new requirements for vocational qualifications and apprenticeship standards will serve to increase the quality and quantity of STEM skills in the workforce.

Recommended Focus for Year 3

The Employment and Skills Action Plan outlines a priority to ensure that Devon's skills needs and requirements are represented as part of the LEP skills agenda. Looking forward, one of the most notable developments will be the outcome of Devon's proposal for devolution, which could enable greater control over skills development and provision. As such, it will be important to ensure that skills needs, identified through this Programme, are shared and understood. To this end we recommend that:

- The **Workforce Skills Research Programme is used (where appropriate) to inform the full proposal for devolution** through articulating the issues and challenges facing businesses and the workforce in relation to skills.

NB: In support of this recommendation, SERIO met with DCC, and representatives from Plymouth City Council in October 2015 to discuss how the Workforce Skills Programme can help inform the required evidence base.

Priority Area 2: Support for Businesses

Reflecting the position in 2013, the 'Key Findings from the Second Workforce Skills Survey', published in October 2014, highlighted the difficulties faced by Devon businesses in recruiting skilled employees - particularly those with sufficient ICT skills. The proportion of businesses reporting 'hard-to-fill' vacancies increased from 34% in 2013 to 37% in 2014 and remains higher than at national level.

Analysis of Devon's business demography data reveals that the county's economy is returning to a sustained recovery with new enterprise formation rising by 29.9% from 2009 to 2013. However, a review of employment in high growth sectors (those identified as having the potential to create significant employment growth in Devon) indicated a marked decrease between 2010 and 2013 in business services; construction and property; and distribution and logistics.

Recommended Focus for Year 3

The HotSW Growth Deal investment package and the proposal for devolution will provide further scope for the county's policy-makers to work with employers to address skills shortages. As noted by the AoC and the UKCES in Section 3, engagement between local authorities, employers and learning and skills providers will be necessary to ensure that key skills shortages (especially STEM) are addressed. As such we recommend that:

- DCC consider additional research with industry representatives to **explore the reasons behind the fall in employment in three of Devon's high growth sectors** and to consider how improved skills provision might be used to stimulate employment growth.

Priority Area 3: Support for Devon's Young People

One of the most prominent skills issues in recent years has been the structural decline in the labour market situation for young people making the transition from education to employment. This report provides evidence of a fall in apprenticeship starts in Devon, derived from both Individualised Learner Record data (-18% between 2012/13 and 2013/14), and from the Workforce Skills Annual Business Survey (decline of -3 percentage points in businesses employing apprentices between 2013 and 2014). This represents a future concern in the context of the new Youth Allowance for 18-21 year olds which places emphasis on stronger work-related conditionality through apprenticeships.

Again, there is work to be done in promoting the business benefits of young people and early career starters to businesses in Devon. Survey respondents indicated a preference for experienced employees, and cited a lack 'soft' employment skills (such as communication and motivation) as a key explanatory factor behind their reluctance to recruit candidates from this group. As such, there is a requirement for increased support to enable young people to make the transition from education to the workplace through, for example, stronger links between providers and businesses.

Recommended Focus for Year 3

Engagement between employers and education providers remains critical in efforts to enhance levels of employability amongst Devon's young people, and in responding to local demand for skills. This includes, for example, opportunities for apprenticeships, and work-based learning or placements, supported by real-life projects and assessments; and employer engagement in curriculum delivery and design.

Evidence from the Workforce Skills Programme to date, however, indicates that businesses need to know more about the practical implications of engaging with young people, and would benefit from increased opportunities for engagement with schools and colleges. As such, and echoing the recommendations made in the 2014 Workforce Skills Survey report, we suggest that:

- Work is undertaken to ensure that **businesses are made aware of the practical implications of engagement** through the distribution of coherent and consistent information.
- Partners and stakeholders **ensure that opportunities for engagement with schools and colleges are made accessible** to the business community through an increasingly proactive approach.

The Workforce Skills Programme Year 1 Annual Report recommended that the 2014 Employer Skills Survey is enhanced to establish business awareness of, and attitudes toward apprenticeship reform. This recommendation was subsequently actioned, with findings from the updated 2014 survey indicating limited awareness of reform measures amongst responding businesses. Further, just 14% of businesses felt that the reforms would encourage them to take on apprenticeships. In the context of declining apprenticeship starts, and the likely increase in requirement for apprenticeships through the Youth Deal and Raising the Participation Age reform we recommend:

- Continued work with industry representatives and learning and skills providers to **publicise both apprenticeship reform and the new forms of apprenticeships available, including Higher Apprenticeships**. This could include awareness raising regarding the forthcoming changes to apprenticeship funding.

Priority Area 4: Support for the Under and Unemployed

NB: Whilst the Workforce Skills Research Programme had a role to support this priority area through the provision of monitoring data, it was not assigned any primary research activity.

Devon's overall unemployment rate continued to decline over the period of the second report; however, this was set against an increase in female unemployment. Whilst this finding should be treated with some caution due to the possibility of sampling error, it could reflect the barriers experienced by some women in entering, or re-entering the labour market.

With specific regard to underemployment, the 2014 Survey found that 14% of businesses had employees with skills that were not being used. More broadly, the CIPD observed that the expansion of higher education in the UK had led to an increasing number of graduates employed in traditionally non-graduate level jobs indicating an underutilisation of skills.

Recommended Focus for Year 3

Whilst there has been an overall decline in Devon's unemployment rate, continued support for jobseekers, particularly women, remains critical. Reflecting the importance placed on ICT skills by employers in the Second Workforce Skills Survey we recommend:

- Ongoing **support for job seekers to enter or return to the labour market through digital skills training.**

NB: In support of this recommendation, Connecting Devon and Somerset secured funding under Phase 2 of the Women and Broadband Challenge Fund. Proposed activities include a pilot to better understand the digital barriers to women entering, or returning to the labour market; and research to understand the associated digital skills needs of employers.

Priority Area 5: Funding for Skills

As noted in Section 3 of this report, there has been further reform to the funding for skills over the last twelve months. Of particular relevance to the Workforce Skills Programme will be the introduction of Apprenticeship Vouchers from 2017, providing employers with increased levels of purchasing power; and additional incentive payments for employers taking on younger apprentices.

In contrast, however, the reduction in Skills Funding Agency funding will pose considerable challenges to the provision of non-apprenticeship adult training. Given the relatively low proportion of Devon businesses providing training and holding a training budget when compared with levels nationally, the impact of these cuts could be particularly acute within the county.

Recommended Focus for Year 3

The forthcoming Autumn 2015 Comprehensive Spending Review is anticipated to reveal considerable cuts to public spending, particularly in the areas of economic development and adult education, which will be in addition to planned reductions in SFA funding. This theme will be revisited in year 3 once the outcome of the CSR is clear. In the meantime, and in line with recommendations from previous reports, we suggest that:

- Appropriate **opportunities relating to skills development and funding should be communicated to businesses** and representative organisations to support the cost of training.



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