

Regional Priorities Statement

This statement synthesises the priorities for sectors, spatial targeting and targeting by employer and learner types. It sets out overall priorities for **South East** for the year 2010/11.

Historical Trends

These reflect progress towards skills targets/impacts and identified need for investment.

The South East is the engine of growth for the UK: it is one of only 3 net contributors to the economy amongst the regions; recording the second largest economic contribution at 14% of UK's gross value added (GVA); and the highest employment rate (77%):

- The region has the **second highest concentration of high-growth businesses** in the UK (Greater London leads) and these provide the potential to drive both the region's economic performance through accelerated rates of growth, and that of the UK through supply and value chain linkages;
- The **knowledge based economy is central to the 'offer'** of this high-cost region and is increasingly important - around 1.3 million people are now employed as managers and senior officials/professionals accounting for 32% of all occupations - a rise of 13% over the last 8 years.

The SE is one of the top 10 European regions in terms of productivity growth. While the region starts from a good skills base, **skills development at all levels will be essential to achieving productivity gains**, creating jobs and global competitiveness as the economy recovers from recession. **Follow on sections set out prioritisation by industry sector and spatially, for skills development at all levels:**

- Level 4 and above skills to sustain the region's R&D base and new technologies. Priority areas are Portsmouth, Southampton, Slough, East Sussex, Kent, Medway, and Isle of Wight, all of are significantly below the regional average but have the potential for high-value growth.
- Progress at Level 3 has been good (rising from 47% to 53.7% from 2001-2008). However, there are particularly low L3 qualification proportions in transport and communications, public services, banking and insurance and manufacturing sectors and geographically in Medway and Slough;
- Whilst the proportion of those qualified to level 2 has increased by 3% to 73% from 2001-2008 the rate of progress is lower than many other regions, hindering its ability to meet the 2011 Leitch target. Improvement is particularly required in Kent, Medway, Southampton, Reading, Slough and Milton Keynes;
- There are 450,100 people of working age in the SE with no qualifications – the third highest number of all regions. Priority areas for providing long-term employability skills to this group include Kent, East Sussex, Portsmouth and Slough; and sectorally in retail, hospitality, construction, transport and communications and agriculture;

Current needs

These will be based on replacement demand, demand identified by Business Link and Jobcentre Plus, current skills vacancies and shortages and inward investment opportunities – distinct regional information which will inform adult skills in today's economy.

Priority sector and occupational skills needs:

The South East is well placed to grow strong out of recession, exploiting global markets and attracting foreign direct investment, but this requires **sustained attention to investing in upgrading skills**. Future growth will be driven by **knowledge based enterprise requiring strong employability and team skills**. Businesses consistently raise skills needs as a barrier to growth and express concern regarding young peoples' lack of basic and transferable skills.

Regular updating of skills and knowledge to current industry good practice, technology and processes is essential to individuals staying in work and broader economic growth. In many sectors, workforce skills are on average one level behind current standards, with this especially prevalent in areas such as care (demand will be L2 rather than <L1) and construction (level 3 not level 2).

Between 2007-12 there will in the SE be an additional 145,000 jobs by net growth and a further 745,000 by

replacement demand (requirement to fill vacancies caused by individuals leaving employment). Numerically, the highest requirements will be corporate managers, teaching professionals, business/public service professionals, admin and clerical and skilled construction trades.

Concentrations of skills needs particularly at Levels 3 and 4 which require specialised and niche provision including advanced and higher level apprenticeships are:

- **Science, technology, engineering and mathematics (STEM) skills**- potential upskilling requirement of 85,000 people across management and core technical occupations the majority at level 3+ though 19,000 skilled trades (L3) and 19,000 operators (L2) also forecast. There is an annual requirement of almost 4,000 recruits in engineering alone with evidence of specific skills shortages e.g. aircraft engineering technicians and aluminium welders.
- **Built environment**- construction sector has suffered in recession but still experiences shortages around L3+ in specific areas e.g. environmental construction technologies. Concern that there is a need to maintain training capacity to support anticipated increase in demand when growth returns e.g. plumbing, electricians, and carpentry;
- **Business services** - the Financial Services Skills Council identified key areas in management and leadership, regulatory training and generic skills and work readiness;
- **Care** – skills shortages persist in some occupations e.g. social workers, qualified clinical staff, clinical support staff, NHS infrastructure staff. Demand driven up by factors including increased elderly care provision (particularly in coastal areas), legislation, and childcare need;
- **Retail** - staff turnover around 40% causing on-going recruitment issues particularly in areas of high employment. Over 100,000 replacement jobs predicted by 2017.

Employability workforce skills needs:

The economic strength of the region hides some significant pockets of low employment and productivity especially in the coastal areas. There **is still a need to provide skills for the unemployed to enable them to re-engage in the labour market**. Claimant count unemployment is currently 155,000 (a rise of 90,000 over two years) of which 43,500 are aged 18-24. The proportionate increase for those unemployed for 6 months+ is even higher:

- Reducing NEET hotspots in Southampton, Portsmouth, Reading, Brighton and Hove and East Sussex, which have been exacerbated by recession;
- Employers continue to report the importance of employability skills particularly for young people with low qualifications;
- The current recession has also highlighted the need for specific management and leadership skills including multi-skilling (as staff take on more responsibilities) and focussed bite size training.

Developing **Business start up, self-employment, enterprise and entrepreneurial skills** is also essential to drive achievement of the RES target to increase business stock to 44 per 1000 inhabitants by 2016.

Future needs

These will be based on known demand and expected from key investments in places (the strategic sites identified in the Regional Funding Advice) and the regional Innovation and Enterprise Strategies and more generic needs (customer service skills, adaptability, enterprise team working communications, etc)

Overall direction of demand is for an increase in numbers of people qualified to L4 by 66,500, L3 by 29,000, L2 by 39,000+ and L1 by 18,000 with declines for those with <=1 qualifications. Skills needs have been identified at sub-regional level across the major growth areas, the SE's Diamonds for Investment and Growth (See Note 1).

Over the next 18 months, the following are **some of the major investments are likely to require skills support**. Further priorities will emerge as the economy recovers and through the forthcoming Local Economic Assessments:

- **Major investments**- McLaren establishing new production facility near Woking creating 200

construction jobs and subsequent new manufacturing and automotive employment opportunities. Vestas building their R&D capacity on the Isle of Wight and recruiting 250 renewable energy technologists and engineers over next 2 years. New American Express office in Brighton creating up to 1,000 construction jobs. Thames Water hiring 196 people at their new Management Centre in Reading. National retail and hotel chains continuing to open new outlets across region.

- **Major sites progressing in 2010/11 reliant on construction skills-** development of 47.5 hectares employment land at Hartland Park in Farnborough. First phase of construction (168 homes) beginning at Woolston Riverside, Southampton in April. 2,000 new homes and 8.5ha hectares employment land at Upper Heyford in Oxfordshire. Business park developments at Slough Trading Estate and Kingsnorth Business Park in Kent. Business Park and 600 eco-home demonstrator at Bicester. Redevelopment of Redhill towncentre.
- **Transport investment progressing in 2010/11 reliant on construction skills-** include Cross Rail construction commencing in February 2010 and redevelopment of Reading Train Station imminent. Network Rail also planning a £10m upgrade of Oxford railway station.
- **Off shore renewables-** skills related to the offshore wind industry supply chain required. Substantial lead-in times for training. Construction of Thanet wind farm underway and London Array due to commence in October 2010. Further wind farms scheduled for construction at Newhaven and the Isle of Wight in 2013.
- **Skills investment in Growth points and eco-town developments.** Growth points are Reading, Oxford, Didcot, Basingstoke, Maidstone, Reigate, South Hampshire, Dover and Shoreham. Forthcoming eco-town developments in Whitehill Bordon and Shoreham Harbour.
- **2012-** Support upskilling staff in sectors relating to 2012 including retail, tourism and hospitality.

High growth opportunities

These will be based on inward investment opportunities and identified regional sectors under New Industry, New Jobs.

In the South East a small number of priority sectors contribute significantly to the growth of the economy: the 6 listed below in 2007 contributed £65.9bn to the region's economy, or 42.1% of the total. Over the next decade the sectors are projected to expand by 3.3% per annum, faster than the South East average GVA growth of 2.8%. The sectors have strong synergy to 'New Industry New Jobs sectors.

1. Advanced engineering and marine
2. Aerospace and Defence
3. Environmental & Energy Technologies
4. Pharmaceuticals, Life Science and Health Technologies
5. ICT and Digital Media
6. Financial and Professional Services

Further economic data is available on the spatial strengths of these sectors. For example, in the priority centres of excellence such as: **space at Harwell**, **telecare in Surrey and Southampton**, **the Institute for Sustainability in the Thames Gateway**, and **digital and media at Pinewood in Buckinghamshire**. More detailed analysis is in hand to segment and differentiate by sub-sector and spatially, to allow more specific skills needs identification in these key SE growth sectors by location. Detailed demand-side guidance will be available within the next couple of months.

Note 1: The region's designated Growth Areas and 'Diamonds for Investment and Growth' report the following future skills needs:

- **Partnership of Urban South Hampshire (PUSH)** emphasises the role of future skills in the business and financial services (level 4 skills) and the marine sectors (tradesmen, electrical engineers, supervisors and mechanical fitters)
- **The Thames Gateway Kent Partnership** identifies skills needs in environmental technologies, construction, finance creative industries, advanced manufacturing, and logistics.
- **The Milton Keynes South Midlands Economic Development Implementation Plan** focuses skills development on five sectors accounting for 37% of existing employment: business/professional services,

creative industries, logistics, motor sport/high performance engineering, and sustainable construction/build environment.

- **Ashford's Future Partnership** identifies a need for improved core work, employability and enterprise skills, and improved technical skills in specific priority sectors including business and financial services, transport, logistics and distribution and advanced manufacturing industries including food processing, engineering, IT & software, life sciences, creative industries and environmental technologies.
- A recent study of the knowledge economy within **Diamond for Investment and Growth** areas identified a number of high level skills shortages including specialist technical skills such as hardware programming, CAD and specialist engineering skills.

Further Sources of information:

ONS

Annual Population Survey

DBIS – LAA datasets

NOMIS – Claimant Count unemployment

Impact of Recession on the Labour Market in the South East (2009) - Alliance of Sectors Skills Councils. LSC, SEEDA

Reviewing the South East's Priority Sectors LSC/SEEDA (2008)

South East Sector Blueprint: projections of future employment, LSC (2007)

National Employer Skills Survey (2007)

SEEDA Corporate Plan refresh (2008)

SEEDA Regional Economic Strategy evidence base (2006)

PUSH Skills for Employability and Growth Strategy and Action Plan, (2009)

North Kent Multi Area Agreement, September (2009)

Milton Keynes South Midlands Economic Development Implementation Plan (2009)

Ashford Skills Strategy, 2009

Experian forecasts for SEEDA (2009)

Building a knowledge economy: Research and Action Planning for the SE Diamonds for Investment and Growth (2009)

Sector skills fact sheets – LSC SE (internal, 2009)