SOUTH EAST
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COUNCILS
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SHARED INTELLIGENCE

Evidencing the South East's skills gaps and challenges

Contents

Executive summary

The South East needs an agile skills system. One that can identify and nurture new and developing sectors, address the needs of a growing ageing population and potential impacts of Brexit. It needs to support both higher and lower ends of the skills pipeline and create new opportunities for all South East businesses and residents.

The South East has a good base to build upon. In 2016, the South East was the only UK region alongside London with labour productivity[1] above the UK average (6% above average). In order to sustain as well as improve this position the right resident and workplace skills are essential.

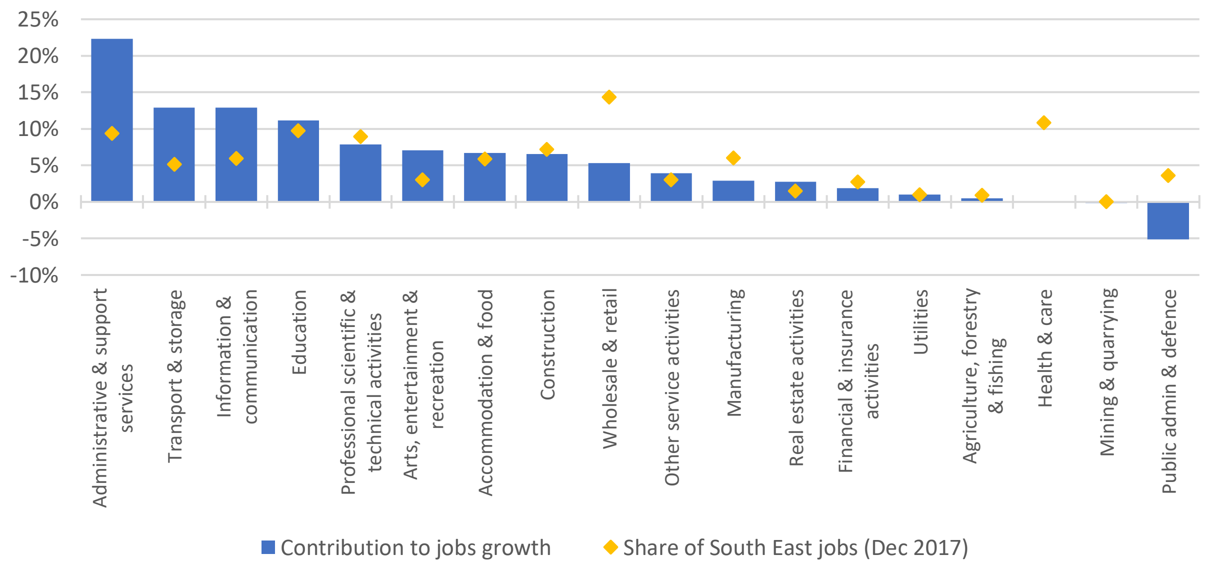
Improving the skills base of current and future populations, to ensure it is relevant to skills needed, will be essential to:

- keep economically strong sectors growing now and post Brexit
- uphold key public services
- support underperforming or marginalised groups into employment
- keep pace with the knowledge required for advanced industries
- unlock new growth sectors
- help ensure delivery of priorities such as construction of new homes and infrastructure.

In addressing the South East's skills gaps and challenges, this report identifies factors that could help the South East maintain and improve economic performance and positively impact on skills.

Our analysis shows that the South East has high proportions of workers in lower skilled (and lower pay) sectors, such as retail and hospitality, alongside high proportions of workers in higher graded professional roles, such as education and scientific services (see below). There is also a higher proportion of workers in the emerging high-tech sector (10.4%) compared to the England average (7.5%). This implies a polarisation of the South East economy between lower and higher skilled job opportunities.

Sector contributions to total growth in South East (2010 – 2017) and share of current employment (at December 2017)



Source: ONS Workforce Jobs 2018

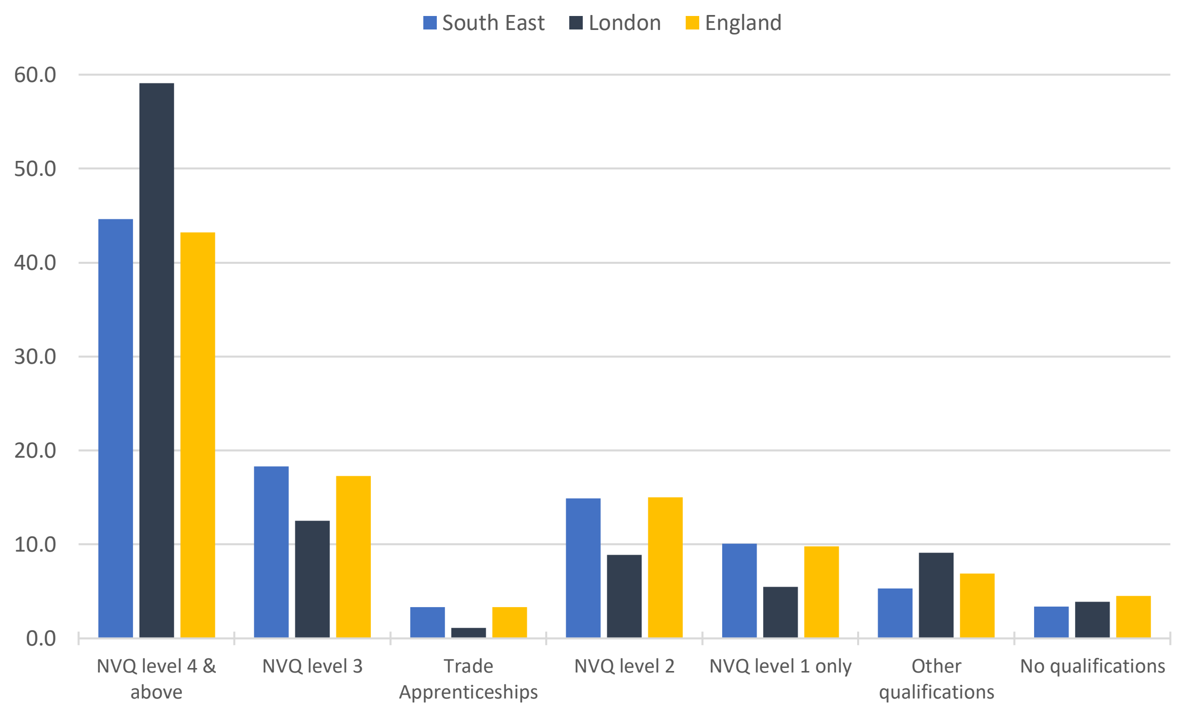
[1] Productivity measured by Gross Value Added (GVA) per hour worked.

The key South East skills gaps (or potential risk issues) emerging from the current landscape include:

- the ability to meet care needs for the growing older population
- ensuring there are enough (skilled) workers for high-tech sectors
- sustaining essential economic service sectors
- preparing for a potential decline in EU workers post Brexit. This may impact on South East sectors such agriculture which has a high reliance on EU workers
- balancing the needs of high GVA-creating service sectors, such as business services, and transport and accommodation, with the needs of sectors, such as health, care and education, that are important for the wellbeing of the South East population.

Current skills levels of South East employees are shown below.

% in employment by qualification, South East versus London and England, 2017 (%)



Source: ONS Annual Population Survey

For the future, maintaining public services and building on cutting edge industries, the South East will require a range of skills and qualification pathways. Steps to consider include:

- encouraging greater take up of relevant academic/ vocational qualifications, higher and further education, and apprenticeships
- tackling the current (relative) decline in entry for Higher Education across the South East, and low numbers of high level adult education participants
- increasing apprentices, particularly in high skill apprenticeships. Behind London, the South East offers (proportionally) less apprenticeships than anywhere else in England. More may need to be done to encourage both public sector apprenticeships and private sector involvement.

Key findings

- The **South East added 582,000 net new jobs** between the start of 2010 and December 2017[2]. The size of the **labour market has grown by 13%** over this time.
- **Services contribute 85% of total South East *employment* in 2017** and 88% of South East jobs *growth* between 2010 and 2017. These jobs contributed 80% of real GVA increase from 2010-17.
- **Almost half the South East service sector is 'knowledge-intensive'**, offering high skill jobs. For example, 1 in 10 people in the South East are employed in the education sector.
- **There is also growth in the lower skill service sector.** Between 2010 and 2017, 25% of new jobs in the South East, and about 23% of real GVA was created in the distribution, transport, accommodation & food sectors.
- Whilst the **health and care sector as a whole has not grown since 2010,** there is growth in some parts of this sector as since 2010 caring personal service occupations have grown by 27%. This might reflect the fact that the occupation has taken on traditional administrative functions as part of its role, with administrative occupations having declined. However, there are significant vacancies in the sector as in 2015, 8.5% of all job postings in the South East were in caring personal services, childcare and related personal services.
- On average some **50% of South East workers are in high skill occupations**. There are variations across the South East from 44% in Kent to 59% in Surrey.
- **South East has higher employment levels (79%) compared to London (75%) and England (76%)**. The South East has a higher percentage of employment for workers at all skills levels (aside from degree level and above) compared to London and England.
- **Overall 45% of those employed in the South East have high level skills (NVQ4+).**
- By sector **more than half of new apprenticeship starts in the South East in 2017 were in health, public services and care. The South East – like the rest of English regions – has fewer higher level (equivalent to degree) apprenticeships and above.**
- The **proportion of South East adults participating in FE and skills training equivalent to NVQ level 2 has dropped by 57% since 2011/12**. This could be a concern as projections show there are likely to be fewer opportunities for low and no skill workers in future. This might also suggest that even to obtain lower skilled jobs, workers will require some form of qualification.
- In the last quarter of **2017, 87,000 people in the South East aged 16-24 were Not in Education, Employment or Training (NEET), or equivalent to 9.7%** of this age group.
- **EU workers and markets are significant in the South East economy.** The EU is the largest market for South East exports (45%) and 7% of South East workers are EU nationals. The 7% overall figure disguises much higher reliance in agriculture where 14% of workers are EU nationals.
- **There is a clear demand by employers for entry-level public service employees.** Almost one fifth of all entry level South East job vacancies in 2015 were in education (10% of all vacancies) or care (8.5% of all vacancies).
- **10.4% of workers in the South East are employed in the high-tech sector compared to 7.5% nationally.**

[2] ONS workforce jobs 2018

1. Introduction

The South East economy is already changing as a result of factors such as an ageing population and technological progress. As these continue to have an impact and the impending exit from the European Union (EU) takes effect, they are likely to further change the shape of the South East economy in the short, medium and long-term.

Alongside local growth plans and strategies from councils and partners (e.g. Local Enterprise Partnerships), the development of a National Industrial Strategy framework by government encourages a focus on the country's 'productivity challenge' at a national, regional and local level. In 2016 the South East was the only UK region alongside London with labour productivity[3] above the UK average (6% above average), although this is still some way behind London. To maintain and grow productivity, and adapt to any potential change, identifying and overcoming the South East's skills gaps and challenges will be crucial.

Our analysis shows that the South East has high proportions of workers in low skill (and low pay) sectors such as retail and hospitality alongside high proportions of workers in higher graded professional and technical roles. This could suggest a twofold approach is needed to ensure the South East economy is fit for the future. The first approach and part of the solution to maximise the South East's economic productivity would involve attending to parts of the economy that are falling behind. This includes low pay sectors and unproductive firms and addressing the 5 million individuals nationally without basic practical maths and English[4], as job opportunities are expected to decline for workers for those with no qualifications, or only A level or lower-graded qualifications. The second, and equally important approach, would be to support and maintain strong and emerging sectors such as professional services and high-tech industries, and sectors like health and social care that are important for the wellbeing of the South East.

This report, prepared by Shared Intelligence for South East England Councils (SEEC), is designed to give evidence and analysis to help SEEC understand the extent of the skills challenge in the South East and to help SEEC members consider what further action is required nationally and locally to reduce gaps or barriers, now and over the next 10 years. For example, a lack of growth in the health and care sector raises questions about the ability to address the needs of the South East's ageing population. Likewise, a fully functioning South East workforce will be essential to preparing the area for all eventualities of Brexit, while improving the region's economic productivity.

This report is structured as follows:

1. An overview of likely skills trends;
2. Examination of changing skills demand in the South East by looking at the region's industrial and occupational structure;
3. A look at the South East's labour market and provision of skills;
4. The final section draws together the previous 2 sections to highlight key issues around supply and demand of skills in the South East.

This report is focused on the South East area covered by SEEC, which includes 74 unitary, county, and district councils, the vast majority of which are in SEEC membership. Where appropriate this report will refer to other regional and national comparators, and some local variations within the

[3] Productivity measured by Gross Value Added (GVA) per hour worked.
[4] Innes D 2018. The links between low productivity, low pay and in-work poverty. York: Joseph Rowntree Foundation

South East. This report provides a high-level overview of issues, but local areas will be best placed to identify their specific skills needs and supply issues.

1.1 What do we mean by skills and why are they important?

Skills are a core component of economic growth and competitiveness and are also heavily linked to improved inclusion and social mobility. For this report skills are defined by the ability to do a particular task or an individual's technical capabilities. Both academic and vocational skills are regarded as equally important. **Improving the skills base of current** and **future populations – to ensure it is relevant to the skills needed -** will be **essential to keep economically strong sectors growing**, **uphold key public services**, **support underperforming or marginalised groups into employment**, **keep pace with the knowledge required for advanced industries** and **unlock new growth sectors**. A key part of this requires a robust evidence-base and shared understanding on the skills the South East has, the skills the South East needs and any mismatches between the two. Whilst the detail of this will be most appropriately undertaken at a local level with local knowledge, this report aims to highlight some of the bigger strategic issues.

This requires an understanding of three critical pieces of evidence: the demand for skills; the supply of skills; and any gaps or mismatches that upset this dynamic.

Skills demand refers to the skills that are required by employers in order to produce goods and services. Skills demand in this report is measured by looking at the occupations in the workforce, productivity, and the industrial composition of the economy.

Skills supply refers to the pool of available skills in the area or the labour force that results from the attainment of certified/ non-certified skills. This report also broadens this analysis by looking at employment rates, application rates to Higher Education, percentage of people Not in Education Employment or Training (NEET), and further education (16+) and adult education participation rates. An explanation of the different skill levels and their equivalents is in appendix 3 of this report.

Skills mismatch or gaps occur when employer needs are unmet i.e. the skills levels or number of potential employees do not meet the requirements of the economy and the labour market. Alternatively, excess supply of skills occurs where employers do not employ all those workers who have skills to be employed, which results in unemployment and underemployment.

1.2 Global economic trends

The South East faces a number of economic trends that will shape the current and future work and skills landscapes. These shifts could change the world of work and need to be properly understood. It is important to acknowledge that at this point the direct impacts of technological change, Brexit, and demographic change on the South East's skills demand and supply remain uncertain and will change over time.

Automation and technological change. There is a global movement towards a more knowledge intensive economy. This transition requires that economic success is underpinned by an interconnected global economy in which knowledge sharing and expertise is as important as any other economic resource. Technological change is speeding up this process. As part of this ongoing process, services that transfer knowledge and expertise (particularly professional) are becoming increasingly important. In the South East, **over 85% of workers are employed in services, and services have contributed 88% of total jobs growth in South East since 2010. Almost half of all employees are employed in knowledge-intensive services** (KIS). In parallel to this, **the high-tech**

and STEM[5] sector is relatively strong, constituting 10.4% of employment compared to 7.5% nationally[6].

There are two potential outcomes from the speeding up of technological progress: a move towards more technically-oriented jobs and work, what has become known as 'skills-biased-technical-change', and the possibility that routine jobs will be automated. Empirical research highlights that growth in high-technology jobs often has an impact on non-technical jobs through increased demand for lower level supporting services jobs.

Brexit. The United Kingdom's decision to leave the European Union is likely to alter the country's, and its regions', economic and skills landscape. Research – although speculative – has attempted to pinpoint the economic impact of Brexit on the UK economy, its regions and its cities[7].

The decision to leave the EU could potentially impact the number of exports from the UK to EU. Equally, the government has stated that it will end free movement of people within the EU. EU workers currently make up 7% of the South East workforce compared to 5% of workers England-wide (excluding London)[8] and 18% in London. This percentage of EU born workers in certain South East sectors is particularly notable, such as agriculture (14%), manufacturing (7%), wholesale and retail trade, hotels and restaurants (7%) and public services (4%).

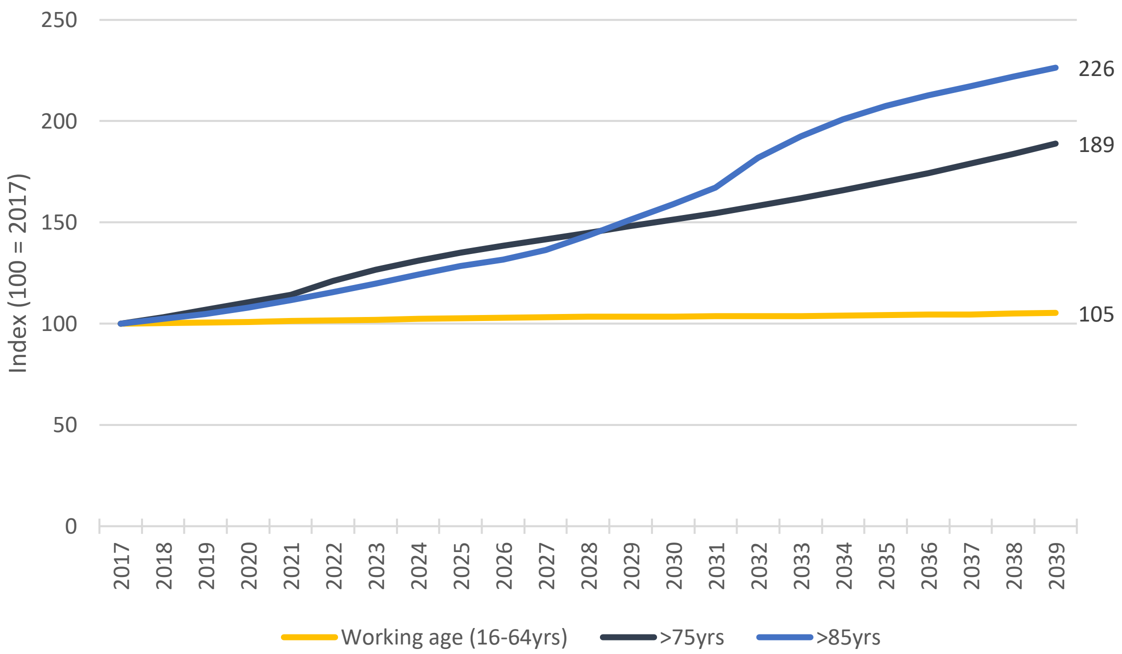
It is important to highlight that the outcome of Brexit remains highly uncertain, but it is important to include this information to **help SEEC members consider possible eventualities**.

Demographic change. Demographic change and an ageing population are impacting the South East's workforce in a number of different ways - from the need to provide more health and social care workers to care for people with longer life expectancy, to the need to upskill older generations in new technologies to ensure they keep up with the job market. Further to this is the increasing cost of living and care, which will likely mean longer working lives. There are already over **200,000 economically active individuals aged 65+** in the South East and this number is likely to continue to increase. The Government Actuaries Department has estimated that people under 30 might have to wait until 70 to qualify for state pension, so longer working lives will make opportunities to retrain and update skills increasingly important.

The ageing population will also have implications for the South East's social and economic structure. **At 805,000 in 2017, the South East has the UK's largest 75+ population, with over-75s expected to nearly double (+ 89%) by 2039 to 1.5 million** (see figure 1). Over the same period the **working age population is expected to increase by only 5.4%.** This will lead to a (disproportionate) increase in demand for sectors such as health and social care.

[5] As defined by Eurostat.
[6] ONS 2018. UK Business Register and Employment Survey. Refers to the English average.
[7] Dhingra et al. 2017. The impact of Brexit on foreign invest in the UK. Paper Brexit T03. http://cep.lse.ac.uk/pubs/download/brexit03.pdf
[8] When London is included in the figure for England as a whole the result is that 8% of the total workforce in England are non-UK EU nationals. In effect London skews the national figure.

Figure 1 - *Indexed projected growth of Age cohorts in the South East 2017 - 2039 (2017 = 100)*



Source: ONS population projections 2018

2. Changing skills demand in the South East and nationally

2.1 Introduction

Labour and workforces in advanced industrial economies like the South East are often described as 'polarised' whereby strong jobs growth in high-skilled work is matched by growth in low-skilled employment, and a hollowing out of traditionally middle-skill, median paid work. Evidence suggests this is because high wage households and high skilled firms create demand for low-skilled goods and services such as cafes, restaurants and other food services. This process of 'polarisation', driven by globalisation and technological change, has sped up since the global financial crisis[9]. It has implications both for diverging wages between high and low graded jobs and for progression from low to medium skilled work.

The South East has high proportions of workers in high-skilled sectors such as professional, scientific and technical, with a similarly large dependence on traditionally low-skilled employment sectors such as wholesale and retail, and administrative and support services. Higher skilled occupations and industries are also those that pay the highest. This explains why the South East is second on a list of English regions for median weekly earnings (£575), behind London (£692) and above the median for the UK as whole (£550)[10].

Compared to the English average and other regions, the South East also has a lower share of traditionally medium-skilled jobs such as manufacturing. This sector still occupies a reasonable share (7%) of the South East economy although forecasts suggest that by 2024 this sector will have decreased by 1.3% from its 2014 level, while services are expected to increase[11]. While manufacturing is set to gradually decrease as a proportion of the South East economy, it is important to acknowledge that entire industries and occupations will not vanish overnight and there will be a degree of 'replacement demand' as some vacancies will be created, for example when existing workers leave or retire.

2.2 Industry profile

Since 2010 the South East has experienced a boom in jobs growth. The South East has added 582,000 net new jobs between the start of 2010 and December 2017[12]. The size of the labour market has grown by 13% over this time.

The South East's key sectors

The South East's labour market performance has been driven by a number of key sectors, as shown by figure 2. Figure 2 highlights the relationships between contribution to total growth[13] in jobs and current size of employment by industrial sectors[14].

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[9] Plunkett J and Pessoa J 2013. A Polarising Crisis? The changing shape of the UK and US labour markets from 2008 to 2012. Resolution Foundation.

[10] Annual Survey of Hours and Earnings: 2017 provisional and 2016 revised results

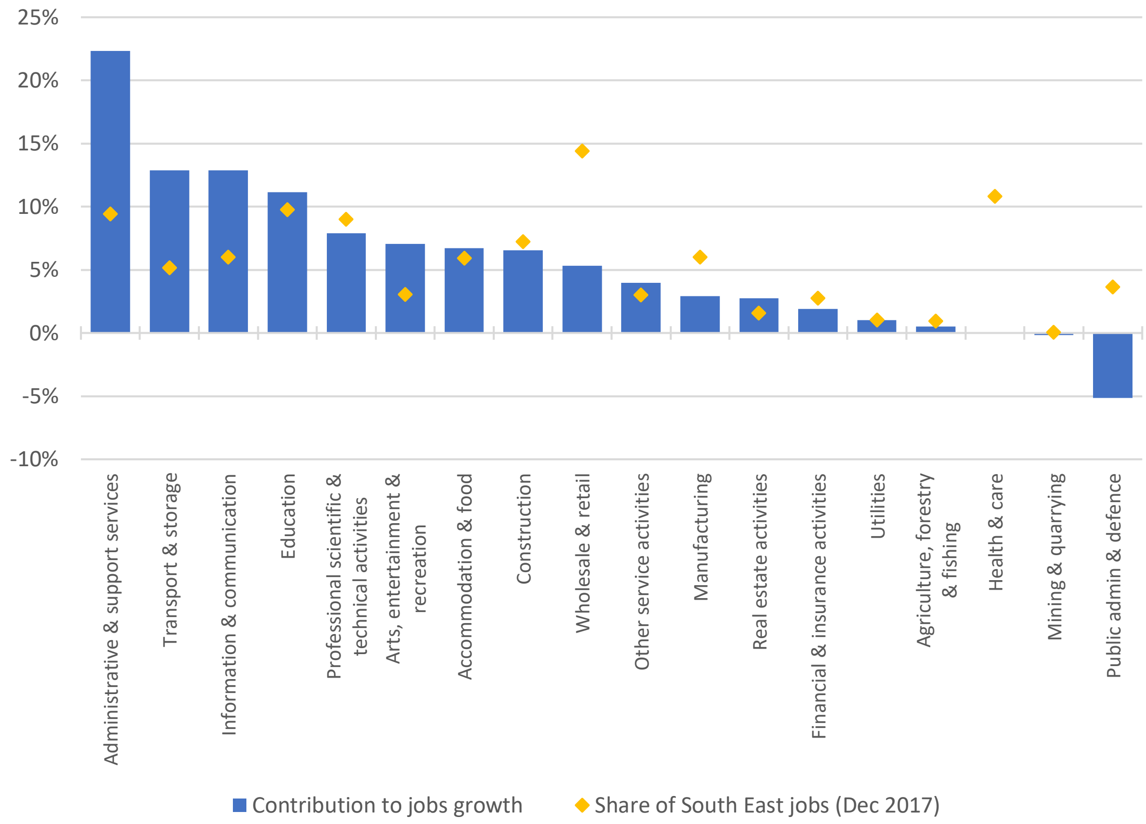
[11] UKCES labour market projections for the South East of England: 2014 to 2024. Note predictions were made prior to Brexit decision.

[12] ONS workforce jobs 2018

[13] Contribution to total growth is more meaningful is this case than % change, which would obscure the relative size of sectors.

[14] This report uses Standard Industrial Classifications (SICs). A: Mining, forestry & fishing. B: Mining & quarrying. C: Manufacturing. D, E: Utilities. F: Construction. G: Wholesale and retail trade. H: Transport & storage. I: Information & communication. K: Financial & insurance activities. L: Real estate activities. M: Professional, scientific & technical activities. N: Administrative & support services. O: Public administration & defence. P: Education. Q: Health & care. R: Arts, entertainment & recreation. S: Other service activities.

Figure 2: Administrative & support services account for the largest part of jobs growth in the South East, while wholesale & retail has the largest share of all jobs in the South East.
Sector contributions to total growth in the South East (2010 – 2017) and share of current employment (at December 2017)



Source: Si calculations using ONS Workforce Jobs 2018

Services (both knowledge-intensive such as professional and technical and lower skilled such as administrative and retail services) play a leading role in the South East economy and contributed 85% of total employment in 2017 and 88% of total jobs growth between 2010-2017. Services include all sectors aside from construction, manufacturing, utilities, agriculture, forestry & fishing, and mining & quarrying. Since 2010:

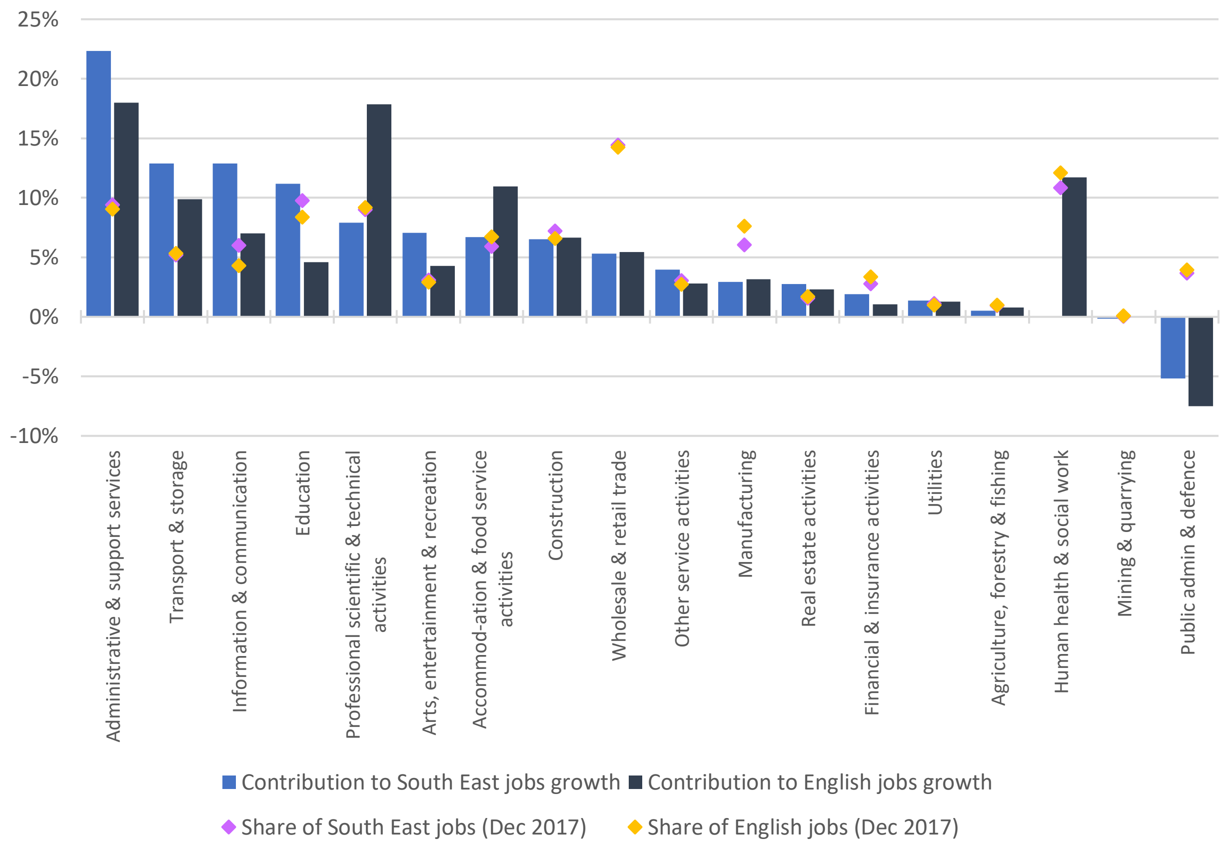
- Administrative & support activities[15] have been an essential part of jobs growth between 2010 and 2017 (22%). The sector makes up 9% of the 2017 workforce.
- **Professional scientific & technical activities account for another 8% of jobs growth between 2010-2017 (they were 18% of total jobs in the South East in 2017)**.
- **Other key service sectors include wholesale & retail, health & care and education, which account for 14%, 11% and 10% respectively, of the South East workforce.**
- **The health and care sector as a whole hasn't grown since 2010 (although some occupations have - see section 2.3) but with 11% of South East jobs it still contributes the second largest employment sector in the region.**

[15] Includes roles such as cleaning, general management and personnel administration.

- **8% of workers are employed in construction and the sector contributed 7% of total growth between 2010-2017.**

Figure 3**:** Administrative and support services account for more of the South East jobs growth compared to England, and England has seen proportionally more growth in the health sector than the South East.

Sector contributions to total growth in the South East and England (2010 – 2017) and share of current employment (at December 2017)



Source: Si calculations using ONS Workforce Jobs 2018

N.B. where the pink diamonds are not visible they are the same value as the yellow diamonds.

Figure 3 shows the comparison between the South East and England as a whole. The diamonds show concentrations of employment by sectors are broadly similar, aside from the South East having a larger concentration (10%) of jobs in education than England (8%). There is also a higher proportion of workers nationally in manufacturing (8%) than at a South East level (6%). Similarly, information and communication has contributed more to jobs growth in the South East (13%) than in England. The information and communication sector makes up 6% of jobs in the South East compared to 4% of English jobs.

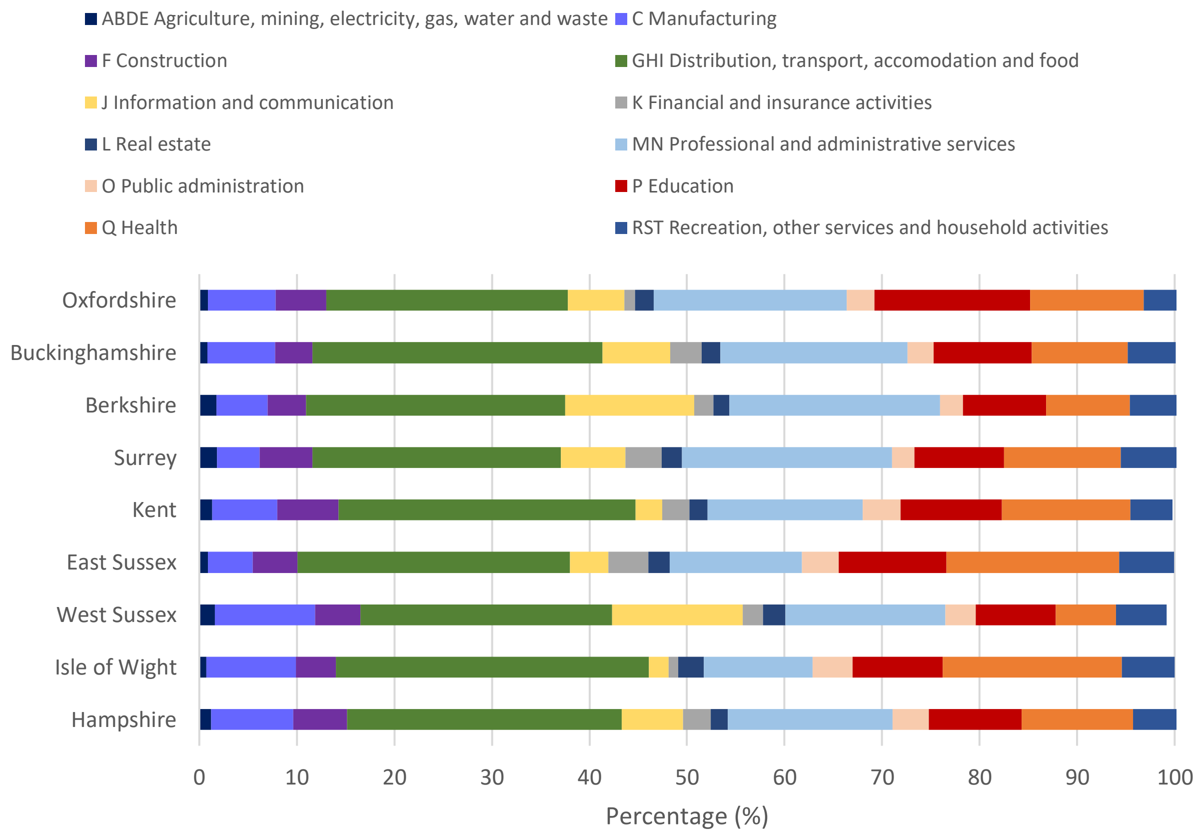
In terms of contributions to jobs growth the picture is somewhat dissimilar:

- The bars show professional, scientific and technical jobs and accommodation and food service jobs have played less of a role in total jobs growth since 2010 in the South East than nationally, while administrative and support services have been particularly important for South East jobs growth (22%) compared to England (18%).

- **The health and social care sector contributed 12% to total jobs growth in England but in the South East the sector has not grown.**

Variation in industry within the South East

Figure 4: There is considerable variation in employment by industries across the South East, with the combination of wholesale and retail, transport, accommodation and food service sectors the largest employers, along with professional & administrative services.
Share of current employment (at December 2017)



Source: Si calculations using ONS Business Register and Employment Survey[16]

Figure 4 shows that **there is considerable industrial variation within the South East, which is hidden when looking at the South East total, but service sectors still dominate.** This implies that different areas of the South East have different demands for sector-specific skills. For example:

- In West Sussex only 6.2% of the workforce is employed in the health and care sector compared to 18.4% in the Isle of Wight, 17.7% in East Sussex, and 13.1% in Kent.
- There is almost twice the proportion of individuals working in education in Oxfordshire (16%) compared to West Sussex (8.2%).
- There is considerable variation in the proportion of the workforce employed in information and communication. The sector makes up 13.4% of workers in West Sussex and 13.2% in Berkshire but only 2% in the Isle of Wight, 2.75% in Kent, and 4% in East Sussex.

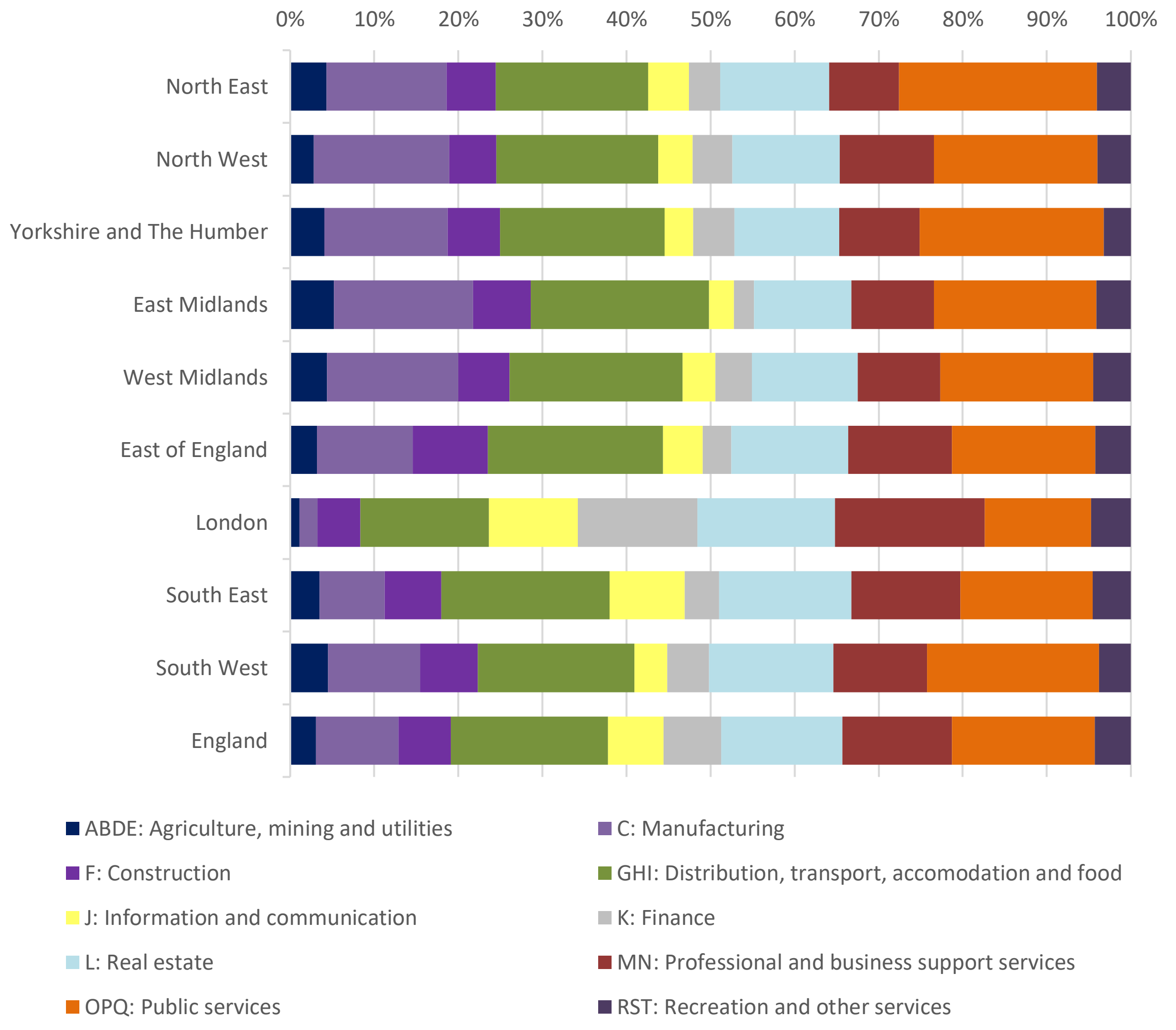
[16] Note that figure 3 uses a different data source than figure 1 and 2, which is only available at higher levels of geography. It would not be advised comparing the exact proportion of employees at the county level with the South East. The purpose of figure 3 is to illustrate industrial variation at a local level.

- Distribution, transport, accommodation and food services across the South East make up between 25% and 32% of workforces across the county areas in the South East.
- Professional and administrative services range from 11% of the workforce in the Isle of Wight to 22% of the workforce in Berkshire and Surrey.
- Manufacturing is more present in West Sussex (10.3% of those employed) compared to Surrey (4.4%).

Contribution of key sectors to South East competitiveness and productivity

Not all jobs growth brings equal economic benefits in GVA (Gross Value Added)[17]. GVA is important to consider when thinking about the economic significance of particular sectors, not just employment.

Figure 5: *Industrial variation in total GVA by regions in 2016*



Source: Office for National Statistics, regional gross value added (GVA) [18]

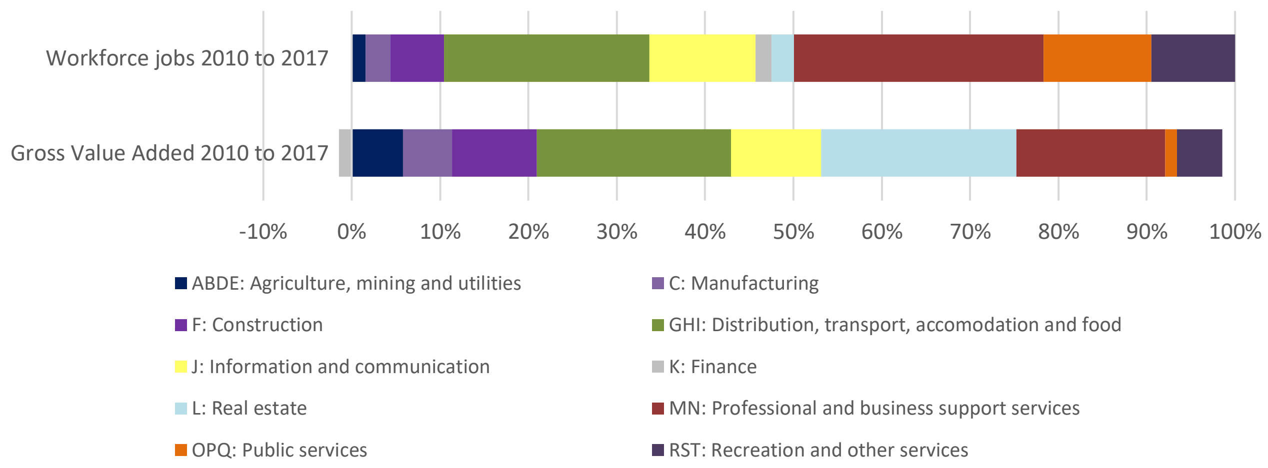
[17] GVA measures the value of goods and services produced in an area, industry or sector of an economy. Regional GVA is the value generated by any unit engaged in the production of goods and services.

[18] GVA measures the value of goods and services produced in an area, industry or sector of an economy. Regional GVA is the value generated by any unit engaged in the production of goods and services.

Figure 5 shows the industrial structure of total GVA for each of the English regions in 2016:

- The South East's share of total GVA in the professional and business support services industry is the same as the England average (13%) but less than in London (18% of total GVA).
- In the South East, distribution, transport, accommodation and food services contributed more (20%) than the national average, while real estate activities (16%), and public services (16%) were also significant. To make comparison more accessible and in line with ONS analysis industrial sectors have been grouped. This explains why distribution, transport, accommodation and food has been grouped together.

Figure 6: Service sectors in both high skilled and low skilled industries have dominated jobs growth from 2010-17 and generated the highest growth in value for the South East economy.
Industry contributions to cumulative gross value added (GVA) and workforce jobs (WFJ) growth, 2010 - 2017



Source: Office for National Statistics regional gross value added and workforce jobs

Figure 6 compares the cumulative change in GVA and employment by industrial sector (Standard Industrial Classification (SIC)) in 2010 to 2017. This differs to evidence presented in figure 5 which is just for 2016.

- Between 2010 and 2017, 25% of new jobs in the South East, and about 23% of real GVA, was created in the distribution, transport, accommodation and food sectors (SIC sections G to I), The core components of these sectors are characterised as less knowledge-intensive by Eurostat[19].
- **Professional and business support services (SIC sections M to N) is the largest contributor to workforce jobs between 2010 and 2017, with 30% of new jobs in the South East (8% professional and scientific and 22% administrative and support services). However, the GVA benefit was only 17% (12% from professional and scientific services and 5% from administrative and support services). Administrative and support activities is considered a less knowledge-intensive industry, whilst professional/scientific is considered more knowledge-intensive and high skilled.**

[19] http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:High-tech

- **Between 2010 and 2017 service industries contributed 88% of the growth in jobs, including both high-skilled (e.g. professional services) and low skilled (e.g. administrative services) industries. These jobs contributed 80% of real GVA increase.**
- **Construction contributed 7% growth in jobs between 2010-2017 and contributed 10% of real GVA over this time period.**

This section highlights that key employment sectors both in terms of growth and absolute value – notably professional services – are not necessarily the most productive in the economy. Having the right skills could help these sectors to become more productive and help grow the South East economy.

Exports, trade and the EU market[20]

The consideration of exports is important to better understand how much the South East trades with the EU, which sectors contribute the most to the South East economy, and to ensure that there are skilled workers in these important export sectors.

The EU is the global region with which the **South East has the greatest inward and outward FDI (foreign direct investment) relationships**[21]. In 2016-17 there were 217 new FDI projects in the South East (the second highest in English regions) and 5,432 related new jobs.

The **South East has the highest value of exports of all English regions**. The South East also had the second highest number of exporters (behind London) in 2017.

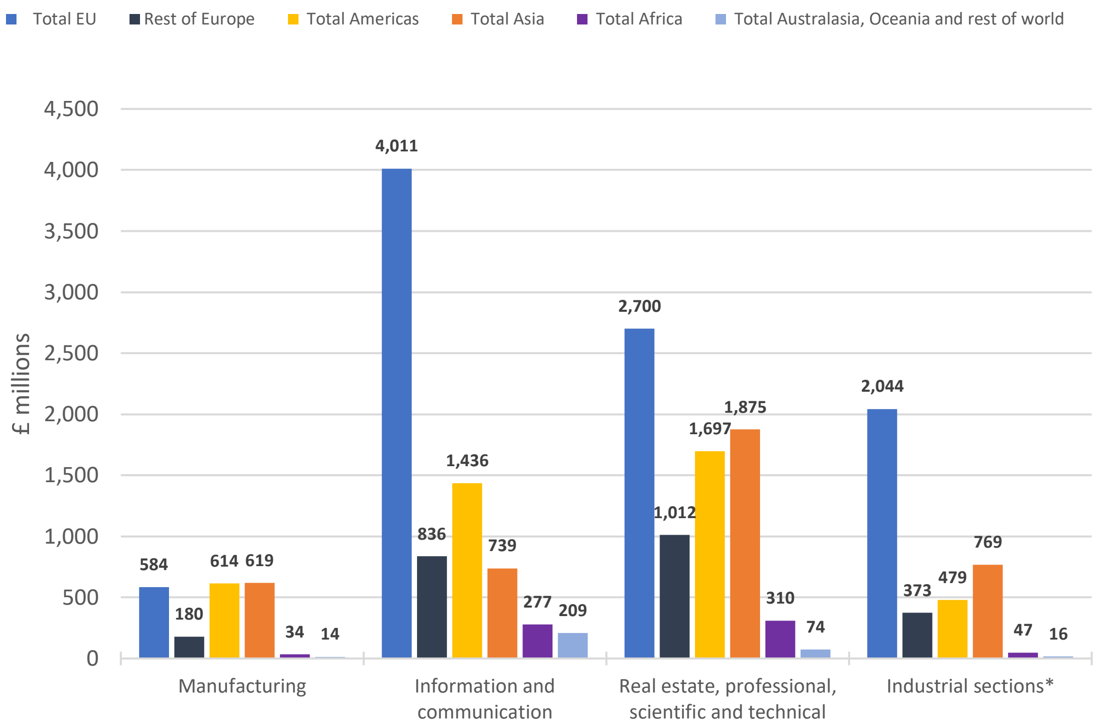
In the last quarter of 2017 there were 17,517 **goods** exporters in the South East with 14,496 of those businesses exporting to the EU. Only 1,022 of businesses exported to Canada with 1,461 to Australia and 3,775 to the USA.

The European Union (EU) is also the largest constituent importer of South East **services** for all industries aside from Manufacturing. Exports in information and communication (ICT) were highly productive in 2017 contributing over £7.5bn to the South East economy.

[20] This section uses ONS International Trade in Services; ONS Regional goods export data and Department for International Trade data unless otherwise stated.

[21] ONS, UK foreign direct investment, trends and analysis, January 2018. https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/articles/ukforeigndirectinvestmenttrendsandanalysis/january2018#uk-foreign-direct-investment-with-the-european-union

Figure 7: *Value of service exports from the South East by industry and destination of exports, 2017*



Source: Office for National Statistics International Trade in Services, Released 2017

2.3 Occupational profile

The economic success (GVA) of the South East is driven by a combination of growth in professional, scientific and technical services, returns from real estate, and strong continued performance in distribution, transport, accommodation and food services. However, this does not mean that all workers in these sectors will need top level skills. For example, a cleaner working in a software company would be counted as being employed in a knowledge-intensive industry. Therefore, it is important to include occupational evidence, which is more explicit about the exact skill level required for that occupation, and therefore the skills needed in the South East.

This is important for understanding the health and care sector, which includes all of those employed in that industry, not only those who identify as having a health or care occupation.

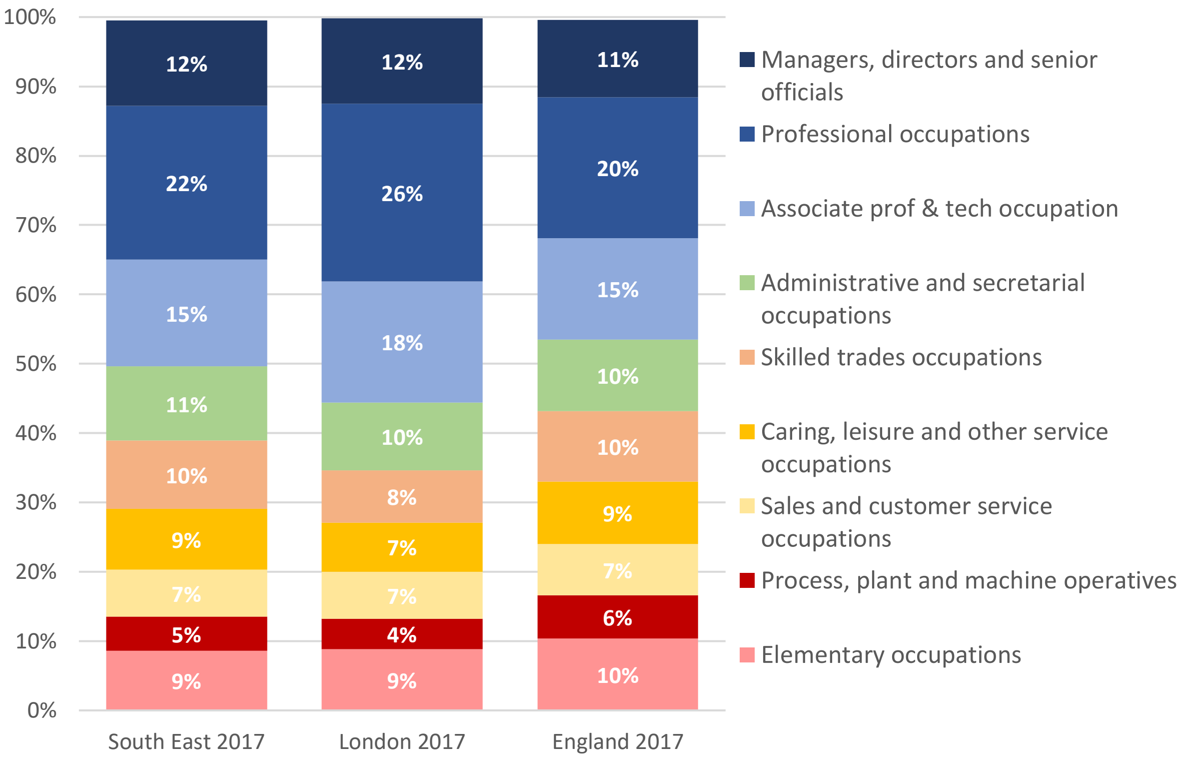
Figure 8 shows that **the South East has a high share of workers employed in high skilled occupations, which includes managers, directors and senior officials[22], professional occupations[23] and associate professional and technical occupations[24]. This is more than England but less than London.**

[22] A large amount of expertise and experience of the processes involved in production and services required for fully operating businesses is required for this major occupational group.

[23] These occupations tend to require a degree or equivalent qualifications, with some postgraduate qualifications and extensive training. Example occupations include scientists, engineers, health professionals, legal and media occupations.

[24] These occupations require relevant high-level vocational qualifications obtained via full-time training or further study. Examples include IT operations technicians, engineering technicians, housing officers, and protective service occupations.

Figure 8: *Occupational composition of South East workers compared to London and England, 2017*



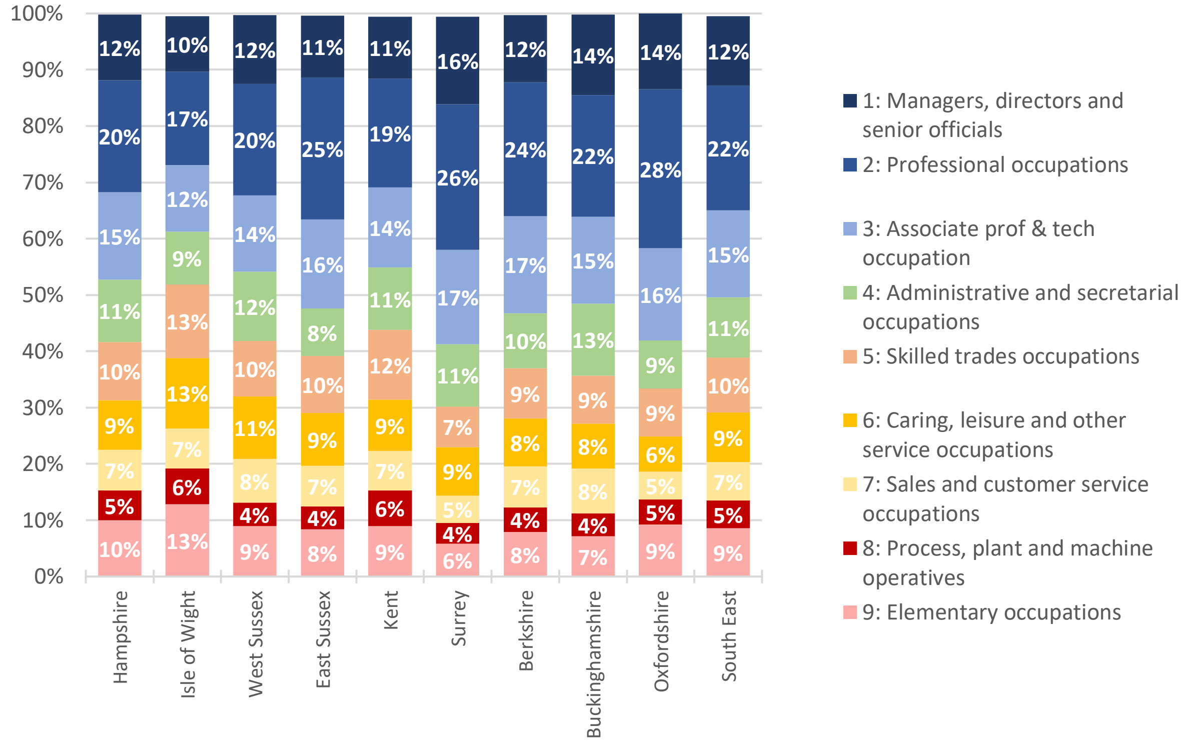
Source: ONS Annual Population Survey – workplace analysis.

Approximately 50% of employees in the South East work in higher skilled occupations compared to 56% in London and 46% across England.

- The contributions to employee growth are more varied. Between 2010-2017 the South East (+49%) has seen proportionally more growth in professional occupations compared to England (+35%)[25]. Professional occupations make up almost half of the total growth in new employees in the South East.
- Occupations in caring, leisure and other service occupations have contributed considerably to total growth 2010 - 2017. These occupations make up 9% of employment and have contributed 9% to total growth in occupations in the South East. Administrative and secretarial occupations have shrunk since 2010, more so in the South East than nationally, so this may suggest that health and care workers have assumed some administrative functions. This could explain the growth in caring roles while the overall health & care sector has remained static in size.

[25] ONS Annual Population Survey – workplace analysis.

Figure 9: *Local variations in occupational structure across the South East, 2017.*

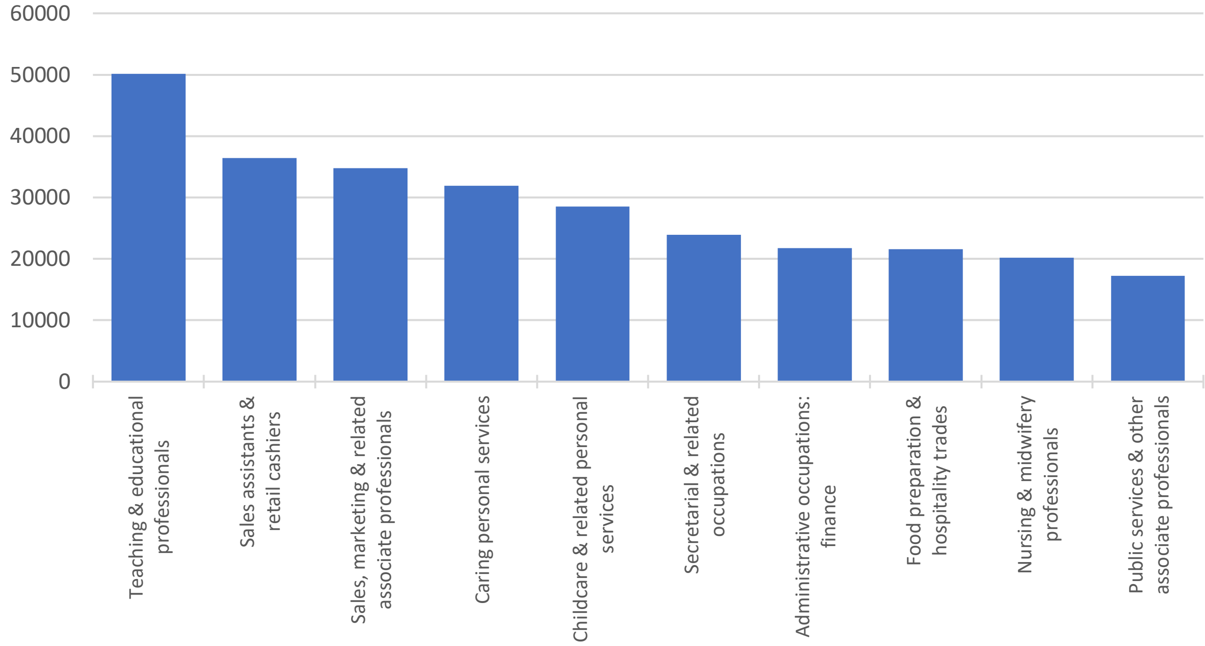


Source: ONS Annual Population Survey – workplace analysis.

Higher skilled occupations make up approximately 50% of occupations South East wide. Figure 9 shows that this varies considerably within the South East from 44% in Kent to 59% in Surrey.

- **Professional occupations make up the largest body of occupations across the South East ranging from 17% in the Isle of Wight up to 26% in Surrey and 28% in Oxfordshire**.
- In 2017 a larger percentage of workers in the Isle of Wight (13%) and Hampshire (10%) worked in the lowest skilled 'elementary' occupations than the South East level (9%).
- In 2017 a smaller percentage of workers in East Sussex (8%), Surrey (6%), Berkshire (8%), and Buckinghamshire (7%) worked in the lowest skilled 'elementary' occupations than the South East level (9%).

Figure 10: *Top 10 occupation groups by number of entry-level jobs vacancies, 2015*



Source: Burning Glass Technologies 2016

In 2015, there were 515,000 entry-level job vacancies[26] advertised in the South East. Vacancies indicate where there is un-met demand for these positions. Also note that this data is for entry-level roles, which is not the same as for those with no qualifications or low skill levels. Figure 10 shows the 10 occupational groups in the vacancy data which accounted for the largest numbers of vacancies in the South East. These are mainly service and professional jobs, reinforcing the data on job growth (figures 2 and 6).

- **These 10 occupations accounted for 56% of total job postings in the South East in 2015 with vacancies for teaching and educational professionals accounting for 10% of all postings.**
- **Caring personal services, and childcare and related personal services combined accounted for 8.5% of all postings in 2015.**

Table 1: *predictions for future growth in occupations across the South East*

Percentage Shares	**1994**	**2004**	**2014**	**2019**	**2024**
1. Managers, directors and senior officials	14.5	13.1	12.0	12.1	11.9
2. Professional occupations	19.9	22.9	24.9	25.4	25.6
3. Associate professional and technical	13.6	16.4	17.7	18.2	18.6
4. Administrative and secretarial	4.6	4.2	4.1	3.7	3.5
5. Skilled trades occupations	29.1	25.6	23.1	23.4	23.6
6. Caring, leisure and other service	5.6	5.8	6.8	6.7	6.7
7. Sales and customer service	2.6	1.9	2.3	2.0	1.9
8. Process, plant and machine operatives	6.5	6.9	5.9	5.4	5.2
9. Elementary occupations	3.7	3.3	3.2	3.1	3.1

Source: UKCES labour market projections for the South East of England: 2014-2024

[26] This is the most recent data available for this information.

- Table 1 shows the UK Commission for Employment and Skills (UKCES) forecasts[27] for how the occupational structure of the South East will change in the coming years.
- The predictions suggest that more knowledge-intensive, skilled occupations such as associate professionals will continue to become more in demand, as will key occupations such as caring, leisure, and other services, while administrative and secretarial will be less in demand by 2024. The implication here is that caring, leisure and other services have taken on some of these administrative functions so there is less demand for this specific skill set.

[27] Note that these predictions were produced pre-Brexit decision.

2.4 The South East's high growth and important sectors and occupations[28]

This section draws out some of the key sectors/occupations for SEEC members to consider by looking at essential public services (education, health and care), and high growth/more knowledge-intensive sectors (professional & business services).

These have been highlighted as they bring to the fore the issues around occupational and skills polarisation, and the current profile of vital public service sectors.

Education, health and care

The education, health and care *sectors* together make up 21% of workplace jobs in the South East; 10% are in health and care and 11% are in education. While education has expanded considerably since 2010 by 16%, contributing 10% to total jobs growth in the South East, the health and care sector has not grown. While the *sector* has not grown, *occupations* in health and care related occupations have seen growth over this time. For example, health professionals as a sub-group of professional occupations has grown by 39%, and health and social care associate professionals as an occupation has grown by 8%. Administrative and secretarial occupations have shrunk by 5% over this time which might suggest that health and care workers have assumed some of these administrative functions as part of their own work, and this reduction in administrative workers has been counterbalanced by increases in care workers.

In 2015 10% of all entry-level vacancies were for teaching and educational professionals. Between 2010 and 2017 teaching and occupational professionals as an occupation increased by 17%.

In 2015 8.5% of all job postings were in caring personal services (including care workers and healthcare assistants), and childcare and related personal services (including childminders and teaching assistants, and nursery nurses). Since 2010 caring personal service occupations have grown by 27% in the South East, while childcare and related personal services have stagnated. This shows that while the number of employees in the sector had stayed the same, the proportion of 'professional' carers compared to other supporting roles has increased.

These trends reflect the fact that the South East's large population is expected to continue to grow and therefore demand more public services that include education, health and care. Likewise, the region has the UK's largest older population, with over 75s expect to nearly double (+89%) by 2039. There is a therefore a growing need for workers in occupations that relate to provision of health and care for the young and elderly.

[28] This section uses ONS workforce jobs and the Annual Population Survey; and UKCES labour market projections for the South East of England: 2014-2024.

Professional and business services

Services make up over 85% of *industries* in the South East. Since 2010, job creation has been particularly strong in administrative & support services and professional, scientific & technical activities - together accounting for 30% of total growth in workforce jobs in the South East.

Professional *occupations* have contributed almost half (49%) of total employment growth since 2010. Almost 1 in 4 workers in the South East are in professional occupations with the largest numbers in science, research, engineering and technology (30% of all professional occupations). This strand of professional occupations has grown by 19% since 2010, while there has also been strong growth in health professionals (39%), business, media and public service professionals (30%) and teaching and educational professionals (17%).

These services tend to be more knowledge-intensive often requiring a degree or equivalent qualifications. **Almost half of all employees are employed in knowledge-intensive services** (KIS). The South East **STEM sector is strong, constituting 10.4% of employment compared to 7.5% nationally**[1]. This also reflects the South East's ongoing transition to a more knowledge-intensive economy.

Professional and business services contributed 17% of GVA growth between 2010-2017 (12% from professional, scientific and technical services; and 5% from administrative and support activities). This contrasts to a 30% contribution to total jobs growth over this period (8% from professional, scientific and technical services; and 22% from administrative and support activities).

3. Changing skills supply in the South East and nationally

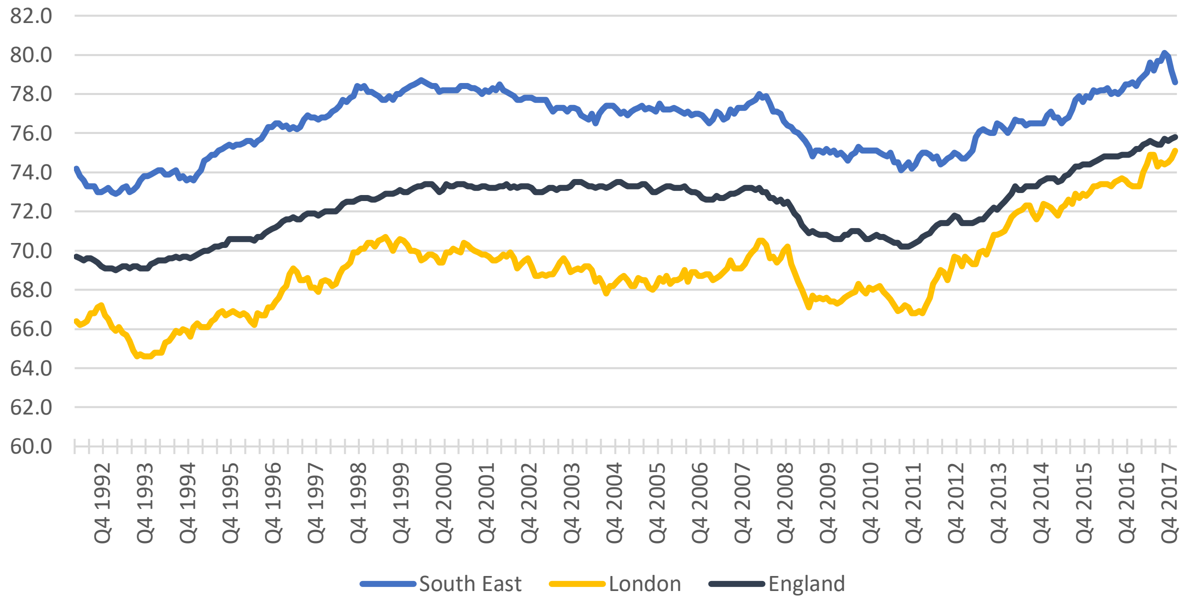
3.1 South East labour market[29]

Domestic supply of skills

The South East has an employment rate[30] consistently above both England and London (see figure 11). While the gap has narrowed in recent years, the South East employment rate remains 2.8% higher than England and 3.5% higher than London. This implies that the South East workforce is better matched to the needs of the South East employers.

The South East also has lower rates of unemployment[31] (3.5% versus 4.9%; and 4.3 %) and economic inactivity (18.5% compared to 20.8%; and 21%), than England and London, respectively.

Figure 11: Employment rate gap: South East versus the England and London average.
The employment rate in the South East remains higher than both the London and English rate
Working-age (16-64) employment rate (%), 1992-2017



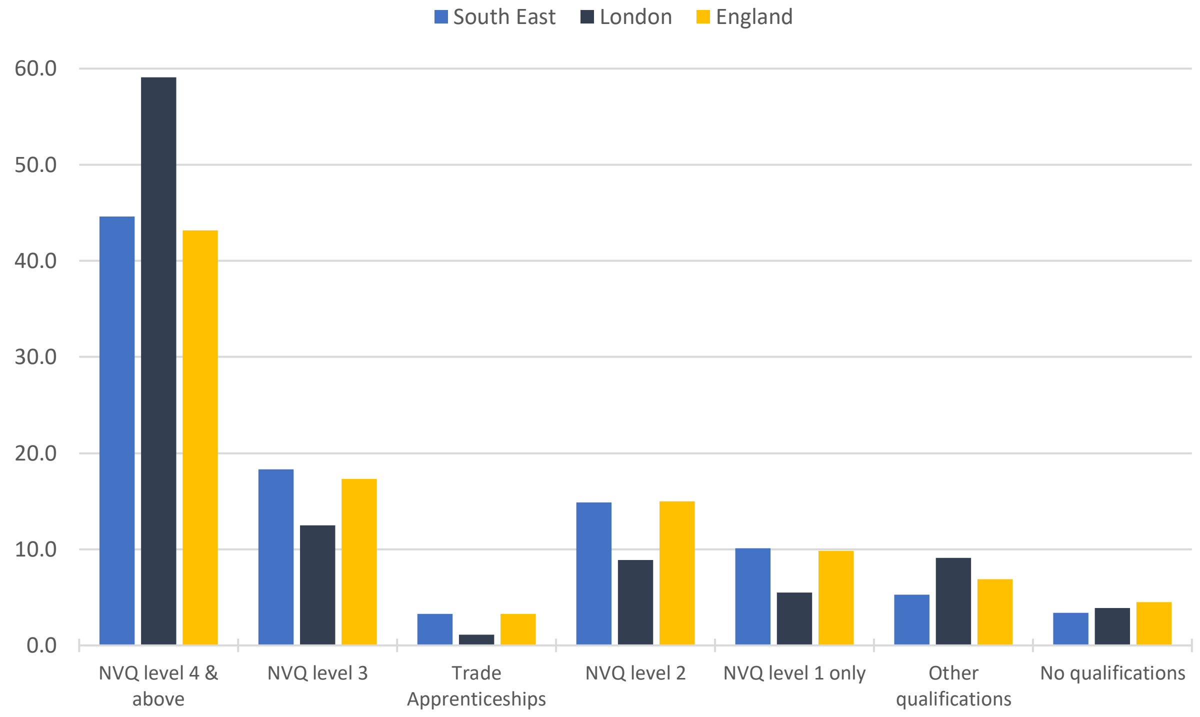
Source: 'ONS labour market statistics: December 2017', statistical bulletin.

Despite high employment there are proportionally fewer employed workers in the South East with high skills (above NVQ level 4, broadly equivalent to a first degree) than in London. **The South East has 45% of workers with above NVQ level 4 (figure 12). This is less than in London (59%) and similar to the national average (43%). Within the South East, this varies significantly across districts/ unitary authorities with the lowest 23.9% and highest 64.3%.** These are the types of qualifications demanded by employers in higher-level, particularly professional, occupations.

Upskilling the working population will be important if the South East wants to maintain its productive edge in the UK economy and expand knowledge-intensive sectors such as the professional, scientific and technical industry, which will also support high productivity economic growth.

[29] For a summary of the South East labour market see appendix 2.
[30] The proportion of working-age (16-64) individuals who have a job.
[31] ONS labour market statistics: December 2017

Figure 12: The percentage of those in employment with qualifications above level 4 is lower in the South East than in London and similar to England as a whole.
% in employment by qualification, South East versus London and England, 2017 (%)



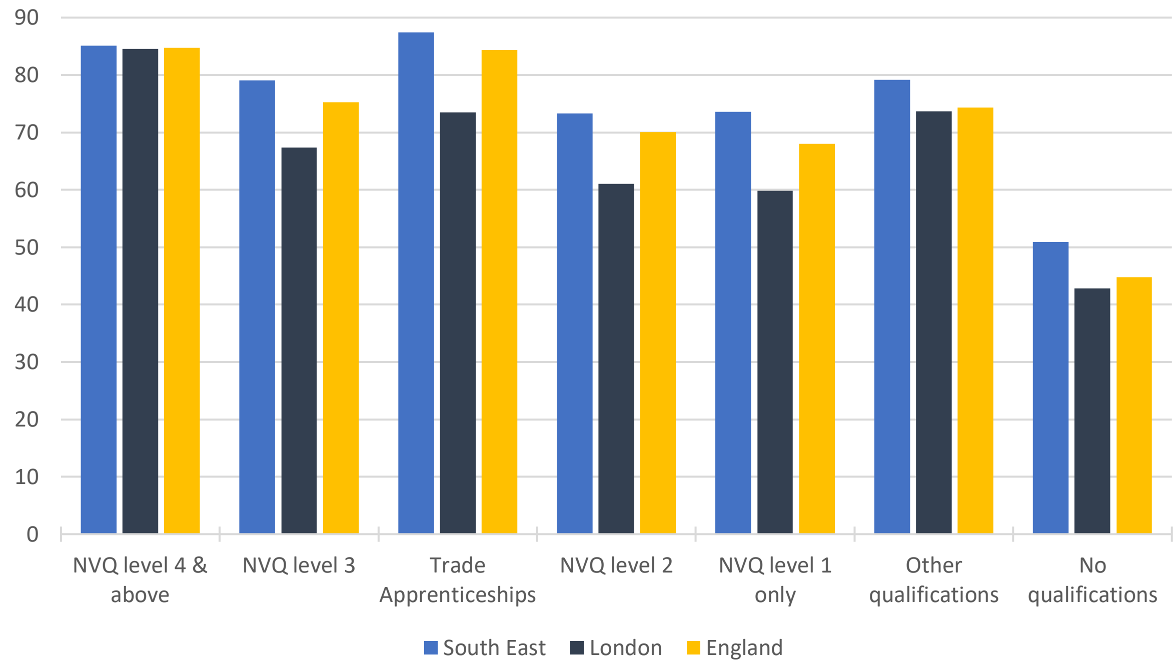
Source: ONS Annual Population Survey

Looking at other skills needs, maintaining the supply of qualifications such as NVQ level 2 and 3 will be essential to ensuring that everyone in the South East has the skills to gain and maintain employment. These types of skills will be particularly important for growing and maintaining the health and care sector, and care occupations.

- **While the South East performs less well for those in employment at NVQ level 4 and above compared to London, the region performs more strongly than both comparators on NVQ level 1 to 3.**
- This is most obvious when comparing the percentage in employment amongst those with qualifications at level 3, which means more individuals in employment in the South East have the equivalent of 2 or more A-levels, or an advanced diploma/GNVQ than in England or London.

Figure 13 adds to the information in figure 12 by looking at employment rates by qualifications levels. Individuals in the South East with qualifications below level 4 (largely equivalent to a degree educated) have a higher employment rate in the South East than individuals in London or elsewhere in England. It shows that there is a much higher rate of employment for those with some form of qualification (skill) compared to those with no qualification, with only 51% of those with no qualifications in employment.

Figure 13: Employment among those with qualifications below level 4 is higher in the South East than in London and across England as a whole.
Employment rates by qualification level, South East compared to London and England, 2017 (%)



Source: ONS Annual Population Survey

- The employment rate for those with NVQ level 4 is broadly the same (85%) across the South East, London and England.
- The employment rate for those in the South East with level 3 qualifications (A-levels and equivalent) is 79% compared to London 67% and England 75%.
- The gaps between the South East and London are likely to be because London has a higher proportion of those employed in higher skilled work, which requires higher level skills and qualifications like a degree. Similarly, those with higher level 4 or above qualifications make up almost 60% of those employed compared to 45% in the South East.

Predictions for the future of the South East labour market suggest further shifts toward a high skilled population. Table 2 shows projected qualifications required for employment by 2024. It is projected that by 2024 29.5 % of those employed will have a first degree, which is a 48% percentage change since 2014. These projections also suggest that there will be slightly fewer job opportunities for those with lower level qualifications i.e. GCSEs. However, this change is only marginal and looking at table 3 there will still be a considerably demand for employees with these lower level skills. The predictions indicate opportunities for those with no skills will be increasingly limited.

Table 2: *Projected employment by qualification level in the South East*

Source: UKCES labour market projections for the South East of England: 2014-2024

Percentage Shares	1994	2004	2014	2019	2024	% change 2014-2024
Doctorate	1.4	1.0	1.2	1.4	1.5	30.7
Other higher degree	5.7	6.1	8.4	9.7	10.4	31.3
First degree	10.7	14.3	21.2	25.6	29.5	48.1
Foundation degree e.g. Nursing, Teaching	8.7	6.5	6.2	6.6	7.1	22.1
HE below degree level	6.7	5.3	6.1	7.1	8.0	41.0
A level & equivalent	21.3	21.4	20.7	19.8	18.6	-4.4
GCSE(A-C) & equivalent	21.7	21.7	20.2	18.3	16.7	-12.0
GCSE (below grade C) & equivalent	15.0	15.0	12.4	9.7	7.2	-38.2
No Qualification	8.8	8.8	3.7	1.8	1.0	-71.1

Migrant skills[32]

The migrant workforce is an important aspect to consider. Post-Brexit there may be an impact on the size and composition of the South East's workforce. SEEC needs to consider how to ensure that any potential skills gaps are addressed.

Of the total in employment in the South East 89.6% are UK born and 6.6% are EU born. The EU born figure is lower than the England level where 87.4% are UK nationals and 8.1% are EU nationals. In London, 71.6% are UK born and 17.8% are EU nationals. This result heavily skews the England average and when we remove London from the data the result is that the South East has some 7% EU workers, compared to 5% England-wide.

The **South East is therefore more reliant on EU workers** than the England average when we take out the effect of London.

Table 3 shows that large numbers of non-UK EU nationals work in key services including public services (4%), manufacturing (7%), and wholesale and retail trade, hotels and restaurants (7%)[33].

Table 3: *Percentage share of workers in each industry by nationality group and region, 2013-2015 (c indicates where the sample size is too small to be considered statistically valid)*

		Agriculture, forestry and fishing	Energy and water	Manufacturing	Construction	Wholesale and retail trade, hotels and restaurants	Transport and Communication	Financial and business services	Public admin, education and health	Other services
London	UK	c	76%	76%	68%	66%	80%	77%	83%	75%
	EU	c	c	15%	24%	19%	9%	12%	8%	14%
South East	UK	84%	91%	90%	94%	89%	89%	91%	92%	94%
	EU	14%	0%	7%	5%	7%	5%	5%	4%	3%
United Kingdom	UK	92%	93%	88%	91%	88%	88%	89%	93%	91%
	EU	7%	4%	9%	7%	7%	6%	6%	3%	5%

Source: ONS International immigration and the labour market, UK: regional data 2016

32 This section uses the Annual Population Survey and the ONS International immigration and the labour market, UK: regional data 2016 unless otherwise stated. See Appendix 7 for data tables.

33 LGA response, Migration Advisory Committee call for evidence https://www.local.gov.uk/parliament/briefings-and-responses/response-migration-advisory-committee-call-evidence-contribution

Table 4: *Percentage share of workers in each occupation by nationality group and region, 2013-2015*

		Managers, Directors and Senior Officials	Professional Occupations	Associate Professional and Technical Occupations	Administrative and Secretarial Occupations	Skilled Trades Occupations	Caring, Leisure and Other Service Occupations	Sales and Customer Service Occupations	Process, Plant and Machine Operatives	Elementary Occupations
London	UK	81%	81%	83%	83%	65%	71%	76%	71%	54%
	EU	9%	9%	10%	9%	25%	14%	11%	18%	28%
South East	UK	93%	90%	93%	94%	92%	89%	92%	85%	85%
	EU	4%	5%	3%	3%	6%	5%	4%	10%	10%
United Kingdom	UK	93%	91%	93%	94%	91%	90%	93%	85%	82%
	EU	4%	4%	4%	4%	7%	5%	4%	11%	13%

Source: ONS International immigration and the labour market, UK: regional data 2016

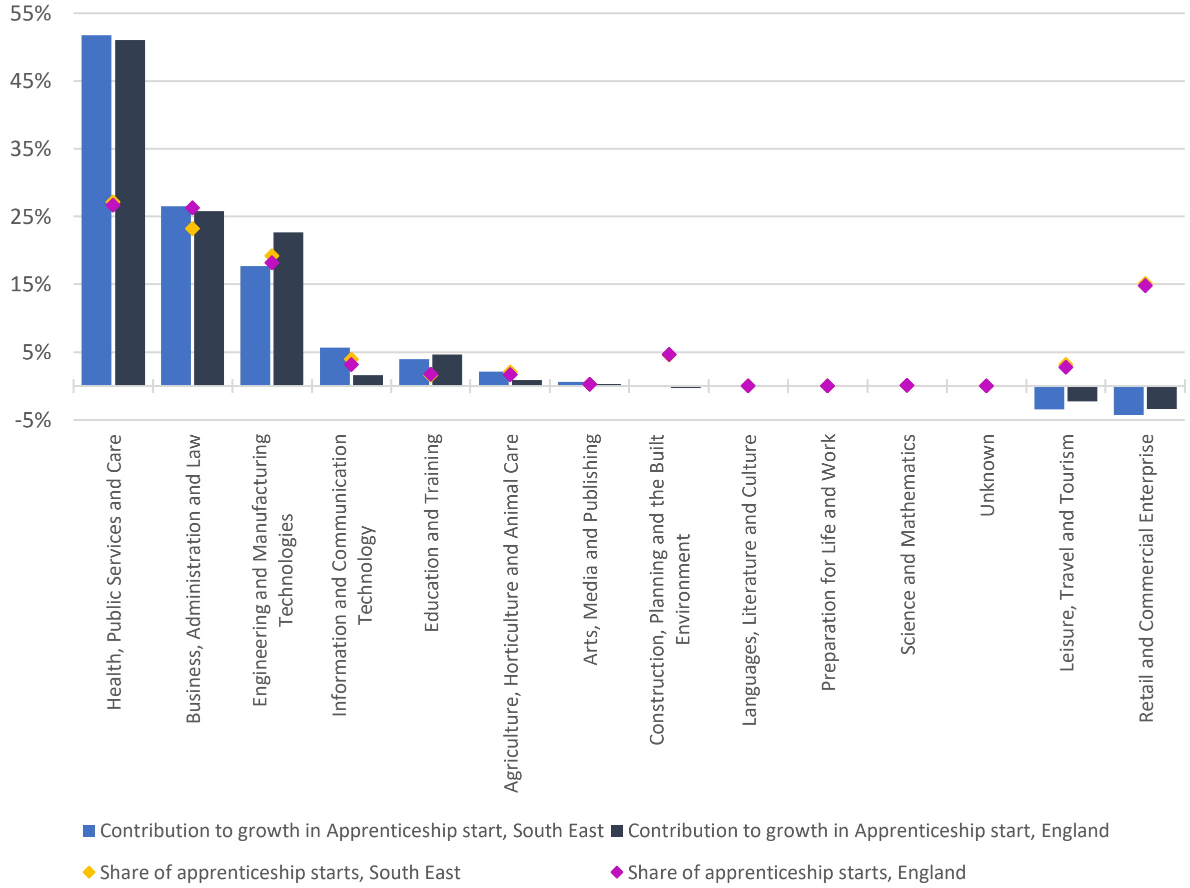
Between 2013-2015 14% of all South East workers employed in agriculture, forestry and fishing were EU workers. This is substantially higher than the 7% seen UK wide.

3.2 Participation in further, higher, adult education and apprenticeships

Apprenticeships, further and higher education

Between 2010- 2016 there has been **a 12% increase in the number of apprenticeship starts across the South East, which is similar to the whole of England (11%). For new apprenticeship start-ups more than half were in in health, public services and care** (figure 14 - note that where the yellow diamonds are not visible the figure is the same as the purple diamonds). **Business, administration and law is the second largest apprenticeship by sector and contributor to the growth in apprenticeships between 2010 and 2017.** As shown in section 1 business services have been an essential part of jobs growth in the South East while public services constitute a large share of those in employment. Continued uptake, particularly in health and care training, will be essential if the South East is to address the challenge of its ageing population.

Figure 14[34]: Health, public services and care contribute the largest apprenticeship increase in the South East and is the sector with the largest share of all apprenticeships in the South East.
Sector contributions to total growth in apprenticeship starts[35] the South East (2010-2017) and share of current apprenticeships (2017)



Source: Department for Education FE data library

N.B. where the yellow diamond is not visible it is at the same level as the pink diamond.

Uptake of post-secondary education like apprenticeships and other further education is a core part of understanding the South East's skills supply.

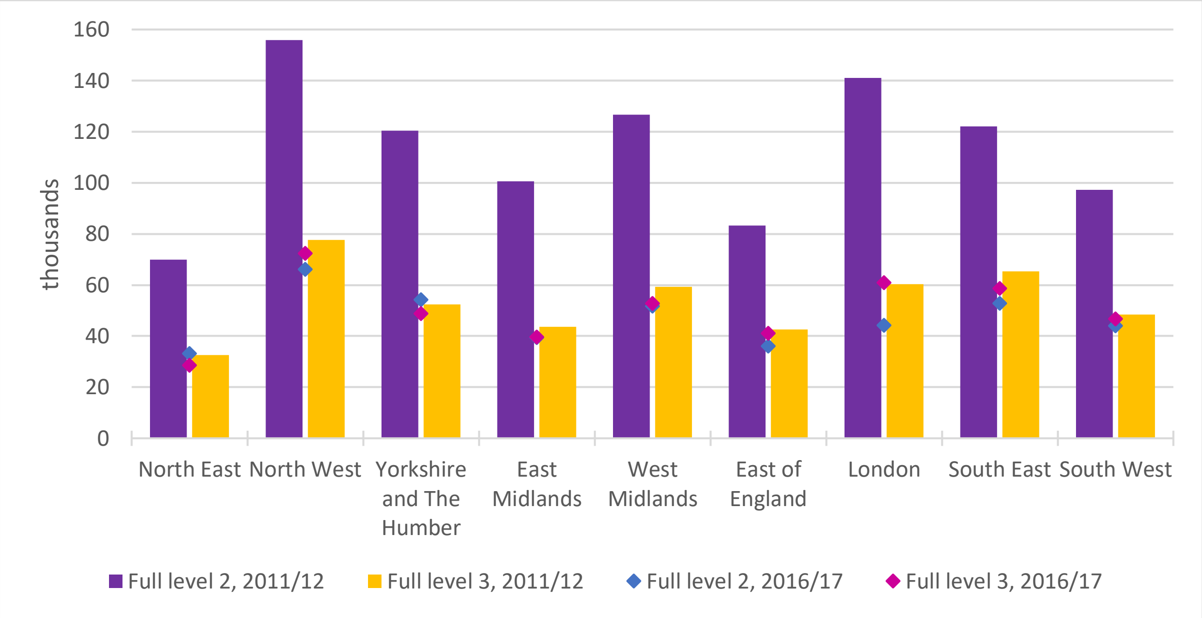
[34] Where the yellow diamonds are not visible the figure is the same as the purple diamonds.
[35] Apprenticeship starts refers to the number of programmes that begin in a time period. An apprentice is counted for each apprenticeship they start. The apprenticeship programme has grown since 2010/11 as a result of more government funds injected into adult apprenticeships.

Adult skills training

Participation in adult (19+) skills provision has fallen across all regions in recent years but the decline in the South East has been more marked than most other places (see figure 15).

Figure 15: Adult Education in the South East while similar to most is not a standout performer and lags behind the North West.

Adult education participation by region and level, 2011 – 2017 (note, does not include apprenticeships)



Source: Department for Education FE data library

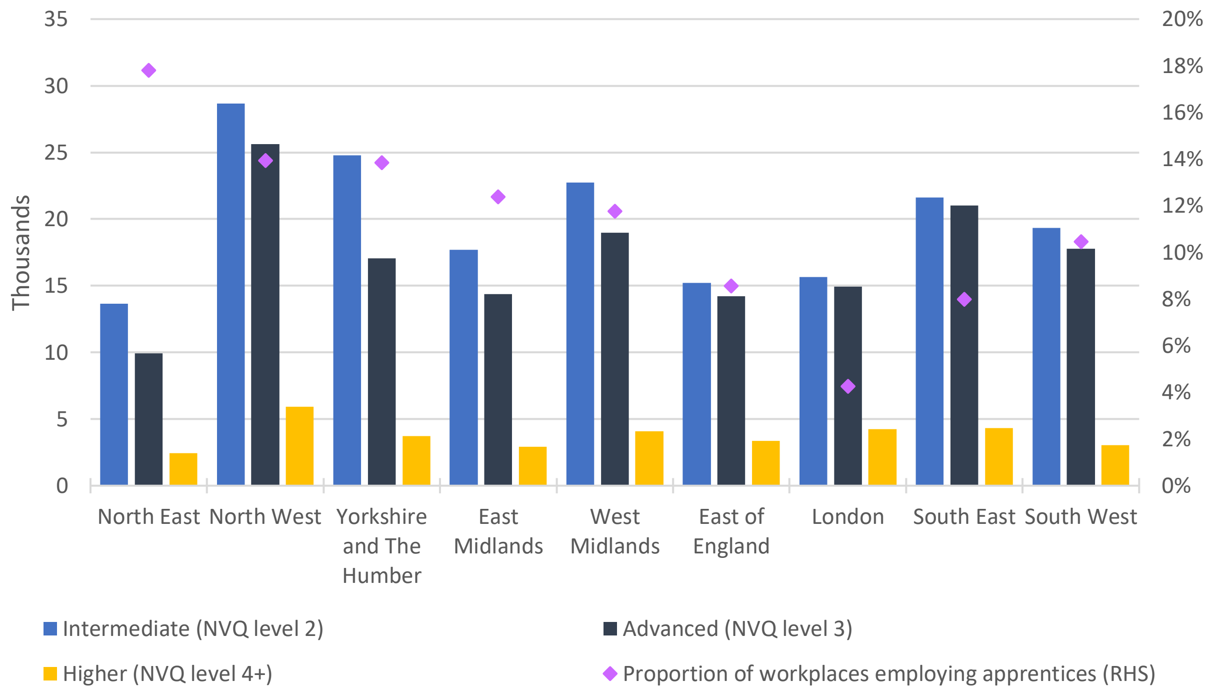
Notes: Full level 2 is a level of skill considered as a foundation for employability and lifelong learning. It is equivalent to NVQ level 2 e.g. GCSES. Full level 3 identifies learners who are undertaking their first full level 3 qualification on the National Qualification Framework (NQF). It is equivalent to NVQ level 3 e.g. A-levels or advanced diploma.

N.B. where the blue diamond is not visible it is at the same level as the pink diamond.

- **The drop in adult education participation has been most significant for the South East in full level 2 qualifications, meaning that the proportion of adults participating in FE and skills training equivalent to NVQ level 2 has dropped by 57% since 2011/12.**
- Over this same period the proportion of adults entering FE and skills training equivalent to A-levels has dropped by 10%. London is the only English region that has not seen a decline in the proportion of adults participating in level three qualifications.
- The North East offers the lowest aggregate number of apprenticeships (summing all skill levels) but has the highest proportion of firms employing apprentices.
- The South East has less higher-level apprenticeships (4,000) than the North West (6,000).

Behind London, firms in the South East offer (proportionally) less apprenticeships than anywhere else in England (figure 16).

Figure 16: *Adult apprenticeship participation*[36] *by region, 2016-17; number by qualification level (left) and proportion of workplaces employing apprentices (right).*



Source: Department for Education FE data library and ONS UK Business Counts.

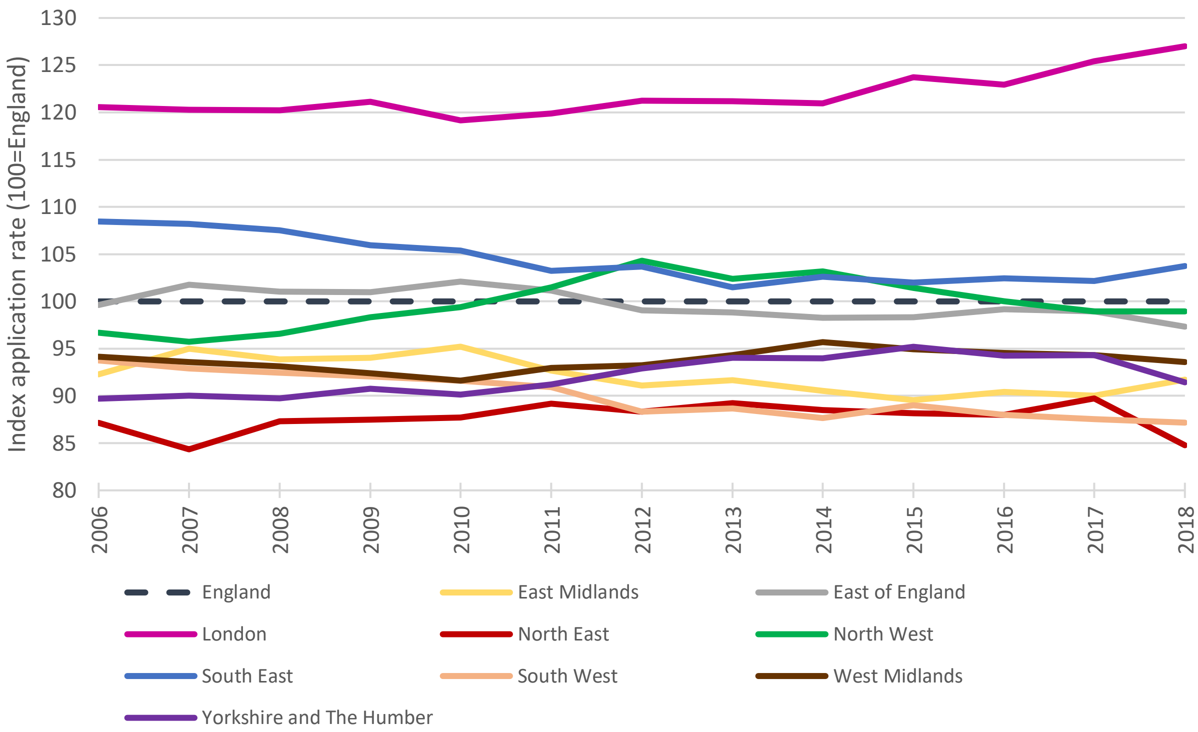
- **The pattern across the South East, mirroring England, is that most adult apprenticeships are at a lower skill level.**
- Intermediate apprenticeships, which are largely equivalent to NVQ level 2 or GCSEs, have the highest rate of uptake in the South East and all English regions.
- The lack of higher level apprenticeships suggests that more traditionally higher-level skills such as degree or equivalent are a more common route into employment.

Application rates to higher education can also help identify whether South East will meet expected demand for higher level skills.

The application rate for higher education has increased in all English regions since 2006 (figure 17). **The South East has the second highest application rate (39%) behind London (48%) and above the English rate (37%). This means that 18-year olds from London in January 2018 were roughly 25% more likely to apply, compared to 18-year olds in the South East**. The South East experienced the smallest proportional increase in the application rate over the period.

[36] This differs to the apprenticeship analysis in figure 14 in that it focuses on skill levels rather than apprenticeships by sector and exclusively on adults (19+). Apprenticeship participation refers to the number of individuals who are undertaking and apprenticeship over a period. This is different to apprenticeship starts.

Figure 17: *Higher Education January deadline application rate for English 18-year olds by region of residence (indexed to 100 = England), 2006-2018.*

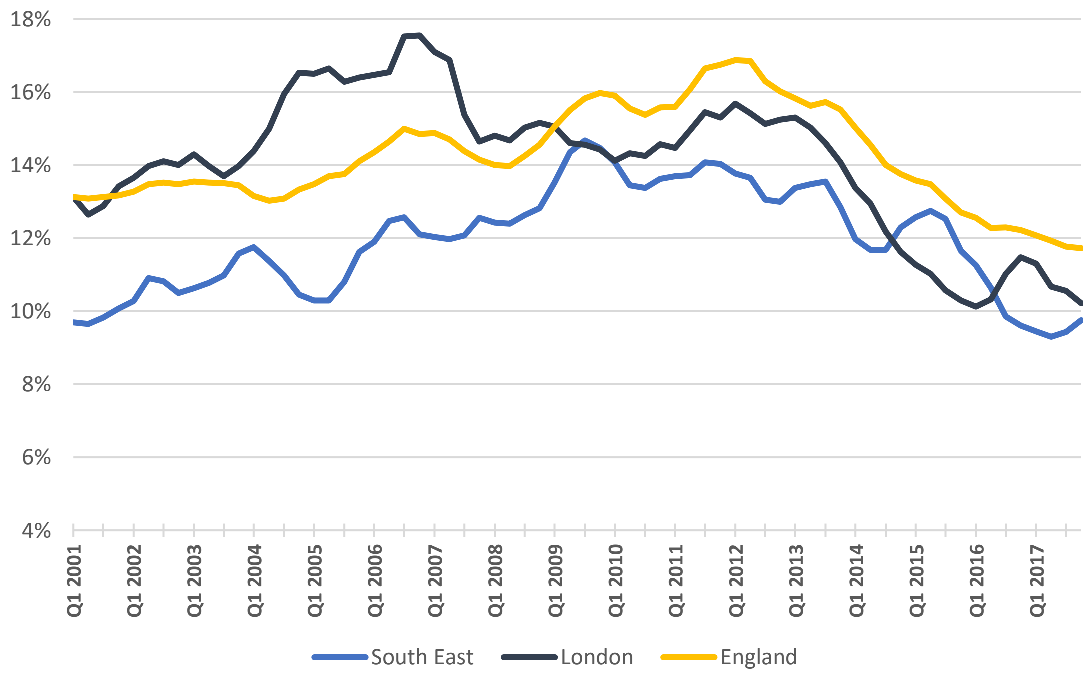


Source: UCAS 2018 Application Cycle: UK Application rates by country

- In 2018 the HE application rate for 18-year olds in the South East is 4% higher (proportionally) than the national average.
- Over the 2006-2018 period the application rate from the South East has gone from 8% above the national average to 4%.
- The relative application rate difference between the South East and North West has markedly reduced: in 2006 18-year olds in the South East were 12% more likely to apply to HE than those living in the North West. By 2018, 18-year-olds in the South East were only 5% more likely to apply to HE.

Not in Education Employment or Training (NEET)

Figure 18: The South East has reduced the proportion of 16-24-year olds Not in Education Employment or Training since a high point in 2009.
Percentage of young people (16-24) who are NEET: South East, London and UK, 2001-2017, seasonally adjusted



Source: ONS Young People Not in Education, Employment or Training (NEET), May 2017

- Between 2009 and 2017 the South East has reduced the proportion of 16-24 years olds NEET[37].
- **In the last quarter of 2017, 87,000 people in the South East aged 16-24 were NEET, 9.7% of this age group.** This was a decrease of 15,000 young people from the 3rd quarter of 2017 but an increase of 10,000 from the last quarter of 2016.
- Appendix 1 of this report outlines some of the policies that have been designed to encourage young people (and adults) into sustained employment and reformations to apprenticeships and technical career pathways.

[37] Part of this reduction is attributed to increased recordings of those individuals who were previously 'unknown'.

4. Conclusions: key skills supply and demand issues in the South East

The South East needs a robust skills system, one that can adapt to any change. While the specific impacts remain uncertain, Brexit, demographic change and technological advance are likely to significantly further alter the structure of the South East economy and labour market. Identifying and overcoming the South East's skills gaps and challenges will be crucial to ensure that the region can manage, shape and use these trends to its advantage.

South East England's changing skills demand is emblematic of advanced industrial economies which exhibit 'polarised' industrial structures: strong jobs growth in high-skilled occupations matched with growth in low-skilled occupations and a hollowing out of traditional medium-skill jobs. The region's impressive labour market performance has been driven by increased demand from a number of key sectors.

To maximise the South East's strong economic base will require investment in new and emerging sectors and knowledge, maintenance of economically strong sector and key public services that are essential for the vitality of the South East, and support underperforming or marginalised groups into employment.

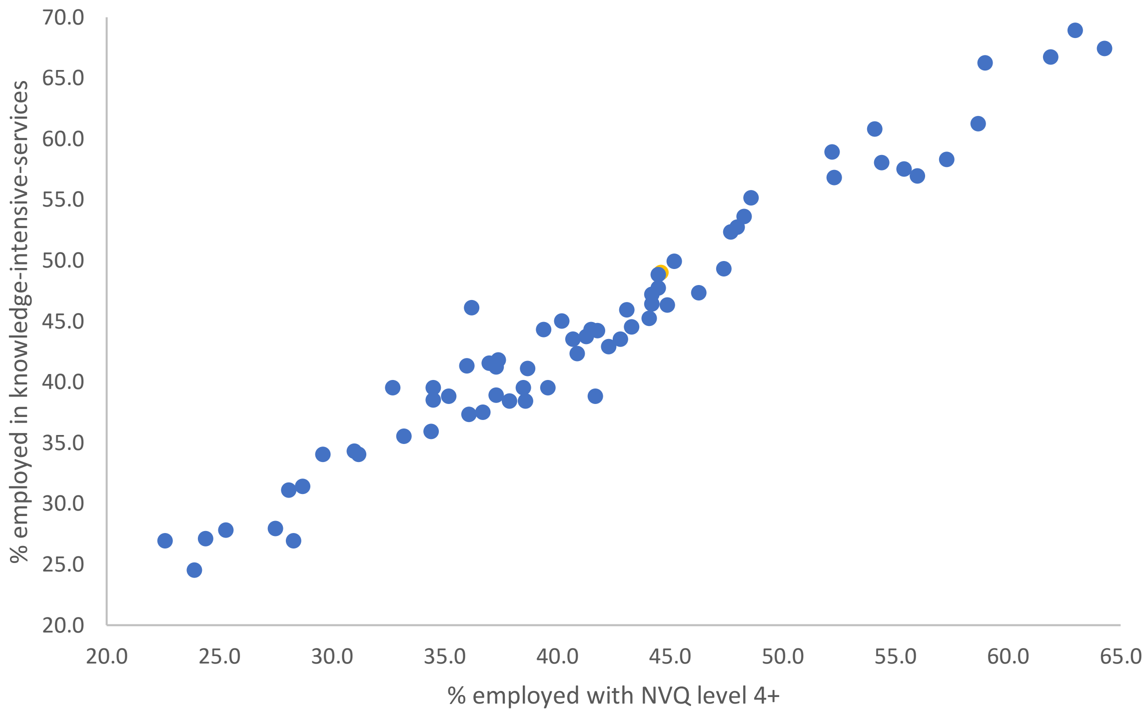
Suggested issues to consider

Our analysis has shown that the South East has high proportions of workers in higher graded and emerging roles, including knowledge-intensive roles, such as education and professional and scientific activities. To improve and maintain economic performance requires close inspection of these new, emerging and strong sectors such as high-tech.

Economically strong and new growth sectors

Figure 19 shows that there is a clear relationship between the proportion of South East workers employed in knowledge-intensive-services and the proportion of the workforce with level 4 qualifications and above. It also highlights the significant variation in the demand and supply for skills in the South East. The South East as a whole has 49% employed in knowledge-intensive-services and 45% of workers with level 4+ qualifications.

Figure 19: There is a clear relationship between higher levels of level 4+ employees across the South East and the proportion of workers in knowledge-intensive-services.
Percentage of those who are employed who have NVQ level 4+ compared to the percentage employed in knowledge-intensive-services, local authorities: district/unitary in the South East, 2017



Source: ONS Annual Population Survey and Business Register and Employment Survey

Since 2010 'administrative and professional services' have been an essential part of South East jobs growth (+ 30%) with 27% of businesses in this sector. However, 'administrative and secretarial' occupations over this time period have shrunk, suggesting a move away from demand for these mid-skill roles.

The South East might need to improve domestic capability in emerging sectors such as the high-tech industry. At current estimates this sector is relatively strong, constituting 10.4% of employment compared to 7.5% nationally[38].

To meet the increased demand for more knowledge intensive workers and occupations, this challenge must also be extended to increasing the numbers of those in-work with Level 4 and above qualifications. Closing the gap in skills-levels with London, attending to parts of the South East economy that are falling behind, and maintaining economically productive and high-volume sectors would likely contribute to fixing the UK's productivity problem.

Key skills and employment for the South East's vital services
While the continued growth in employment and the skills required to maintain strong performing sectors such as 'professional services' is a key focus; other services will also be vital for the health and prosperity of the South East.

[38] ONS 2018. UK Business Register and Employment Survey. Refers to the English average.

Key sectors include the broader category of 'public services' which account for 1 in 4 jobs in South East. The importance of continued demand for this sector is heightened considering the impending result of Brexit and the region's rapidly growing and ageing population. The South East has the UK's largest ageing population, which will put increased strain on public services, particularly health and social care.

A challenge for the South East will be to maintain and increase the volume of workers in the health and care sector. Health, public services and care is already the sector with the most numbers of apprenticeship starts in 2017 (25%) and has contributed the largest part of apprenticeship increase between 2010-2017. However, the evidence shows over this time period the health and care sector has not grown as a whole. Some parts of the sector have grown, for example since 2010 caring personal service occupations have increased by 27%. This might reflect the fact that the health & care workers have taken on traditional administrative functions as part of their role, with administrative occupations having declined. However, there are significant vacancies in the sector as in 2015, 8.5% of all job postings in the South East were in caring personal services, childcare and related personal services.

Based on the most recent estimates of job vacancies the highest portion (10%) is in educational and teaching professionals. Increasing the supply of teaching and educational professionals will form an essential part of upskilling the South East's current and future population.

A major challenge for the South East is therefore to increase the uptake of further (particularly adult) education, along with reducing the number of NEETs (10% of 16-24-year olds) and increasing uptake on core skills (e.g. level 2 and 3) so that individuals in the South East have the skills that are needed for employment in vital public service roles.

Key findings

- The **South East added 582,000 net new jobs** between the start of 2010 and December 2017[39]. The size of the **labour market has grown by 13%** over this time.
- **Services contribute 85% of total South East _employment_ in 2017** and 88% of South East jobs _growth_ between 2010 and 2017. These jobs contributed 80% of real GVA increase from 2010-17.
- **Almost half the South East service sector is 'knowledge-intensive'**, offering high skill jobs. For example, 1 in 10 people in the South East are employed in the education sector.
- **There is also growth in the lower skill service sector.** Between 2010 and 2017, 25% of new jobs in the South East, and about 23% of real GVA was created in the distribution, transport, accommodation & food sectors.
- Whilst the **health and care sector as a whole has not grown since 2010,** there is growth in some parts of this sector as since 2010 caring personal service occupations have grown by 27%. This might reflect the fact that the occupation has taken on traditional administrative functions as part of its role, with administrative occupations having declined. However, there are significant vacancies in the sector as in 2015, 8.5% of all job postings in the South East were in caring personal services, childcare and related personal services.
- On average some **50% of South East workers are in high skill occupations**. There are variations across the South East from 44% in Kent to 59% in Surrey.
- **South East has higher employment levels (79%) compared to London (75%) and England (76%)**. The South East has a higher percentage of employment for workers at all skills levels (aside from degree level and above) compared to London and England.

[39] ONS workforce jobs 2018

- **Overall 45% of those employed in the South East have high level skills (NVQ4+).**
- By sector **more than half of new apprenticeship starts in the South East in 2017 were in health, public services and care. The South East – like the rest of English regions – has fewer higher level (equivalent to degree) apprenticeships and above.**
- The **proportion of South East adults participating in FE and skills training equivalent to NVQ level 2 has dropped by 57% since 2011/12**. This could be a concern as projections show there are likely to be fewer opportunities for low and no skill workers in future. This might also suggest that even to obtain lower skilled jobs, workers will require some form of qualification.
- In the last quarter of **2017, 87,000 people in the South East aged 16-24 were Not in Education, Employment or Training (NEET), or equivalent to 9.7%** of this age group.
- **EU workers and markets are significant in the South East economy.** The EU is the largest market for South East exports (45%) and 7% of South East workers are EU nationals. The 7% overall figure disguises much higher reliance in agriculture where 14% of workers are EU nationals.
- **There is a clear demand by employers for entry-level public service employees.** Almost one fifth of all entry level South East job vacancies in 2015 were in education (10% of all vacancies) or care (8.5% of all vacancies).
- **10.4% of workers in the South East are employed in the high-tech sector compared to 7.5% nationally.**

5. Appendix

Appendix 1: skills policy and context

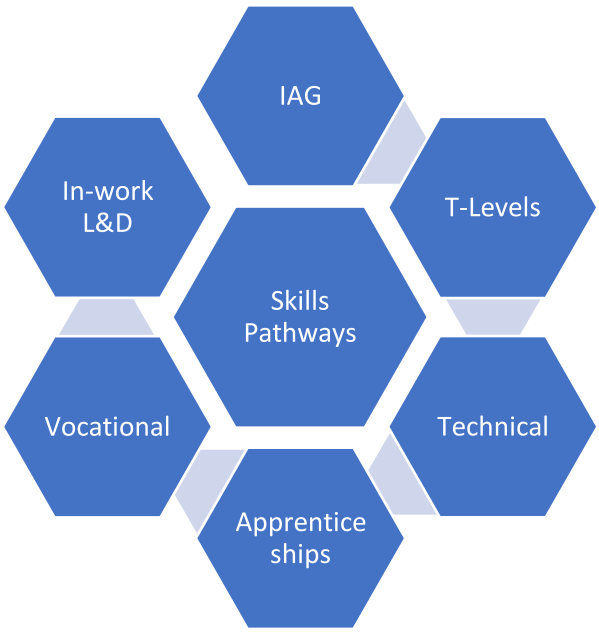
Government is attempting to redress inequalities[40] in skills training and provision and there have been a number of substantial policy changes. There has been a big drive nationally to increase apprenticeships and make sure that everyone has the basic skills to enter and sustain work. Responsibility for the funding of skills provision is changing. The current government policy has seen a reduction in publicly funded skills provision, placing more emphasis on learners and employers who are expected to redress the balance. This dynamic is changing through funding mechanisms such as the Apprenticeship Levy, which is yet to yield positive outcomes in the majority of cases. Such significant changes take time to embed into the skills system and therefore investment is happening at a much slower pace. The risk in the short-term is being able to ensure a fit for growth workforce.

Responsibility at a national level. The merger that took place in March 2017 of the Education Funding Agency and the Skills Funding Agency aimed to enable the delivery of a more joined-up approach to the management of 16-19 skills funding. It has started to reduce the duplication that previously existed and enabled steps towards the creation of a more simplified system.

The government is also responsible for making decisions about course designation for Higher Education. The Department for Education (DfE) sets the criteria for designation using analysis done by the Office for Students (following the closure of the Higher Education Funding Council for England).

Technical education reform. T-Levels have been developed to bridge the gap between more and less traditional educational routes. This means there will be two distinct choices for their further education: an academic route or a technical route in the form of T-Levels which will be offered alongside apprenticeships and will form the basis of a new technical education system, focussing on 15 core sectors. The creation of T-Levels provides the prospect of increased collaboration between employers, government and providers around meeting the future needs of technical skills. It will replace 13,000 existing technical qualifications with new T-Levels, across 15 pathways in subjects including construction, creative and design, digital, engineering and manufacturing, health and science.

Institute of Technology (IoT). The ambition is to bring together employers, further education and higher education providers to create new institution across local areas that will deliver higher technical education and skills. These would have the same freedoms as universities to apply for public funding for technical skills research, and access to loans and grants for students.



The apprenticeship funding reform. The new funding mechanisms for delivering apprenticeships were introduced in April 2017 with three substantial changes: the apprenticeship levy, the apprenticeship service, and a new 'co-investment'. An employer with a payroll of more than £3 million a year must pay the 0.5% levy from 6 April

[40] This includes poor performance in level 4+ apprenticeships, almost 1 in 10 16-24-year-old NEETs, and lack of basic level 2 or 3 skills to gain and sustain employment.

2017. This is used to fund the target of three million apprenticeships by 2030. In a South East context there are approximately 5% of businesses (19,700) who would be expected to pay into this levy, which is the same as the English level. Because of the large concentration of businesses in the South East, these businesses make up approximately 17% of the total businesses expected to pay the levy. The majority of these businesses have an income below £5 million a year.

Area based review. The Government has undertaken a series of Area Reviews of post-16 education and training institutions. The aim of the reviews was to ensure the long-term financial stability of colleges to meet current and future needs of learners and employers. For the South East this has resulted in a number of mergers between colleges.

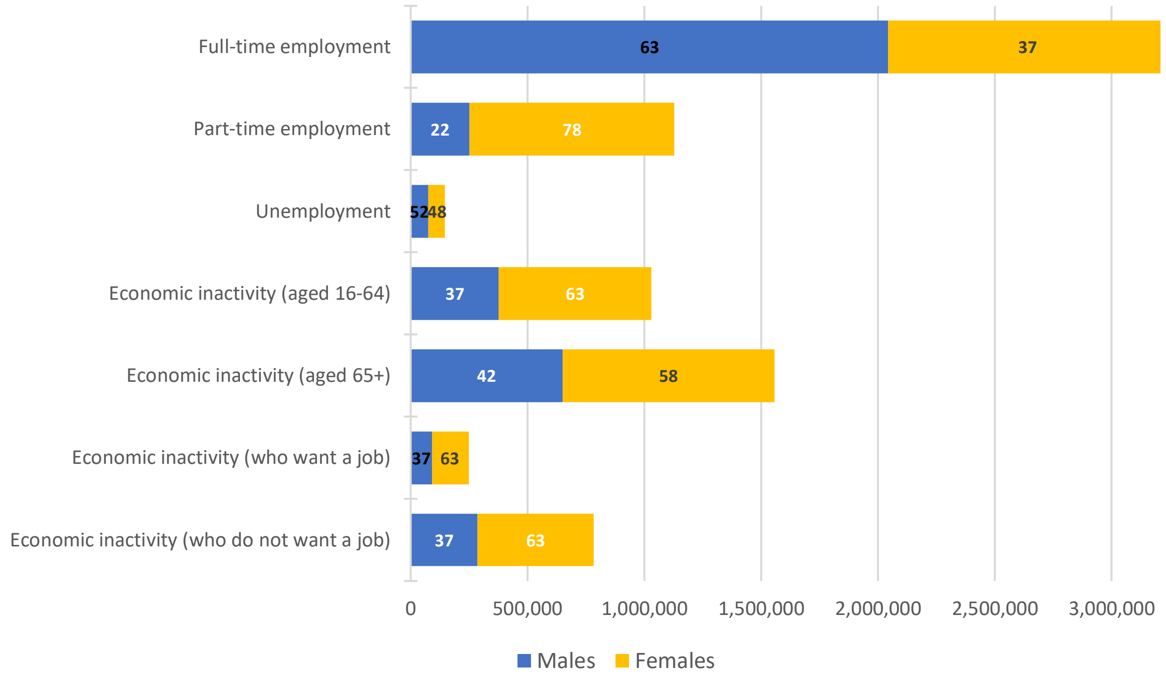
Funding for adult skills. Adult skills are funded through an array of channels. The most part is financed by the Education and Skills Funding Agency (ESFA), previously the Skills Funding Agency (SFA), from the Department of Education that took control of post-16 education from the Department of Business, Innovation and Skills in 2016. The Adult Education Budget (AEB) combined funds aimed to 'engage adults and provide the skills and learning they need to equip them for work, an apprenticeship or other learning'[41]. Part of this includes 'statutory' provision of basic skills, so that disadvantaged learners can work towards Level 2 and Level 3 qualifications. This is intended to provide adults with the basic skills so that they are ready for work, apprenticeships or other forms of learning.

Provision of education in the South East[42]. Looking at the proportion of schools in the South East by phase of education the majority are primary schools (67%) followed by secondary (12%). Of these schools in the South East 75% do not have a sixth form college while 16% do (for the rest of providers this is not applicable e.g. nurseries). Most of the schools in the South East are community schools i.e. state funding (31%), followed by converter academies (15 %), voluntary aided schools (11%), other independent schools (11%), and voluntary controlled schools (11%).

According to the association of colleges[43] there are 42 Corporations which operate as colleges in the South East, as of 17 April 2018. This is 16% of the total number of colleges in England (42/269).

[41] SFA 2016. Adult education budget funding rules for the 2016 to 2017 funding year, Version 1, Skills Funding Agency. http://dera.ioe.ac.uk/25362/1/Adult_education_budget_funding_ rules_2016_to_2017_FINAL.pd
[42] Department for Education 2017. Schools in England
[43] Association of colleges 2018. 269 colleges in England: https://www.aoc.co.uk/sites/default/files/269%20colleges%20in%20England.pdf

Appendix 2: Summary of the South East labour market, Jan 2017-Dec 2017



Source: ONS regional labour market indicators accessed via NOMIS

- Based on the most recent estimates there are over 3.2 million individuals in full-time employment in the South East with males comprising 63% of this figure and females 37%
- There are over 1.1 million people in part-time employment in the South East with females making up 78% of that figure and males 22%
- Of those of a working age (16-64) and economically inactive, 37% are males and 63% are females.
- Females make up the largest figure for all levels of economic inactivity shown in figure 12.

Appendix 3: Qualifications levels and their equivalents in England and Wales

Qualification level	**Equivalent qualification**
NVQ level 4 & above	Degree (for example BA, BSc), Higher Degree (for example MA, PhD, PGCE), NVQ Level 4-5, HNC, HND, RSA Higher Diploma, BTEC Higher level, Foundation degree (NI), Professional qualifications (for example teaching, nursing, accountancy)
NVQ level 3	2+ A Levels/VCEs, 4+ AS Levels, Higher School Certificate, Progression/Advanced Diploma, Welsh Baccalaureate Advanced Diploma, NVQ Level 3; Advanced GNVQ, City and Guilds Advanced Craft, ONC, OND, BTEC National, RSA Advanced Diploma
Trade apprenticeships	Apprenticeships
NVQ level 2	5+ O Level (Passes)/CSEs (Grade 1)/GCSEs (Grades A*-C), School Certificate, 1 A Level/ 2-3 AS Levels/VCEs, Intermediate/Higher Diploma, Welsh Baccalaureate Intermediate Diploma, NVQ level 2, Intermediate GNVQ, City and Guilds Craft, BTEC First/General Diploma, RSA Diploma
NVQ level 1	3 to 4 GCSEs (D-E), foundation GNVQ, BTEC awarded, certificate and diploma level 1.
Other qualifications	1-4 O Levels/CSE/GCSEs (any grades), Entry Level, Foundation Diploma, NVQ level 1, Foundation GNVQ, Basic/Essential Skills

For more information about South East England Councils: www.secouncils.gov.uk
For more information about Shared Intelligence: www.sharedintelligence.net