



Monthly Labour Market Report

Welcome

The Monthly Labour Market Report from the Learning and Skills Observatory Wales (LSO) aims to provide the main headlines on the Welsh labour market and is based on the latest data available.

This month's issue also puts the spotlight on skill trends in Wales.

This report was produced by the Centre for Economic and Social Inclusion who were commissioned by Welsh Government to blend Wales' available LMI (from the various sources) and produce a monthly analysis. Whilst the report is owned by Welsh Government it is not validated in terms of its specific content or interpretation.

Inclusion have an unrivalled understanding of the labour market based on over 28 years of experience of working with the range of stakeholders involved in delivering employment and skills services. We collect and analyse both national and local labour market data through our well developed Local Labour Market Information System, conduct research on employment and skills issues at the local level, run events that bring together policymakers and providers in the skills and employment sector and produce weekly e-briefings that summarise what is new in employment and skills for our subscribers.

We currently update the data section of the London Skills and Employment Observatory as well as providing labour market tools and analysis for Greater Manchester.

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Latest labour market trends

Employment

Employment data from the Labour Force Survey (LFS) – estimates obtained from a quarterly rolling survey of households – showed little change for Wales in the latest quarterly release (December to February 2013).

The working age employment rate for Wales increased by 0.3 percentage points to 68.9 per cent over the previous quarter, weaker than the increase of 1.0 percentage points for Scotland but a better outcome than in England and Northern Ireland, where the employment rate fell by 0.1 and 0.7 percentage points respectively. This equates to an additional 4,000 people in employment. Since the same quarter last year an additional 9,000 people have entered into employment, a rise in the employment rate of 0.6 percentage points. The annual performance was better than Scotland and Northern Ireland but below the 1.1 percentage point increase in England.

However, overall employment outcomes are poor in Wales compared to other nations and regions, with only the North East region in England and Northern Ireland having lower employment rates. Available data provide no insights into possible reasons for the relatively poor employment outcome in Wales. It is unlikely that Wales will have experienced a more limited squeeze on real earnings, and thus had to absorb relatively higher labour costs, than the English regions (falling real earnings being generally cited as an explanation for the surprise strength of job creation in the latter areas against a backdrop of contraction in gross domestic product).

An explanation for employment performance in Wales can partly be explained by looking at new figures for workforce change by industrial sector for the three months to December 2012. The latter data are not drawn from the LFS but the separate Workforce Jobs Survey (WJS) of employers. The LFS and WJS are not directly comparable but the Office for National Statistics regards the WJS as providing a more accurate reflection of employment change by industrial sector. When set alongside the trend in the LFS, the WJS can thus offer a broad indication of the pattern of employment change by sector which aids consideration of possible underlying drivers of change. This shows a large fall of 20,000 in the workforce since the last quarter- with 5,000 fewer employees in the manufacturing industry. Nationally there are 10,000 fewer employees in the manufacturing industry so Wales had a major impact on job losses in this sector. Nationally there were 82,000 more employees in the Professional, scientific and technical activities sector but no change in Wales.

The net effect of employment change leaves Wales with an employment rate 2.5 percentage points lower than the UK average (see LMI scorecard). As the LMI scorecard shows, the employment rate gap between Wales and the UK average remains much greater for men (-3 percentage points) than women (-2.1 percentage points).

Unemployment and economic inactivity

Weaker employment performance translated into higher economic inactivity, this latter indicator also proving disappointing for Wales relative to much of the rest of the UK.

The number of people in Wales who are unemployed on the International Labour Organisation (ILO) measure fell by 3,000 to 120,000 in the latest quarter and by 11,000 since the same quarter last year. The claimant count rate of people unemployed and claiming Jobseeker's Allowance in Wales remained static and currently stands at 77,400 or 5.3 per cent of residents. However care should be taken in interpreting change in the claimant count since this can be influenced by changes to the benefit system, as well as change in the labour market.

At 8.2 per cent, the ILO unemployment rate for Wales in December to February 2013, while 0.1 per cent points lower than a year earlier, was 0.3 percentage points higher than the UK average. Within the UK nations and regions only the North East and Yorkshire and Humberside had a higher unemployment rate.

As the LMI scorecard shows, the working age rate of economic inactivity in Wales is 2.8 percentage points higher than the UK average and, at 25 per cent, is third only to the North East of England and Northern Ireland amongst the UK nations and regions. Moreover, the most recent figures show an increase in the working age inactivity rate in Wales of 0.1 percentage points compared to previous quarter. This compares with a fall of 0.2 percentage points in the UK.

The LMI scorecard

The scorecard presents recent trends and figures for a number of core labour market indicators, using a variety of different sources:

	Source
Working age employment rate	1
Working age male employment rate	1
Working age female employment rate	1
ILO unemployment rate 16+	1
Claimant count as a proportion of the working age population	2
Working age economic inactivity	1
Index of workforce jobs	3
Proportion of the working age population with no qualifications	4
Proportion of the working age population qualified to NQF4+	4
Proportion of the working age population who claim out of work benefits	5
Children living in workless households	6
Proportion of 16-18 year olds who are not in employment, education or training	7

- 1 LFS, ONS: subject to sampling variability and should be used with caution
- 2 Claimant count seasonally adjusted, NOMIS: trends can be affected by changes to benefit rules
- 3 Employer surveys, household surveys and administrative sources, ONS
- 4 Annual Population Survey/Annual Local Labour Force Survey, ONS. Data is subject to sampling variability and should be used with caution.
- 5 Department for Work and Pensions, NOMIS
- 6 Household Labour Force Survey, ONS: subject to sampling variability and should be used with caution
- 7 Source: ONS, HESA, Welsh Government LLWR, Pupil Level Annual School Census, Annual Population Survey.

LMI Scorecard

April 2013

		Wales		Difference between Wales and National (latest figures): Better Worse	NATIONAL (UK or GB depending on indicator)	
		Trend (Three to four years)	Latest result & trend		Latest result & trend	Trend (Three to four years)
Supply of Labour	Working age employment rate (%)		68.9% ↑	-2.5 Charts cover: Dec-Feb 10 to Dec-Feb 13	71.4% ↑	
	Working age male employment rate (%)		73.3% ↑	-3.0 Charts cover: Dec-Feb 10 to Dec-Feb 13	76.3% ↑	
	Working age female employment rate (%)		64.5% →	-2.1 Charts cover: Dec-Feb 10 to Dec-Feb 13	66.6% →	
	ILO Unemployment rate 16+ (%)		8.2% →	0.3 Charts cover: Dec-Feb 10 to Dec-Feb 13	7.9% →	
	Claimant Count as a proportion of the working age population, seasonally adjusted (%)		5.3% →	0.7 Charts cover: Mar 10 to Mar 13	4.6% →	
	Working age economic inactivity (%)		25.0% ↓	2.8 Charts cover: Dec-Feb 10 to Dec-Feb 13	22.2% ↓	
Demand	Index of workforce jobs. 2009 Q1=100		100.7% →	0.7 Charts cover: 2008 Q1 to 2012 Q4	100.0% →	
Skill gaps	Proportion of the working age population with no qualifications (%)		10.6% ↓	1.6 Charts cover: Year to Dec 09 to year to Dec 12	9.0% ↓	
	Proportion of the working age population qualified to NQF4+ (%)		32.6% ↑	-4.1 Charts cover: Year to Dec 09 to year to Dec 12	36.7% ↑	
Worklessness & NEETS	Proportion of the working age population who claim out of work benefits		14.6% ↓	2.8 Charts cover: May 09 to Aug 12	11.8% ↓	
	Children living in workless households (%)		19.1% ↑	4.1 Charts cover: Apr-Jun 2008 to 2012	15.0% ↓	
	Proportion of 16-18 year olds who are NEET (%)		12% →	2 Charts cover: 2008 to 2011	10% England →	

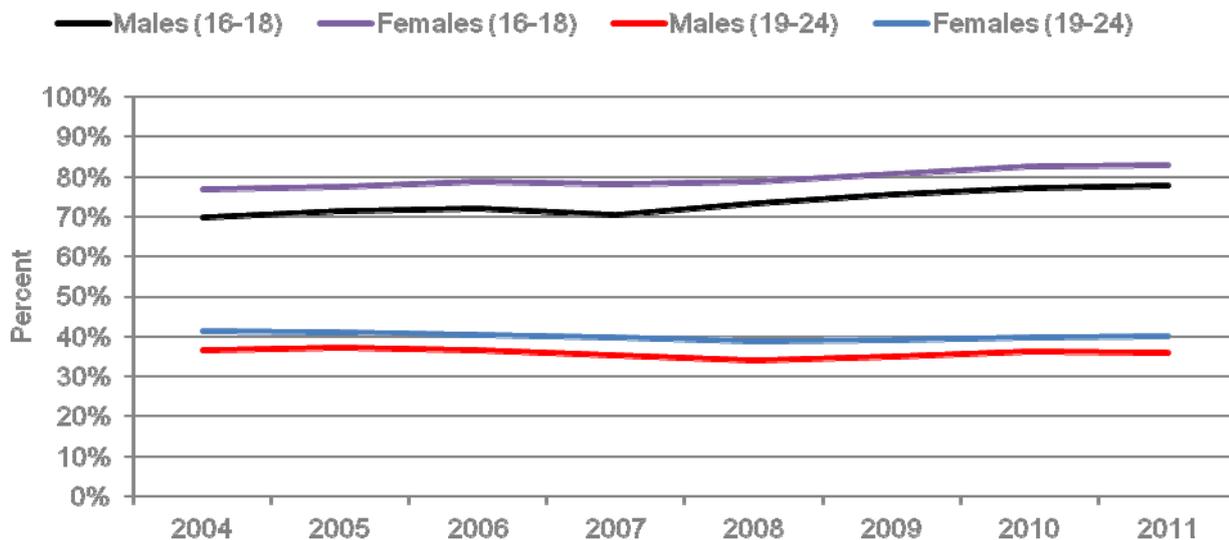
Skills: trends, levels and gaps

March's Monthly Update puts the spotlight on recent trends in skills in Wales and the gaps reported by employers. It will examine issues such as the educational achievement and staying on rates of young people in Wales, the uptake of Apprenticeships, adult participation in learning, attracting high quality graduates to the region and training provided by Welsh-based employers. We will also include the main findings from National Employer Survey in terms of skill gaps reported by employers in Wales.

Young people in learning

Participation in learning for those aged 16 to 18 has increased overall in Wales since 2004, while the rates for those aged 19 to 24 have remained fairly stable. In general, participation in learning declines with age and as more young people enter the labour market (Figure 1).

Figure 1: Estimated Participation of young people living in Wales in education and training, by age group, 2004-2011



Source: *Education and Lifelong Learning Statistics, Welsh Government (2011 is provisional)* [Link](#)

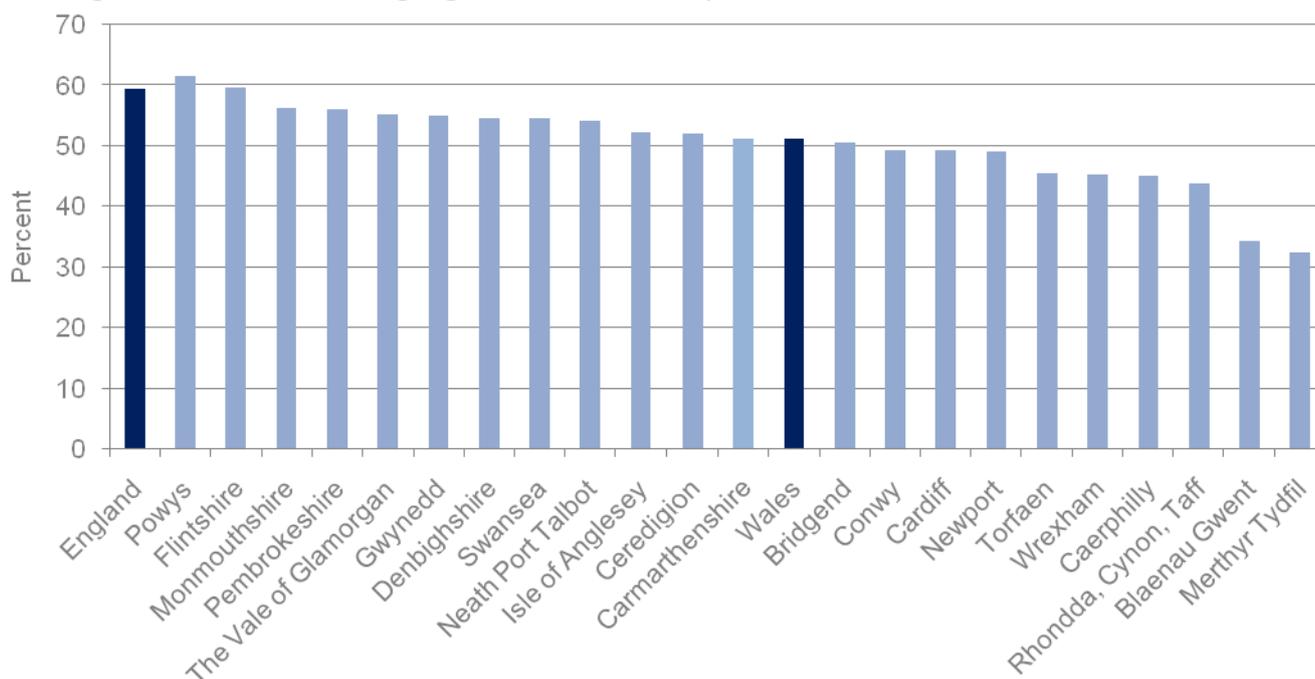
Educational achievement

The educational performance of young people in Wales has been rising steadily in recent years. The proportion who achieved the level 2 threshold¹ in 2011/12 (including a GCSE grade A*-C in English or Welsh first language and maths) amongst 15 year olds was 51.1 per cent, nearly seven percentage points higher than 2006/07. This is over eight percentage points lower than the equivalent measure for England of 59.4 per cent.

There are wide variations in GCSE achievements between Welsh authorities, with a gap of almost 29 percentage points between Powys and Merthyr Tydfil (Figure 2 Proportion of pupils aged 15 who achieved the level 2 threshold including a GCSE grade A*-C in English or Welsh first language and maths2).

¹ Level 2 threshold – volume of qualifications equivalent to the volume of 5 GCSEs at grade A*-C.

Figure 2 Proportion of pupils aged 15 who achieved the level 2 threshold including a GCSE grade A*-C in English or Welsh first language and maths, 2011/12



Source: Welsh Government [Link](#)

Educational attainment of students depends on individual characteristics (e.g. prior attainment, gender, ethnicity, special educational needs, whether a 'looked after' child), social factors (e.g. parental education, involvement, expectations, peer effects) and educational factors (e.g. curriculum, teacher expectations, resources, school type).

National research by the Institute of Fiscal Studies has shown that individual and social factors are the major factors when explaining differences in attainment. In particular, economic deprivation plays a large part in the attainment gap; from achievements during compulsory schooling through to attainment levels aged 19.

Young people eligible for free school meals (FSM) in Wales are especially disadvantaged when it comes to educational achievement. In 2012, 23.4 per cent of recipients of FSM achieved the level 2 threshold at key stage 4 including English/Welsh and mathematics, compared to 56.6 per cent non-FSM. The performance of both FSM and non-FSM has improved every year since 2007 and the gap between the two has slightly narrowed since 2010 to 33.2 percentage points but is slightly wider than gap for the Core Subject Indicator² at 32.8 percentage points. The gap is narrowest at the Level 1 threshold³: 12.2 percentage points, which has narrowed since 2011 when the gap was 14.9. (Source: Statistical Bulletin 22/2013, Statistics for Wales [Link](#)).

The statistics for children with special education needs are even more bleak, with just 16.5 per cent of young people in Wales achieving the level 2 threshold at key stage 4 including English/Welsh and maths in 2012. The

² Core subject indicator at KS2-3 is defined as achieving the expected level in both Maths and Science and either English or Welsh first language. At Key Stage 4 it is defined as achieving a level 2 qualification at grade A*-C in both Maths and Science and either English or Welsh first language.

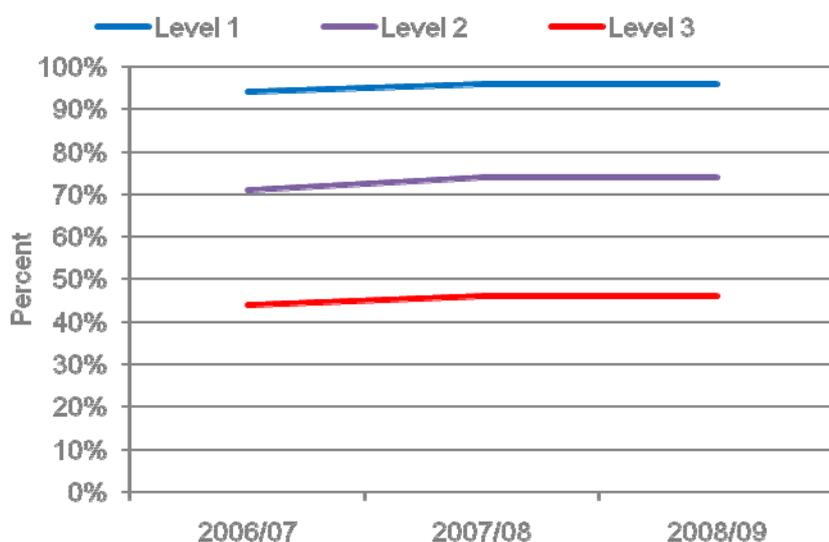
³ Level 1 threshold – the volume of qualifications equivalent to the volume of 5 GCSEs at grade D-G

gap between the achievement rates of children with special education needs and all children has narrowed since 2008. (Source: Statistical Bulletin 33/2013, Statistics for Wales [Link](#)).

Achieving Level 2 and 3 qualifications by age 19

Between 2006/07 and 2008/09 the proportion of young people in Wales attaining a Level 2 qualification or equivalent by the age of 19 rose by three percentage points to 74 per cent. Of the 19 year olds in Wales in 2009/09, 45.9 per cent achieved qualifications equivalent to National Qualification Framework Level 3 (Figure 3). These figures are latest available for Wales at the time of publication but will be updated in 2013 – statistics for England are more up to date and have a longer time series.

Figure 3: Proportion of people studying in a local authority at age 16 (academic age 15) that reach the level 1, 2 and 3 threshold by age 19



Source: *Education and Lifelong Learning Statistics, Welsh Government* [Link](#)

Apprenticeship framework, Traineeship and Steps to Employment

Apprenticeship framework success rates for 2011/12 were 84 per cent and 86 per cent for Foundation Apprenticeship and Apprenticeship programmes respectively. Overall, the apprenticeship framework success rate was 85 per cent. The best performing sector subject areas were Education and Training; Business, Administration and Law; Engineering and Manufacturing Technologies; and Retailing and Customer Service. (Source: Statistical Bulletin 53/2013, Statistics for Wales [Link](#)).

Traineeships and Steps to Employment are learning programmes introduced by the Welsh Government in August 2011 to replace the Skill Build Youth and Adult learning programmes.

Traineeships are intended for young people aged between 16 and 18 years old, and aim to provide the skills needed to get a job or progress to further learning at a higher level, such as an Apprenticeship or further education (FE). The programme is offered at three distinct levels: Engagement, Level 1 and Bridge to Employment.

Steps to Employment aims to help unemployed adults aged 18 and over, who are in receipt of a Department for Work and Pensions benefit, to access purposeful training and work experience opportunities in preparation for employment or further learning. The programme is offered at two distinct levels: Work Focused Learning and Routeways to Work.

Of the learners who left Traineeship – Engagement programmes during 2011/2012, 53 per cent progressed to learning at a higher level. A further seven per cent entered new employment and 21 per cent were seeking work or unemployed. Of the learners leaving Traineeship – Level 1 programmes during the same period, 23 per cent progressed to learning at a higher level. Whereas 25 per cent entered new employment and 28 per cent were seeking work or unemployed. Overall, 57 per cent of leavers from Traineeship programmes had a positive progression (i.e. to employment – including self employment or voluntary work) or learning at a higher level).

Of the learners leaving Steps to Employment – Work Focused Learning programmes during 2011/2012, 30 per cent entered new employment. A further six per cent progressed to learning at a higher level and 43 per cent were seeking work or unemployed. Of the learners leaving Steps to Employment – Routeways to Work programmes during the same period, 42 per cent entered new employment and five per cent began work in the voluntary sector, whereas 47 per cent were seeking work or unemployed. Overall, 44 per cent of leavers from Steps to Employment had a positive progression (i.e. to employment – including self employment or voluntary work or further learning). (Source: Statistical Bulletin 53/2013, Statistics for Wales [Link](#)).

Higher education

There are 11 higher education institutions (HEIs) in Wales funded by the Higher Education Funding Council for Wales (HEFCW), who provide the majority of higher education (HE) in Wales. 17 FE colleges deliver HE courses in Wales, enrolling 6,866 HE students in 2010/11. Eighty-two per cent of these students are taking courses franchised from HEIs (source: Colleges Wales).

In 2011/12 there were a total of 140,450 students at HEIs (not including FE students) across Wales, of whom around 54 per cent are Welsh (source: HESA). This represents a modest increase of around 360 (0.3 per cent) in the past year, and an increase of around 5,650 (4.2 per cent) since 2006/07. There are also 9,265 students funded by the *Higher Education Funding Council for Wales* studying via distance learning through the Open University.

Of the 15,335 graduates from Welsh HEIs in 2010/11 (UK domiciled undergraduates and postgraduates) entering employment, around two-thirds remain in Wales, with around 5,000 leaving to seek employment elsewhere. Wales also attracts graduates from across the UK too, with more than 2,700 coming to Wales to work from outside the country in 2010/11.

The net loss of graduates can be partly explained by the volume of graduate level opportunities offered by the labour market in Wales. In 2012, 39 per cent of jobs in Wales were in higher level occupations i.e. managerial, professional and associate professional occupations (those most likely to offer graduate level jobs), compared to an average of 44 per cent in the UK (source: Annual Population Survey).

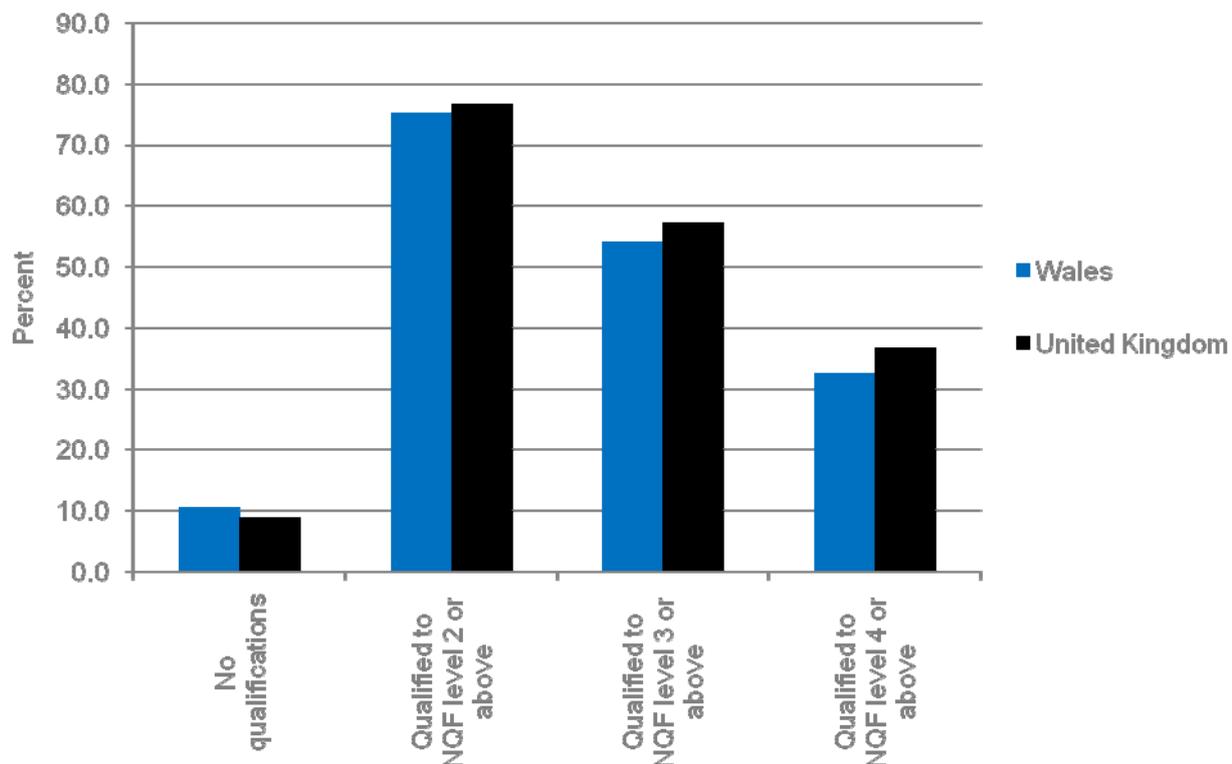
Skills of working age adults

In 2012, 32.6 per cent of working age people in Wales held a qualification at Level 4 or above compared with 36.7 per cent for the UK as a whole (figure 4). The difference between Wales and the rest of the UK on this measure has been around 3 percentage points, albeit with a slight increase after the start of the 2008 recession, from a gap of 2.4 percentage points in 2008 to 4.1 percentage points in 2012.

Wales also has a slightly higher proportion of working age people with no qualifications in 2012. 10.6 per cent compared with 9 per cent for the UK as a whole. Since the start of the 2008 recession, there had been a slight narrowing of this difference to around 1 percentage point up to 2011. However, the gap widened again in 2012.

Proportionally Wales has fewer people of working age with Level 4 qualification and above and a slightly higher proportion of people with no qualifications compared with the UK as a whole.

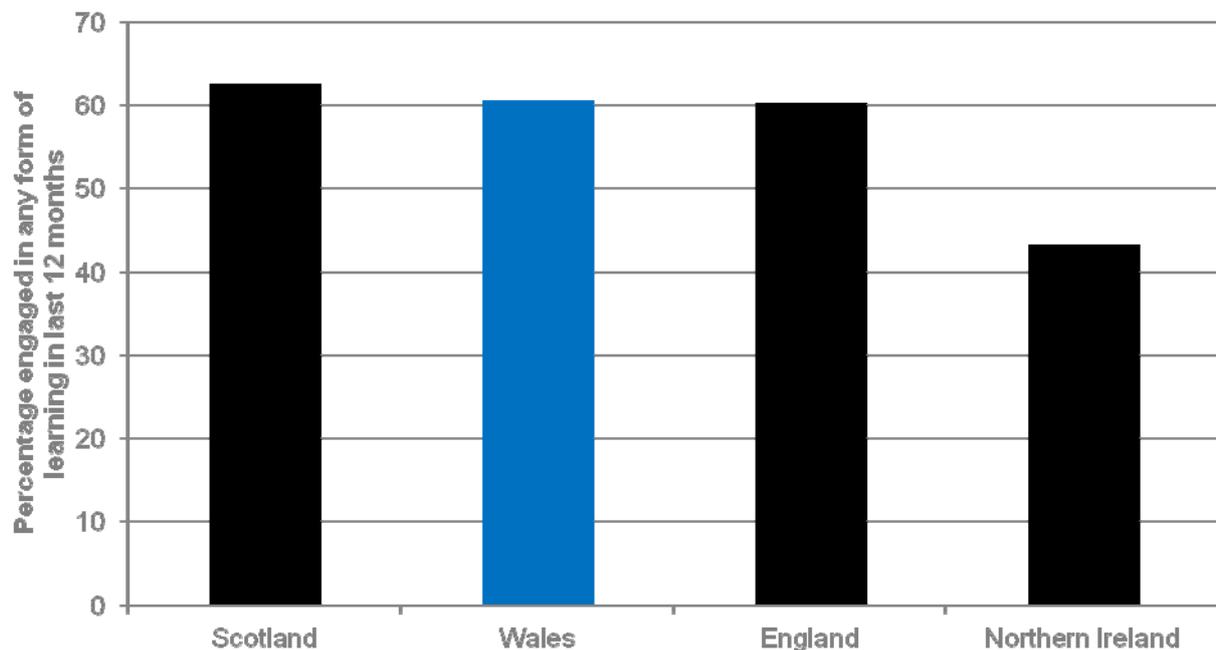
Figure 4: Highest level of qualification held by the working age population in Wales and the UK (%), 2012



Source: *Education and Lifelong Learning Statistics, Welsh Government* [Link](#)

Adult learning and training

According to the Annual Population Survey, around 60 per cent of adult people in Wales had engaged in some form of adult learning in the 12 months to September 2011 (either taught or non-taught). The highest level in the UK was in Scotland (Figure 5). The recession has had no apparent impact on adult learning, with participation levels remaining consistent for the past three years.

Figure 5: Proportion of adults engaged in any form of learning in the past 12 months in Wales

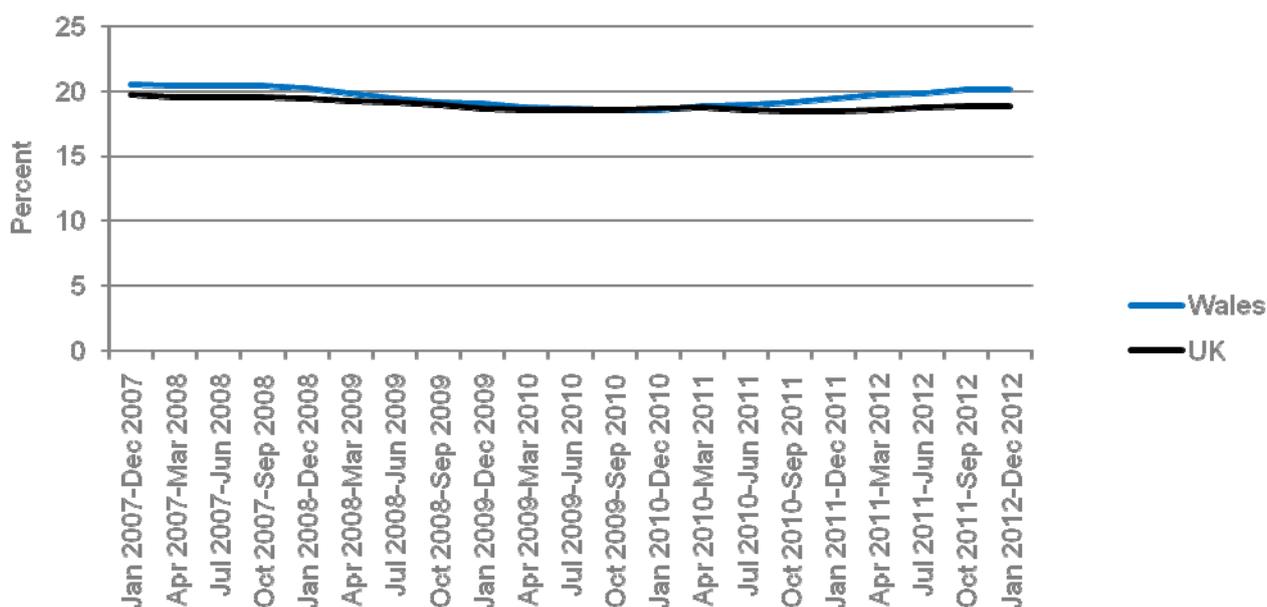
Source: Annual Population Survey (via Nomis), October 2010–September 2011

Skill gaps

Employer investment in skills

Employers in Wales are more likely to report skills gaps and shortages. This is because employers in Wales have to recruit from a lower skilled labour pool (especially at Level 4). For these reasons, Wales's employers are more likely to offer training to their employees than organisations in other parts of the UK and therefore need to invest in additional skills training.

The recession did not have a major effect on the proportion of employers that offer training in Wales. Figure 6 demonstrates that, compared to Wales, the recession caused a slight reduction in job-related training across the UK.

Figure 6: Proportion of adults receiving job-related training in the past 13 weeks, 2007–12

Source: Annual Population Survey (via Nomis), Jan 2007–Dec 2007 to Jan2012–Dec2012

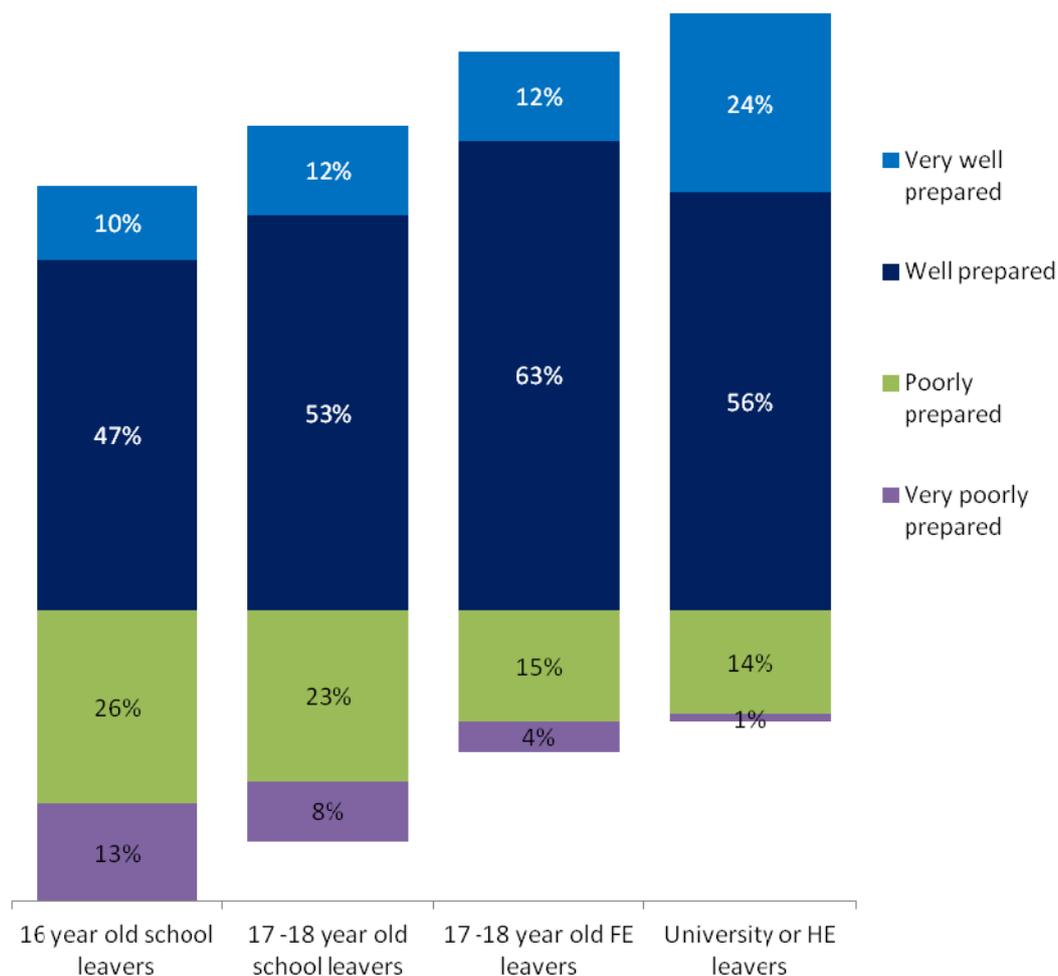
The UK Commission’s Employer Skills Survey 2011⁴ is the key UK data source on employer demand for and investment in skills. It is the first UK-wide employer skills survey, and is one of the largest employer skills surveys undertaken in the world, involving over 87,500 interviews with employers. In Wales, 6,012 interviews were completed across all sectors and covering all sizes of employer. The survey covered topics such as skill-related recruitment difficulties, skills gaps, training investment and the work-readiness of education leavers. Headline findings from the UKCES report are provided below.

Work-readiness of education leavers

In Wales around a quarter of establishments (24 per cent) had recruited at least one education leaver in the two to three years previous to the survey (see Figure 7). The majority of these employers found their recruits to be well prepared for work; the minority that did not most commonly put this down to a lack of experience of the working world, life experience or maturity, or to poor attitude, personality or a lack of motivation. The proportion of employers finding education leavers to be well prepared for work increased with age / educational level:

- 56 per cent among those recruiting 16 year old school leavers found them well prepared
- 65 per cent of those recruiting 17–18 year olds from school
- 75 per cent of those recruiting 17–18 year-olds from FE
- 80 per cent of those recruiting from HEIs.

⁴ UK Commission’s Employer Skills Survey 2011: Wales results, UKCES [Link](#)

Figure 7 Perceived work-readiness of education leavers in the past 2-3 years

Source: The UK Commission's Employer Skills Survey 2011, UKCES

Base: All establishments in Wales who have recruited education leavers of each type in the last 2-3 years

Note 'don't know' responses are not shown on the graph, hence bars sum to <100%

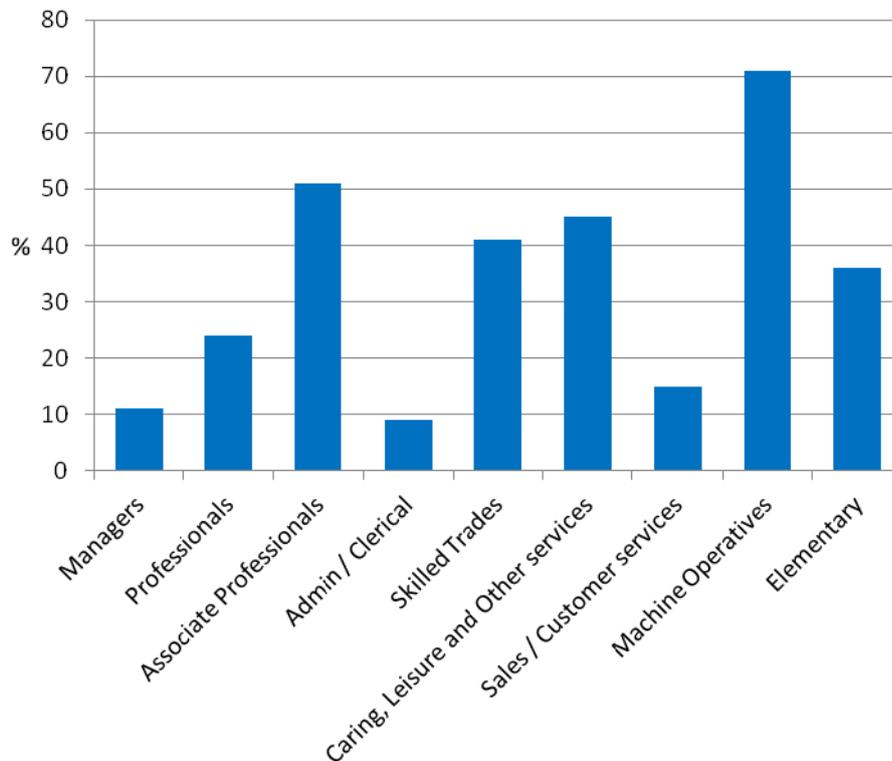
Base: 808 1,011 1,084 1,172

Employers, recruitment and skill shortages

At the time of interview, 11 per cent of establishments had a vacancy; this equates to around 25,500 vacancies across Wales. The labour market is largely able to meet the requirements of most establishments; however four per cent of establishments had a vacancy they considered to be 'hard-to-fill'. This equates to 8,500 hard-to-fill vacancies, one third of all vacancies.

Three per cent of establishments reported having vacancies at the time of the survey that they had difficulties filling because of a lack of skills, qualifications or experience in applicants for the role (a 'skill-shortage vacancy'). This equates to 5,700 skill-shortage vacancies across Wales; 22 per cent of all vacancies.

It is amongst associate professional and machine operative roles where employers experience the greatest difficulties in meeting their demand for skills from the available labour market, far more so than in the UK as a whole (see Figure 8).

Figure 8 Incidence, volume and density of hard-to-fill vacancies: by occupation

Source: The UK Commission's Employer Skills Survey 2011, UKCES

Base: Columns 1 and 2 all establishments; Column 3 all establishments with vacancies in each occupation.

Percentages in Column 3 are based on all vacancies, rather than all establishments with vacancies; figures therefore show the percentage of vacancies which are hard-to-fill.

While skill-shortage vacancies may not be common, where they do exist their impact can be significant; almost all establishments with hard-to-fill vacancies (97 per cent) reported they were having an impact on the establishment. The impact that they have on the workload of existing staff risks knock-on effects on morale and retention, and was reported by 86 per cent of establishments with hard-to-fill vacancies. More direct impacts on performance were also commonly cited (50 per cent say they struggle to meet customer service objectives, 48 per cent have had to delay developing new products or services, 41 per cent have lost business to competitors and 41 per cent have seen an increase in operating costs) – see Figure 9.

Figure 9 Impact of hard-to-fill vacancies

Source: *The UK Commission's Employer Skills Survey 2011, UKCES*

Base: *Base: All establishments with hard-to-fill vacancies: 377 (unweighted).*

Internal skills mismatch

Around 53,700 employees (five per cent of the workforce in Wales) were reported as being not fully proficient at their job (i.e. they have a 'skills gap'); 13 per cent of employers reported having at least one employee who had a skills gap. Skills gaps were most common amongst staff working in machine operative roles.

Where skills gaps exist their impact can be significant, most commonly on the workload of other staff (reported by half of employers with skills gaps) and increased operating costs (31 per cent). However around two-in-five employers reported that the skills gaps among their staff did not have any tangible impact on the performance of the establishment, reflecting the often transient nature of skills gaps when they are caused by staff not having completed their training, for example.

Across Wales, six per cent of establishments reported that they had difficulties retaining staff; this was most commonly among skilled trades occupations and elementary staff. The survey introduced an experimental question to look at how employers perceived potential under-use of skills in the workplace. This single question indicated almost half of all establishments (45 per cent) reported they had at least one member of staff who had both qualifications and skills exceeding the level required for their current job role. In volume terms this amounts to 14 per cent of the total workforce in Wales.

Figure 10 Impact of skill gaps

Source: The UK Commission's Employer Skills Survey 2011, UKCES

Base: All establishments with skills gaps: 1,355 (unweighted).

Employer investment in training and workforce development

Most establishments (59 per cent) had provided off- or on-the-job training for at least one of their staff members in the previous 12 months. Employers had funded or arranged training in this period for approximately 650,000 staff (equivalent to 56 per cent of the total workforce in Wales at the time of the survey) and provided five million days of training (equivalent to 4.2 days per employee per annum and 7.5 days per person trained).

There is variation by sector and occupation: sectors comprising of mostly public sector organisations are more likely to provide training for staff, and staff in professional occupations are more likely to receive training than those in other roles. Employer expenditure on training in the previous 12 months was £1.72bn, equivalent to £1,450 per employee and £2,600 per person trained. Half of total expenditure is accounted for by the cost of paying staff while they are being trained, while eight per cent is accounted for by fees to external providers.

Fewer than half of workplaces (44 per cent) had either a training plan (38 per cent) or a budget for training expenditure (26 per cent). Many workplaces undertake training on an ad hoc basis; indeed over half of those providing training did not have a formal training plan in place. The most common reason for not training is that employers consider their staff to be fully proficient and/or that their staff did not need training (mentioned spontaneously by 65 per cent of non-trainers). Few point to failures in training supply as a reason for not training.

How employers use staff skills

Most establishments in Wales were engaging in what have become known as ‘high performance working practices’: working practices deliberately introduced to improve organisational performance that maximise employee commitment and skills use. Most commonly this involved providing a flexible working environment in which employees have variety in their work and discretion over their tasks, with around nine-in-ten establishments providing this for at least some of their employees.

Communication with employees was also widespread, most commonly via scheduled team meetings. In terms of people management practices, around two-thirds of establishments gave formal job descriptions to at least some of their employees (53 per cent to all employees), and one half of establishments had annual performance reviews for at least some staff (39 per cent for all staff). Fewer used pay and incentive schemes to motivate staff: 39 per cent had any policy in place; the most common incentives were bonuses based on overall company performance (23 per cent).

Larger establishments and those in South East Wales were most likely to have high performance working practices in place. In common with other themes driven by establishment size, this means that establishments in South East Wales, the region with the highest proportion of large establishments, were most likely to have high performance working practices in place.

National Strategic Skills Audit for Wales

The purpose of the National Strategic Skills Audit for Wales⁵ (NSSAW) 2012 is to provide insight and foresight to create a better-informed market for skills in Wales and to support a better balance between the skills needed and the skills available.

The NSSAW 2012 has identified current and likely future trends in demand for skills and employment in Wales over the next five to ten years. It draws on a range of data sources.

Overall, the analysis taken together points to the importance of a number of key strategic skills that needs to be addressed to meet the emerging demands of the labour market and, ultimately, to maximise economic growth. In general, this broadly highlights higher skilled occupations, including managers, professionals and associate professionals and technicians. However it also extends to some other areas such as personal service occupations and skilled trades in particular parts of the economy, as well as more pervasive generic skills.

There were a number of key trends.

Current demand

The largest numbers of people in the current labour market are collectively employed as managers, professionals and associate professionals. Indeed, these occupations account for almost two-fifths of all jobs today.

Broad skills shortages

The largest volumes of skills shortages in Wales are found among associate professionals, elementary staff, and skilled trades occupations, with associate professionals, machine operatives and skilled trades occupations having the highest skills shortage vacancies density. The highest volumes of skills shortages are found in the manufacturing and business services sectors, where the highest densities of skills shortage vacancies are also

⁵ National Strategic Skills Audit for Wales, Welsh Government [Link](#)

found. Skills shortages are concentrated in Mid and South East Wales, with Mid Wales having a far higher skills shortage vacancy density than the other economic regions of Wales.

Skills gaps

The largest proportions of skills gaps are found in sales/customer service, machine operatives, caring/personal services and elementary roles, with machine operatives having the highest skills gaps density (skills gaps as a proportion of the workforce). The highest reported volumes of staff with skills gaps are found in manufacturing, health/social care and wholesale/retail sectors, with the electricity, gas and water, and hotels and restaurants sectors having the highest skills gaps density. Associate professionals and skilled trades occupations are likely to experience the greatest range of different types of skills gaps.

Underemployment

Over a quarter of employers report that at least 50 per cent of their staff are underemployed, while over 40 per cent of employers with over 250 staff do not know. Incidence of underemployment is highest among staff in lower skilled roles including caring/leisure occupations and elementary staff, and among managers, professionals and associate professionals and is most common in the education sector.

Future trends and drivers of change

Drivers of change, structural trends and developments in the coming years in the economy are expected to accentuate the demand for many of these high level skills, particularly because of their importance in securing a continuing edge and competitive advantage within key sectors, and an ability to respond to on-going changes in the labour market because of factors such as the effects of globalisation, technological advancements and developing consumer demands.

Future demand

Jobs amongst managers, professionals, associate professionals and technicians are anticipated to exhibit the highest levels of anticipated demand in the future too, with their combined proportion of total employment expected to increase from 36 per cent in 2010 to 39 per cent by 2020. But in addition, caring and personal service occupations also exhibit high growth, which is accentuated when replacement demand because of people retiring from the labour market is also included. Such trends highlight key future skills demands for skilled trades owing to forecast net demand in the construction and building sector, and administrative staff.

In addition, the initial assessment has sought to identify those sectors of the economy where particular attention to skills needs might be targeted.

Key sectors

Key sectors are those which currently exhibit the greatest economic significance and skill deficits. These include: food, drink and tobacco, support services, accommodation and food, the rest of manufacturing, real estate and wholesale/retail. The sectors which combine growing economic significance and future skills needs, are retail/wholesale and health and social care.

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