

Appendix 1

Evidence base on Skills Support for Business

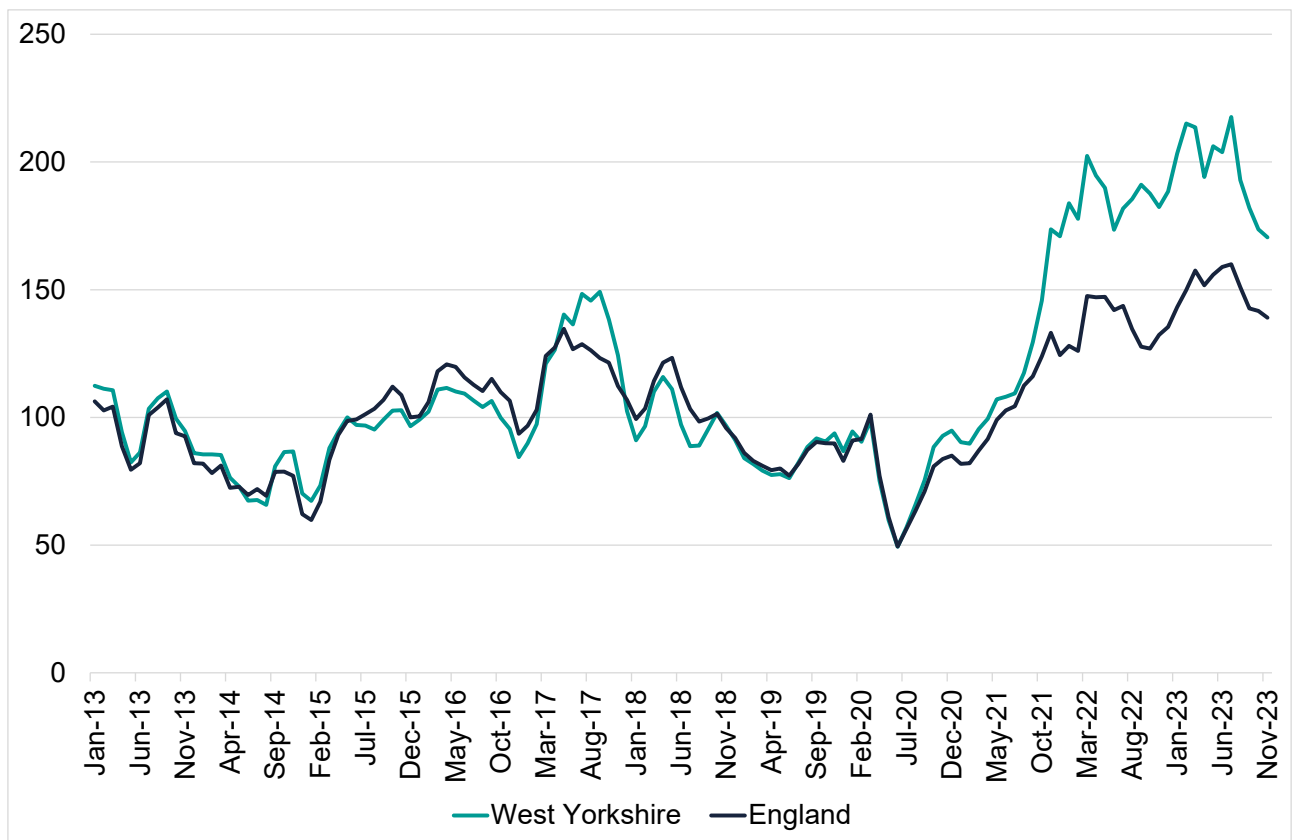
This appendix provides additional detail with regard to the issues raised in the context section of the paper around tightness of the labour market, the current profile of demand in the labour market, skills mismatches and employer engagement with the skills system.

Tightness of labour market

Although there are now signs of cooling, the West Yorkshire labour market remains relatively tight with high levels of vacancies (job postings) in historic terms and a low ratio of unemployed claimants to vacancies. Employers also continue to report recruitment difficulties.

The monthly count of online job postings, both in West Yorkshire and nationally, fell sharply during the pandemic but soon began a sustained recovery, reaching a peak level in summer 2023. Since then, the trend has been downwards.

Figure1: Index of monthly count of online job postings, three month moving average (2012 = 100)



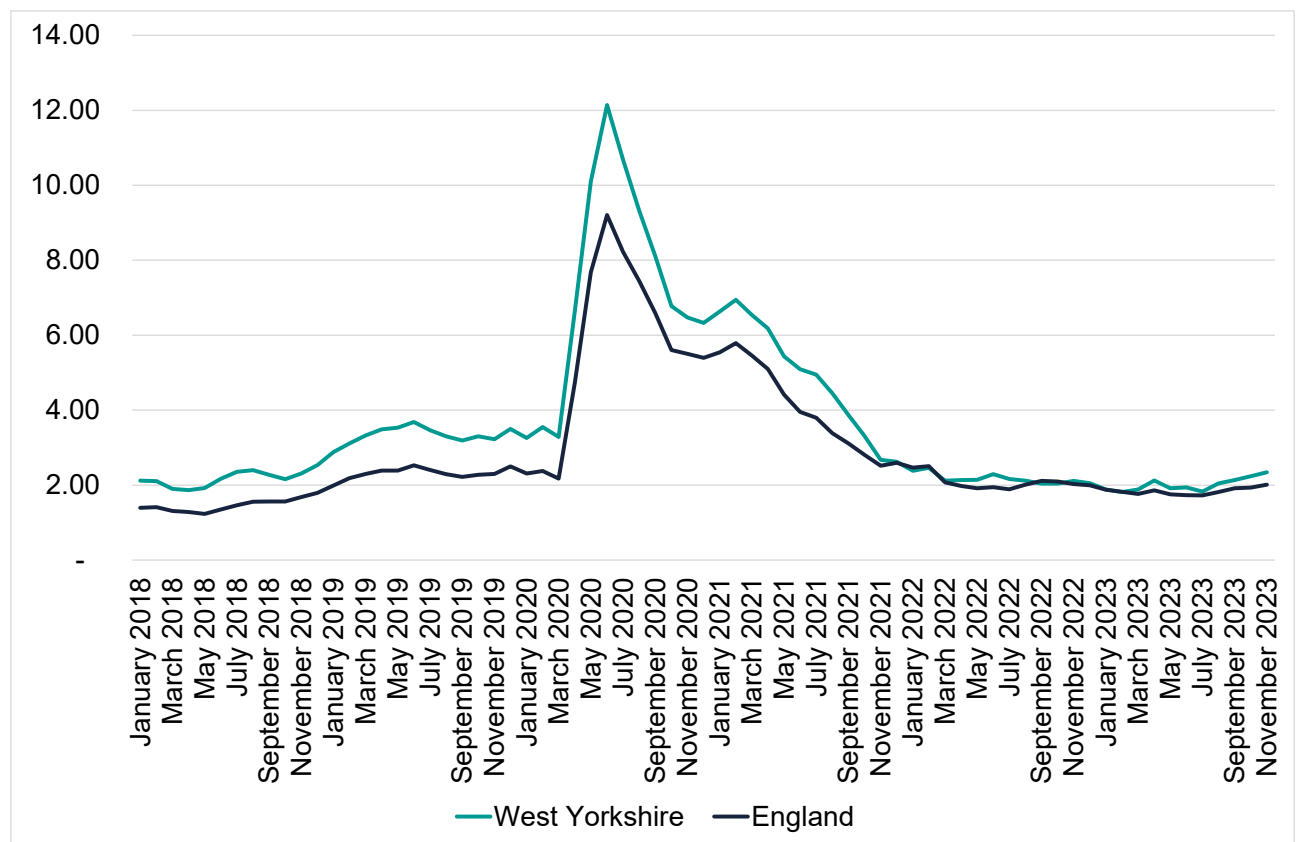
Source: Lightcast

In West Yorkshire, the level of postings as of November 2023 is around a fifth lower than at its peak and 10% lower than a year earlier in November 2020. Nonetheless, postings remain relatively high in historic terms and are around 80% higher than before the pandemic (November 2019). West Yorkshire has also performed more strongly than the wider national (England) picture; the latter being just over 50% higher in terms of level of postings compared with November 2019.

The ratio of the number of claimant unemployed people and the number of online job postings provides an insight into the tightness of the labour market, showing the number of jobless people who are actively seeking and available for work relative to the number of opportunities open to them.

This shows that at the height of the pandemic the number of claimants per job opening soared to more than 10 but quickly fell, as the economy re-opened, to around two in early 2022. This tightening of the labour market was driven by a steady fall in the claimant count in West Yorkshire from March 2021 onwards combined with growth in the count of online job postings. The ratio of postings to claimants has remained fairly constant since then, although there are tentative signs of softening due to a modest increase in claimants since late 2022 coupled with a decline in the monthly count of job postings.

Figure2: Trend in number of claimant unemployed per online job posting



Source: ONS and Lightcast

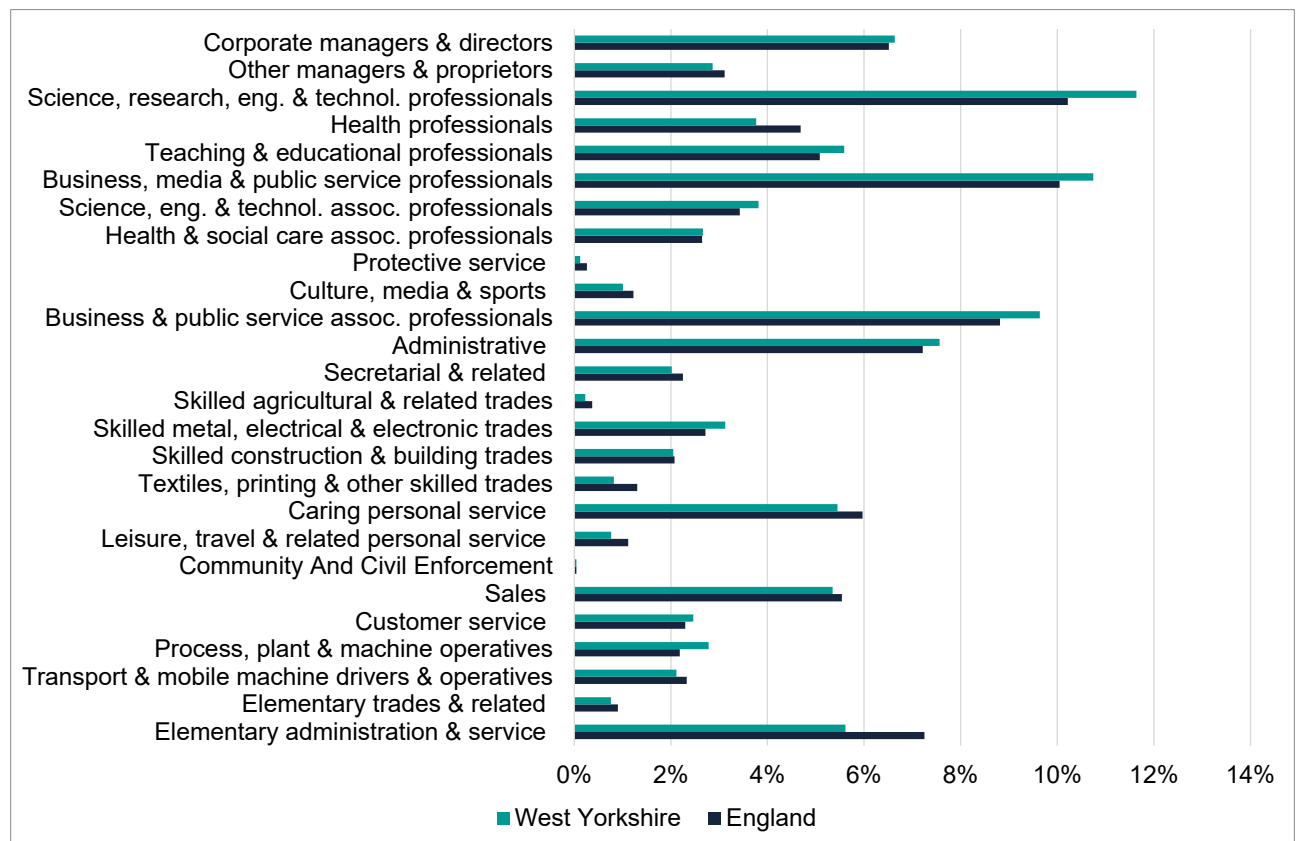
As the chart shows, the national labour market consistently had a lower number of claimants per job posting prior to the pandemic but that there has been a convergence between the West Yorkshire and national ratios in early 2022, which has been broadly sustained since then.

The strongest demand in the labour market is currently for higher skilled technical roles. Higher skilled occupations are ranked highest in terms of volume of postings

As the figure, below, shows, the occupational categories with the greatest number of postings in the last year are mostly higher skilled, professional and associate professional groups, with the top ranked being Science, research, engineering and technology professionals, Business, media and public service professional and Business and public

service associate professionals. Administrative occupations are ranked fourth, reflecting the high level of employment in this occupation within West Yorkshire.

Figure: Occupational profile of online job postings, December 2022 to November 2023



Source: Lightcast

Drilling down into these top-ranked categories in more detail provides a picture of the specific occupations and associated skills that are in greatest demand:

- *Science, research, engineering and technology professionals* are driven primarily by strong demand for *Engineering Professionals* and *Information Technology Professionals*)
- *Business, Media and Public Service Professionals* are driven by strong demand for *Legal Professionals, Architects / Surveyors* and *Welfare Professionals*).
- *Business and Public Service Associate Professionals* is largely based on postings for *Finance Associate Professionals, Business Associate Professionals, Sales, Marketing and Related Associate Professionals* and *HR, Training and Other Vocational Associate Guidance Professionals*).

Skills mismatches

Skills mismatches are at an all-time high, with more than a third of vacancies in West Yorkshire difficult to fill due to a lack of candidates with the required skills. The situation is even more acute in sectors like Construction. Employers also face skills deficiencies among their existing staff – skills gaps – and these are also at historically high levels.

Skill shortages occur when employers find it hard to fill their vacancies because the available candidates lack the necessary skills, qualifications and experience to do the job.

The Department for Education’s Employer Skills Survey provides information on the number of vacancies and skill shortage vacancies that employers have at a single point in time.

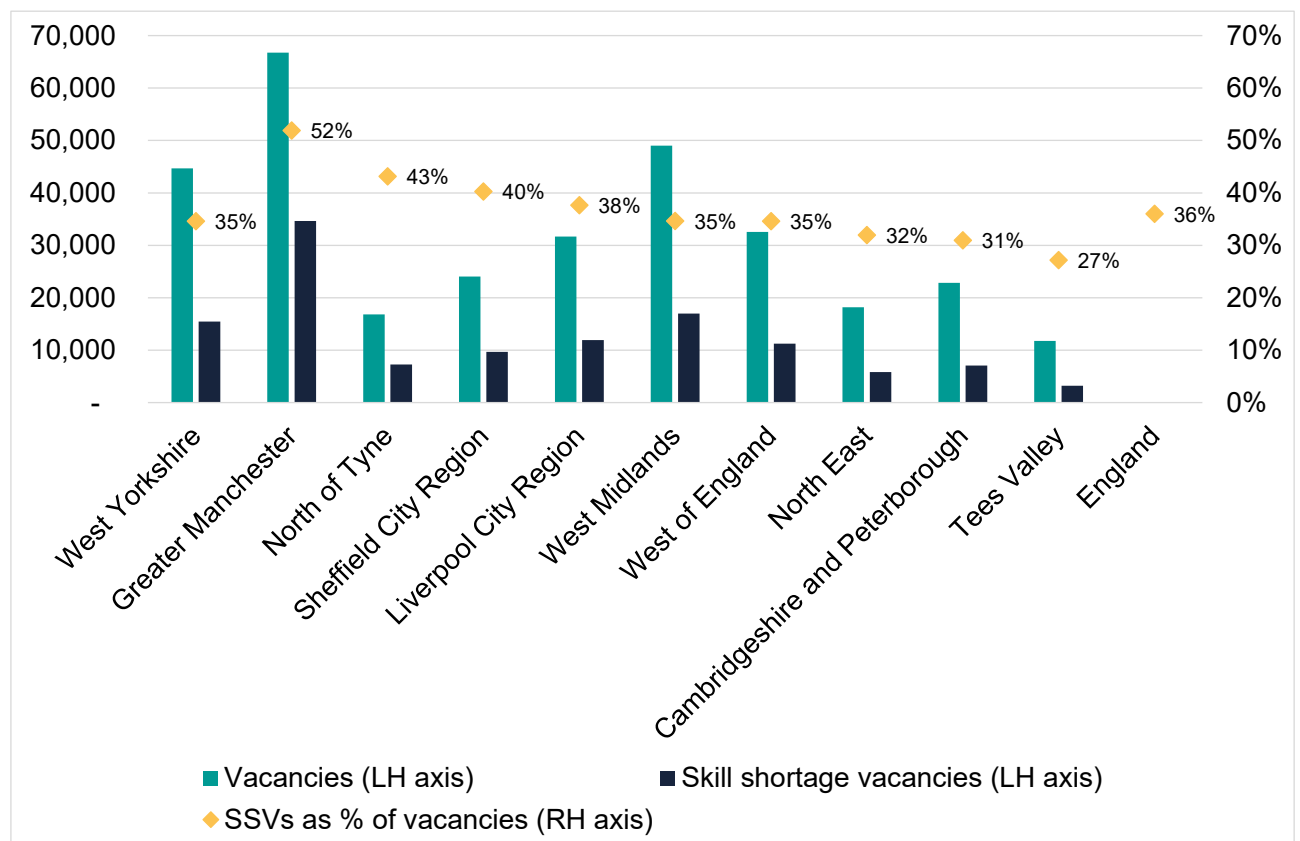
The latest figures from the Employer Skills Survey relate to 2022. It is important to note that the UK economy was still emerging from the effects of the pandemic at this point. The period was characterised by high levels of recruitment activity and worker shortages as employers sought to rebuild their staffing complements.

More than a third of all vacancies were skill shortage vacancies in West Yorkshire in 2022

According to the 2022 Employer Skills Survey there were 15,500 skill shortage vacancies in West Yorkshire at the time of the survey, with 11% of employers reporting one or more shortage.

The number of skill shortage vacancies nearly doubled from its previous 2019 level of 8,100, while the incidence of shortages reported by employers increased from 6% to 11% for the same period.

Figure: Vacancies and skill shortage vacancies by Mayoral authority



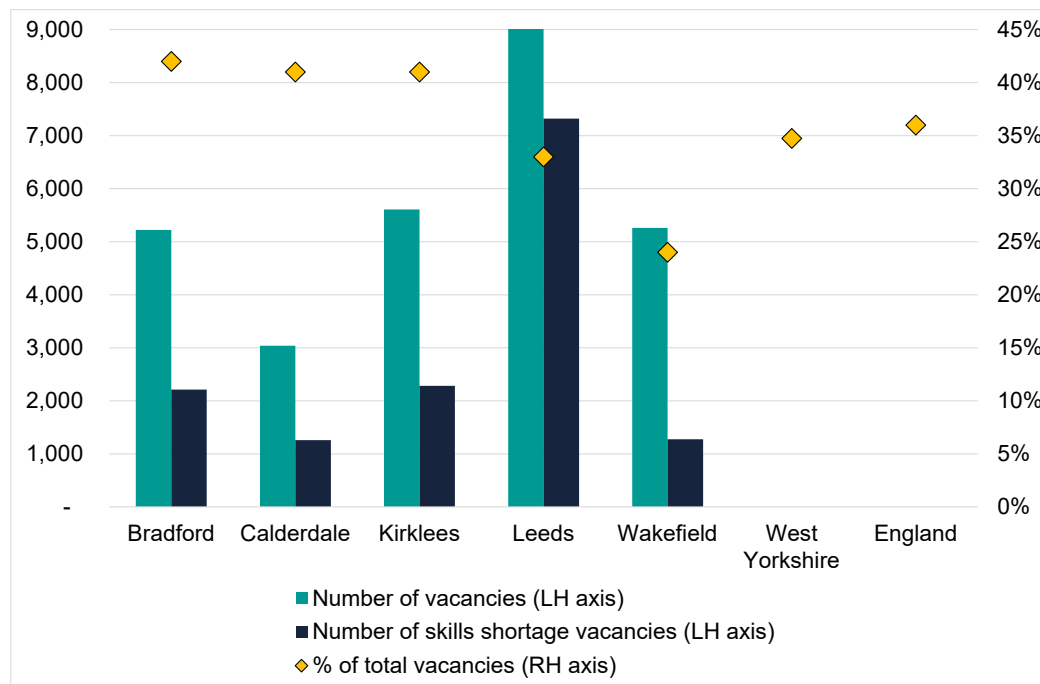
Source: Employer Skills Survey, 2022

More than a third (35%) of all vacancies in West Yorkshire were skill shortage vacancies, similar to the national average of 36% and a substantial increase on the previous estimate (for 2019) which was only 24%, reflecting the tightening of the labour market in the aftermath of the pandemic.

Data at local authority level indicate that in Bradford, Calderdale and Kirklees skill shortages accounted for more than 40% of vacancies, above the averages for West Yorkshire and

England. Leeds was similar to the national average and Wakefield was lowest, but still with a skill shortage rate of 25%.

Figure: Vacancies and skill shortage vacancies by West Yorkshire local authority

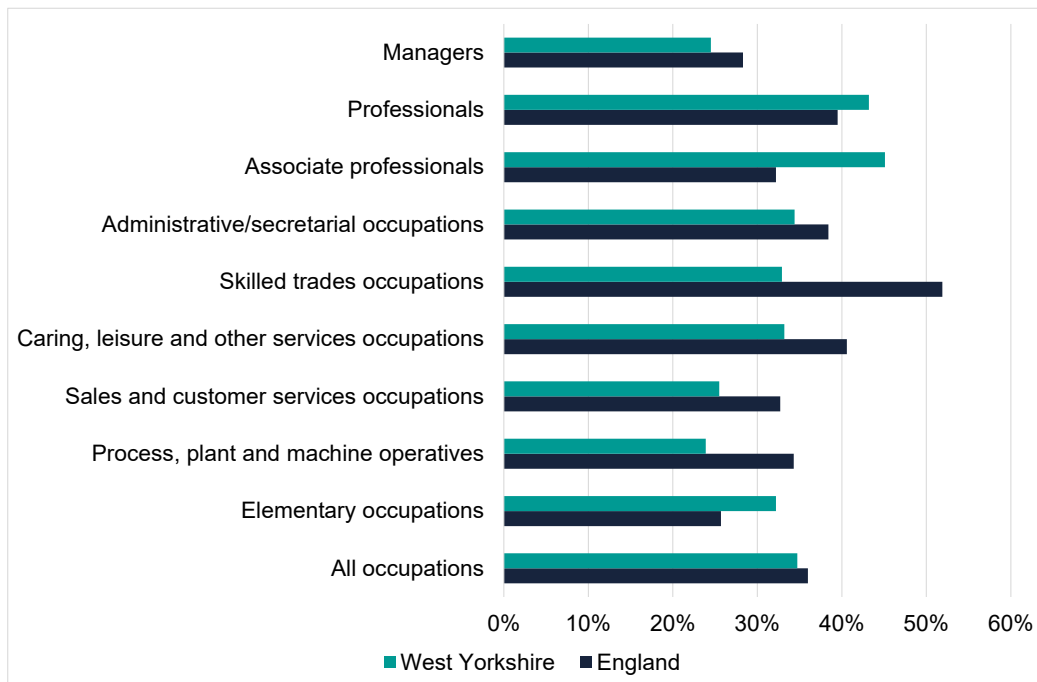


Source: *Employer Skills Survey, 2022*

The latest data show that shortages have a significant prevalence across all occupational categories, ranging from 24% for *Process, plant and machine operatives* to 45% for *Associate professional and technical occupations*.

Shortages are most acute in West Yorkshire for jobs that require higher level technical skills, specifically *Associate professional and technical* and *Professional* occupations. These occupations often require skills that take an extended period to develop and, in some cases, depend on training and development in a workplace setting.

Figure3: Skill shortage vacancies as a proportion of total vacancies by occupational major group



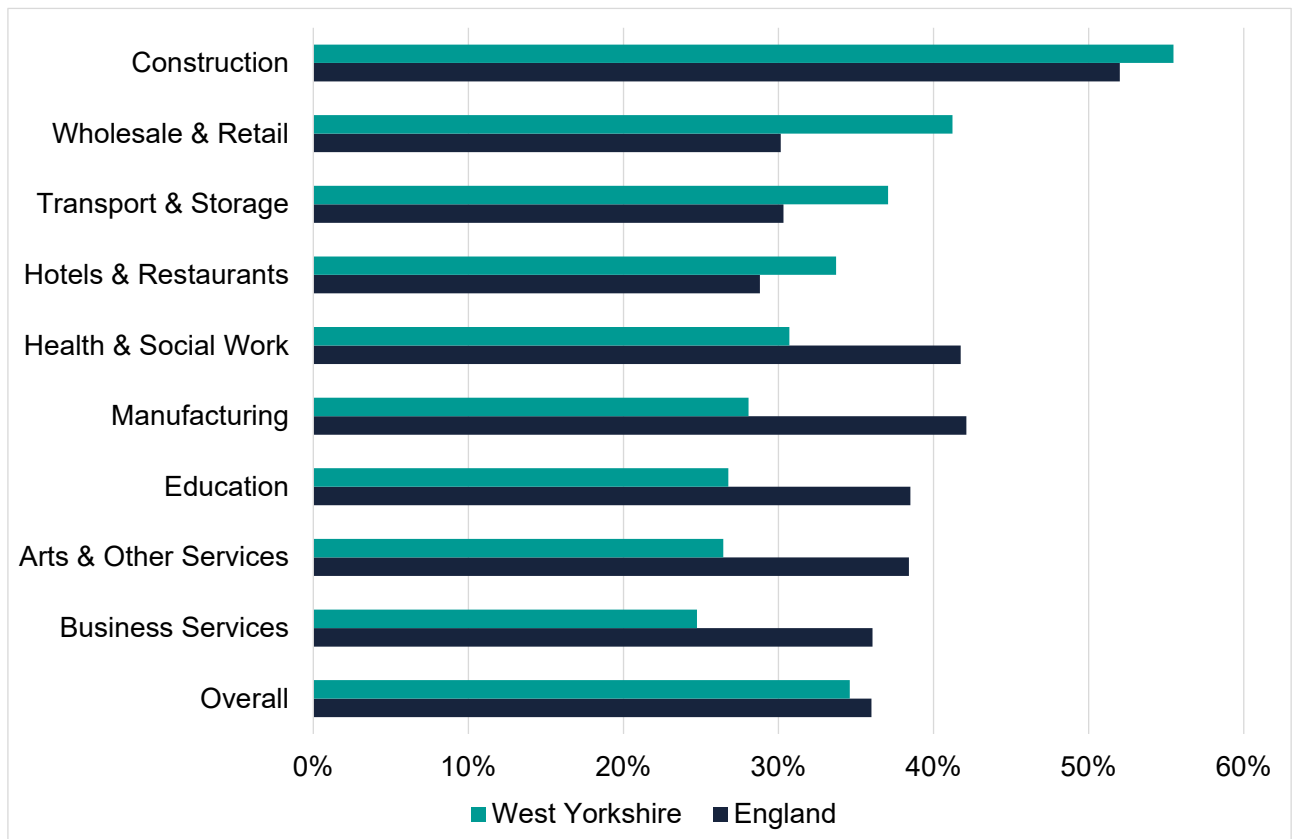
Source: *Employer Skills Survey, 2022*

The main difference between West Yorkshire and the national picture is in respect of Skilled Trades, an occupational area with a long history of acute skill shortages due to the same difficulties in developing required skills as highlighted above. The prevalence of shortages is much higher at national level for Skilled Trades at more than 50% but still substantial at around a third in West Yorkshire.

Construction has the highest prevalence of skill shortage vacancies both in West Yorkshire and nationally, accounting for more than 50% of vacancies in the sector. Shortages have a substantial presence across all sectors: even in Business Services, which has the lowest prevalence, around a quarter of vacancies are classed as skill shortages.

The pattern of shortages by sector differs from the national picture in West Yorkshire. For example, the prevalence is lower in Manufacturing and Health and social care but higher in Wholesale and retail and Transport and storage.

Figure: Skill shortage vacancies as a proportion of total vacancies by industry sector, 2022



Source: *Employer Skills Survey, 2022*

With regard to the skills that employers found difficult to obtain from applicants, specialist, occupation-specific skills and knowledge required to perform the role are the type most commonly highlighted (for 59% of shortage vacancies). A deficit of technical or practical skills of some kind is highlighted by employers with reference to more than 80% of skill shortage vacancies. However, other skills including customer handling, team-working and time management were also highlighted.

Skills gaps are another form of skills mismatch that come about when existing employees within an organisation are not fully proficient in their job and are not able to make the required contribution to the achievement of business objectives. The pattern of skills gaps provides a useful indication of employers' needs in terms of workforce development.

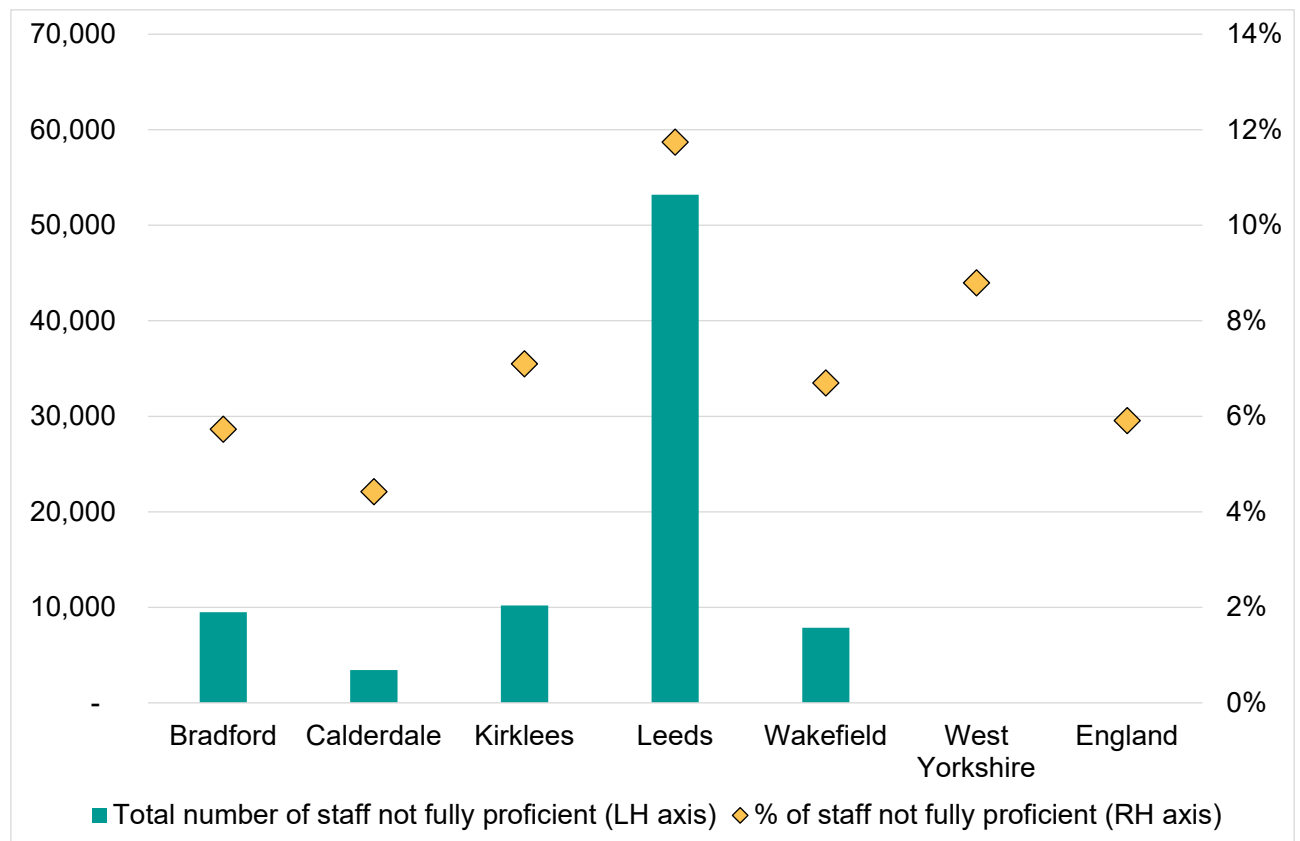
According to the latest data, 19% of employers in West Yorkshire report that they have one or more skills gaps. There are approximately 90,000 gaps, equivalent to 9% of total employees in employment. This is well above the national average in terms of both the proportion of employers (England average: 15%) and staff (6%) affected.

The incidence and prevalence of skills gaps remained fairly constant within West Yorkshire between 2011 and 2019, but increased in 2022 from 15% to 19% and 5% to 9% respectively.

The prevalence of skills gaps (as a proportion of total staff) is uneven across West Yorkshire. Not only does Leeds have the highest volume of skills gaps, which is to be expected in view of the large size of its employment base, it also has the highest prevalence

of gaps with 12% of staff estimated to lack full proficiency. This is well above that average for the region of 9% and double the national average of 6%.

Figure4: Volume and prevalence of skills gaps by local authority



Source: Employer Skills Survey 2022

Wakefield and Kirklees are also slightly above the national average in terms of the proportion of staff lacking full proficiency, with Bradford similar to the average and Calderdale somewhat below.

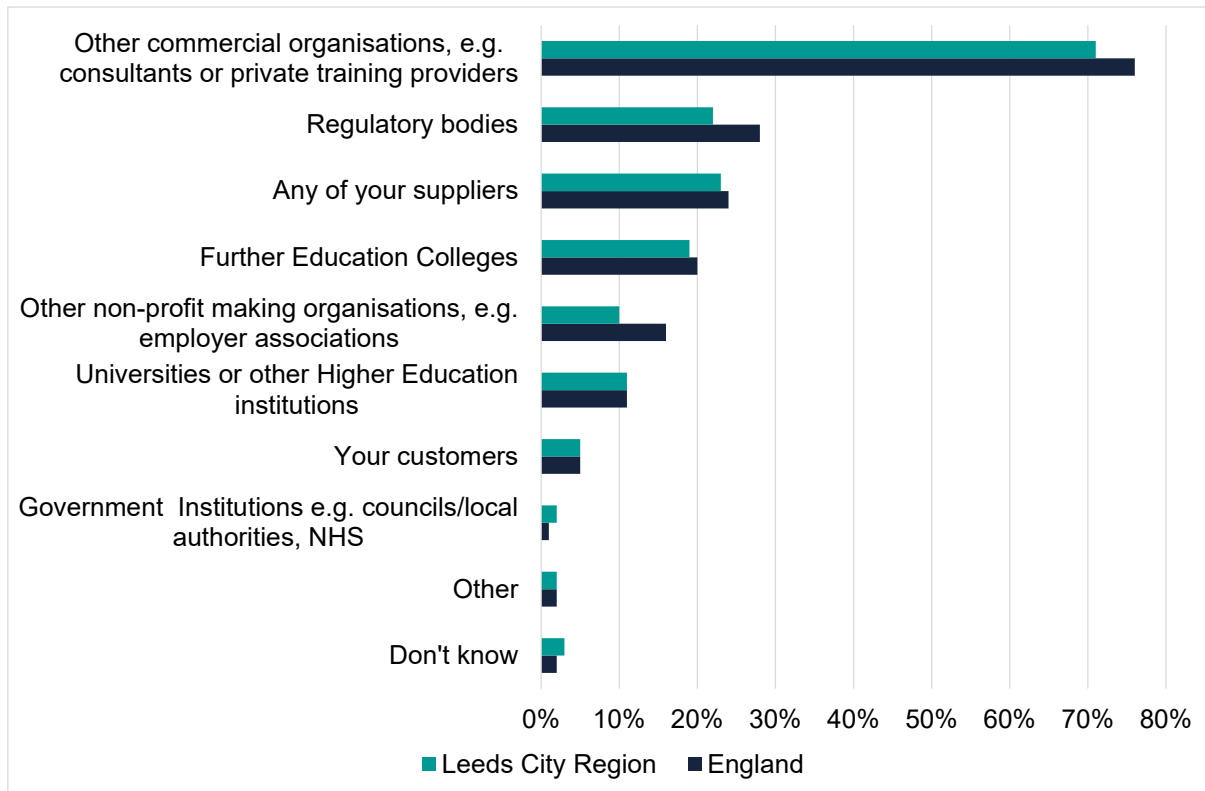
Employer engagement with the skills system

Survey data indicates that a majority of employers in the region use private sector / commercial sources of support to meet their external training needs.

Around a third (32%) of employers in West Yorkshire invest in externally provided training, with the remainder relying on internal training exclusively or do not provide training at all. Among those employers who do draw on external training, around 70% say that they use commercial organisations such as consultants or private providers.

Just under one-fifth (19%) use further education colleges and 11% use higher education institutions, including universities. In total, 23% of employers say they use any public source to meet their external training needs. The likelihood of employers using these sources of training at West Yorkshire level is similar to the national average.

Figure: External training sources used in last 12 months: % of employers who provide external training, West Yorkshire



Source: Employer Skills Survey 2022