

ANNEX B
CORNWALL AND THE ISLES OF SCILLY
LABOUR MARKET ASSESSMENT 2020
JANUARY 2021



**CORNWALL &
ISLES OF SCILLY**
LOCAL ENTERPRISE PARTNERSHIP

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1. INTRODUCTION

1.1 Introduction

This Labour Market Assessment is intended to provide a comprehensive assessment of skills supply and demand across Cornwall and the Isles of Scilly (CloS) to enable the LEP's Skills Advisory Panel to:

- Develop a Skills Strategy and Action Plan, particularly around areas of market failure in the local labour market;
- Influence the focus of local learning delivery to ensure it meets current and future needs;
- Inform career choices by individuals by providing clear and robust information on labour market opportunities and the changing world of work;
- To inform action by local employers (including through collaborative action) to address the skill needs of business.

In essence, the report seeks to answer the question, what skills are needed to support the sustainable growth of the local economy, to enable local people to fulfil their potential and to promote inclusion?

The report is written at a time of unprecedented challenges – economic and social - and against this fast-moving backdrop the report aims to highlight both long-standing structural issues in the labour market as well as identifying the more immediate skills issues emerging during the course of the pandemic.

The document follows the format set out in the DfE framework¹ which is designed to ensure that local areas are identifying skills and employment priorities under coherent and consistent objectives, thus establishing a national picture. At the same time, local areas have the flexibility to identify specific skills priorities that are relevant to their local area.

The research will form the basis of the Skills Strategy, Action Plan and Local Skills Report.

1.2 Skills Advisory Panels

The government's policy on Skills Advisory Panels (SAPs) reinforces the importance of local labour market analysis and clearly defines the context for decision making and action by local partnerships with regard to employment and skills issues.

The aim of Skills Advisory Panels is to ensure that local areas can get the skills they need by setting out priorities for action and investment by local partners. Local Enterprise Partnerships across England are developing Skills Advisory Panels, each comprising employers, skills providers and local government - pooling their knowledge on skills and labour market needs and working together to understand and address key local challenges. The Employment and Skills Board (ESB) of the LEP is currently in the process of taking on the SAP remit for CloS.

SAPs reach an evidence-based view on local skills needs drawing on intelligence about the labour market. This document is intended to (a) serve as a central element of that evidence base for Cornwall and the Isles of Scilly and (b) to inform the Skills Advisory Panel's thinking around employment and skills priorities and how it can contribute to CloS's over-arching vision for 2030:

"In 2030 the Cornwall and Isles of Scilly creative and carbon-neutral economy will be realising

¹ DfE Skills Advisory Panels: Analytical Toolkit for Local Skills Analysis. Dec. 2018

opportunities for its people, communities and businesses to thrive, benefiting the environment and providing an outstanding quality of life for all.”

The LEP is currently awaiting sign off for its local industrial strategy. With regard to the “People agenda” the strategy sets out an approach to providing everyone with the opportunity to access good quality jobs with earning power to provide a good quality of life. The findings of this research clearly have the potential to feed through to this wider strategy.

1.3 Structure of this report

In order to assess the employment and skills needs of the LEP area this document works through the following stages:

- **The local landscape.** This section assesses how the local area is performing in terms of productivity, living standards and inclusion and shows how employment and skills are critical to raising performance in future. It sets out the structure of the local business and employment base.
- **Demand for skills.** The report examines the key forces that shape local demand for skills including automation, changing employment practices and the ageing workforce. Forecasts prepared by Oxford Economics are outlined which underline the serious consequences of the pandemic on future demand.
- **Supply of skills.** This section examines the characteristics of the existing labour force; unemployment trends, the qualification base and also considers the output of skills being delivered by the local “skills pipeline”, comprising the formal education and training system and employers’ own investment in workforce development.
- **Mapping of skills supply and demand.** In this section the key types of mismatch are defined, taking account of deficits of skills demand as well as supply. The prevalence of each type of mismatch within the local area is then examined, giving an insight into the scale and nature of market failure in the area.
- **Conclusions.** What does this analysis mean for the LEP’s agenda for developing the right skills in place to support business growth and individual career progression? How effective is the employment and skills system in responding to local needs?

2. STAGE 1 THE LOCAL LANDSCAPE

Summary points

- Cornwall & the Isles of Scilly have a total GVA of £10.96 billion. In 2018, GVA per head in Cornwall and the Isles of Scilly was £19,288, just 68% of the UK average (£28,489). This has changed very little in the last decade.
- The LEP area, in common with the South West region, faces a significant productivity deficit against the UK as a whole in terms of GVA per hour worked, at just 76% of the national average (£26.53 in 2018). The gap is largely explained by the make up of the economy with its high dependency on lower value added sectors such as tourism and health care.
- There are just under 25,000 businesses in CloS. Agriculture, Fishing and Forestry make up the largest number of business units by sector accounting for 1 in 6 of all businesses. It is encouraging to note that there has been relatively strong growth in some of the sectors which have traditionally been under-represented locally - Finance and insurance and ICT.
- The number of new businesses being set up has declined in recent years. Once established, businesses are more likely to survive than in the UK, for example after 3 years 61% of new businesses are still in existence locally compared with 55% in the UK.
- In March 2020 employment in CloS was at an all time high of 255,000 people, an employment rate of 77.9%, well above the national average of 76.2%. Growth has largely been driven by part-time, non-permanent and self-employment rather than full time jobs.
- The LEP has the highest rate of self-employment of any LEP area. At 16.1% the rate is well above the English average of 11.0%. The self-employed have been hard hit by the impact of the pandemic, but by August 2020 only 55% of those eligible had claimed support under the Self Employed Income Support Scheme compared with 60% in England.
- The population has been growing steadily and estimates suggest that in 2019, there were 571,800 people living in Cornwall and the Isles of Scilly. The growth is largely due to the ageing of the population with the over 65s having increased by 26% since 2010 compared with a 1% increase in people of working age.
- As a result of the pandemic, there has been a dramatic increase in the number of households claiming Universal Credit. In May 2020 36,518 households were claiming Universal Credit in Cornwall and the Isles of Scilly, a figure 2.5 times greater than in May 2019. This is a sharper increase than in either the South West or Great Britain.

2.1 Introduction

In this substantive section a number of themes are explored including: the economic output of the area; the composition of the indigenous business base; the structure of local employment and how the changing make-up of the population will impact on labour supply.

The importance of 'place' to economic growth is increasingly being recognised - currently through the levelling up agenda - and CloS has a strategic aim to maximise its competitive future as it sets out a course for a decarbonised and sustainable future for business, for people and for the environment.

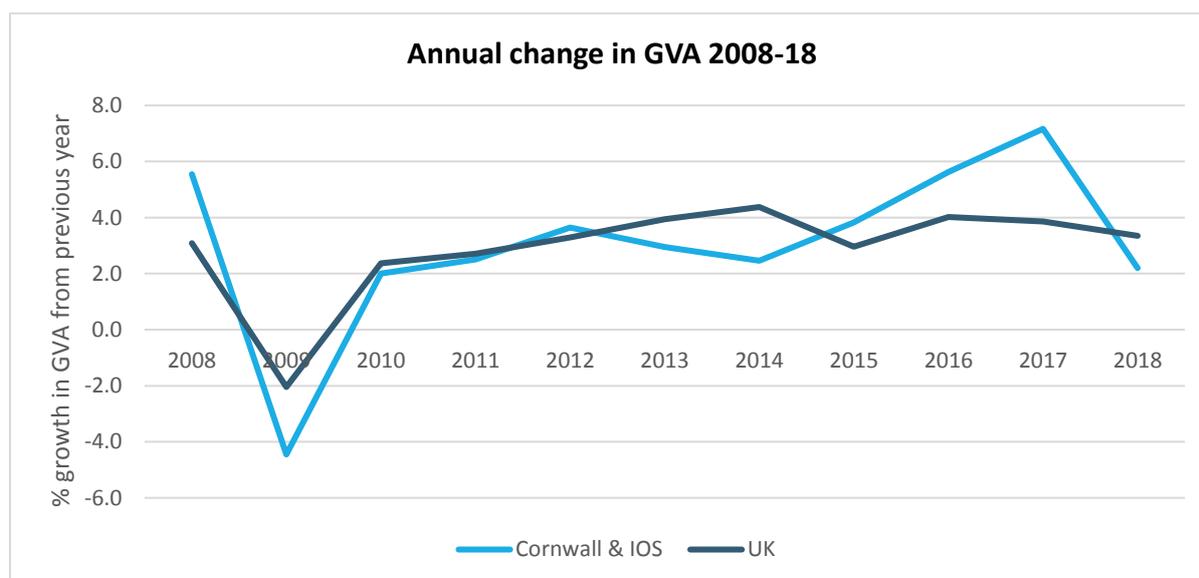
2.2 The importance of productivity

The overall performance of an economy – its productivity - is generally measured through the amount of Gross Value Added (GVA) that is generated within a particular area. GVA is essentially a measure of the total output from an economy, minus the inputs that were used in generating that output.

For many years now, GVA or ‘productivity’ has been used as one of the key measures of the success or otherwise of a local economy, but since the financial crash in 2008 although output has grown steadily, labour productivity has remained stubbornly flat. As a result, output growth has been driven largely by increases in employment.

Gross Value Added (GVA)

In 2018, Gross Value Added (GVA) across the Cornwall & the Isles of Scilly totalled £10.96 billion. Between 2008 and 2018, total GVA grew by 31%, slightly below growth for the UK as a whole at 33%. As shown in the chart below, GVA growth locally has broadly followed the national trend, albeit with stronger performance locally from 2015 to 2017. However, when GVA nationally has dipped in 2009 and in 2018, the dip in Cornwall and the Isles of Scilly has been more severe.



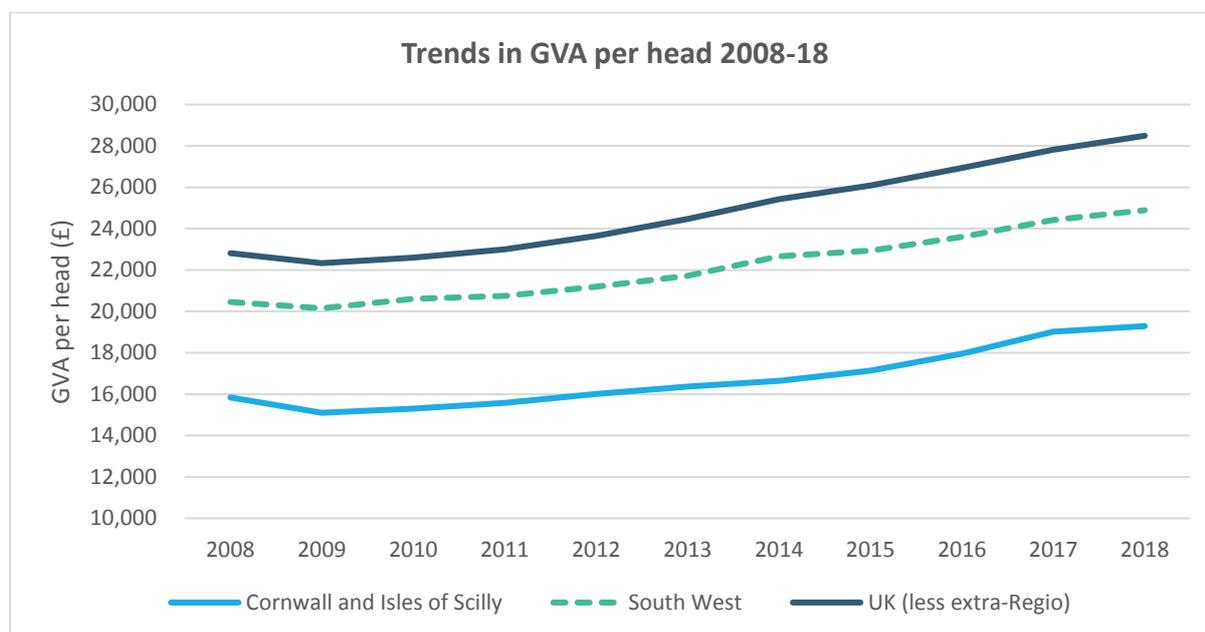
Source: Office for National Statistics (ONS)

Figure 2.1: Annual Growth Rates in GVA, Cornwall & IoS vs UK, 2008 - 2018

GVA per head

In terms of GVA per head of population, Cornwall performs very poorly compared to the UK as a whole. In 2018, GVA per head in Cornwall and the Isles of Scilly was £19,288, just 68% of the UK average (£28,489). This has changed very little in the last decade, when Cornwall achieved 69% of the UK average in 2008. In absolute terms, the gap in GVA per head has grown, from just under £7,000 per head in 2008, to over £9,200 in 2018. Cornwall and the Isles of Scilly also performs poorly within the South West on this measure, with the second lowest level of GVA per head (only Torbay has a lower level – at £14,599 in 2018). Nevertheless, whereas in 2016 it recorded the lowest GVA of

any LEP area it has now moved ahead of the Black Country LEP, which now records the lowest GVA in England.



Source: Office for National Statistics (ONS)

Figure 2.2: GVA per head (£), Cornwall & IOS vs UK, 2008 - 2018

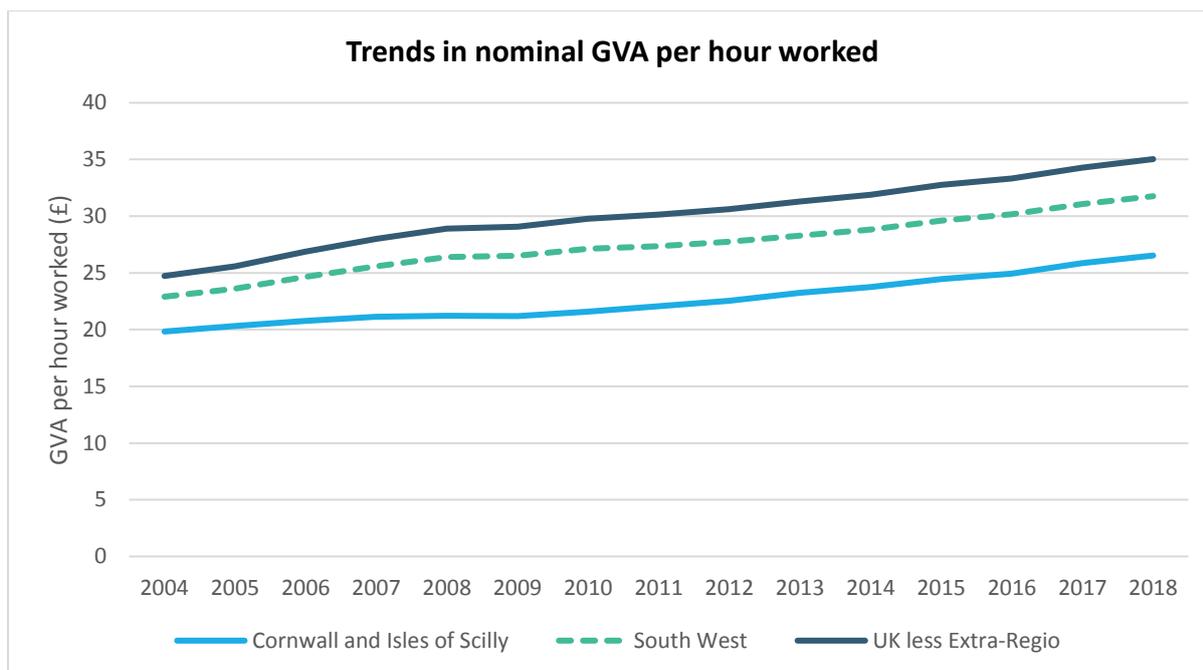
Productivity

It should be noted that GVA per head figures can be slightly misleading as some areas have very different demographic profiles and high levels of economically inactive adults, including a high proportion of retired people, which can skew the data. Therefore, productivity is often seen as a more appropriate measure of economic performance, as a key driver of economic growth, prosperity and living standards.

GVA per hour worked

GVA per hour worked is one measure of productivity where different areas can be compared on a consistent basis. The recent performance of the national economy has been sluggish in respect of productivity, with growth lagging behind a number of international economies in recent years.

Along with most parts of the South West of England the LEP area faces a significant productivity deficit against the UK as a whole in terms of GVA per hour worked, at just 76% of the national average (£26.53 in 2018). Although nothing new for Cornwall, this gap has widened slightly over the longer-term – in 2004 the LEP area's productivity was 80% of the UK average. Even so, there have been moderate improvements in recent years, with CloS having recovered from a low of 72% of the UK average in 2010 to the 76% recorded in the latest data for 2018.



Source: Office for National Statistics (ONS), Sub-regional productivity in the UK: February 2020

Figure 2.3. Trend in productivity – Nominal (smoothed) GVA per hour worked (£) Cornwall & IOS vs UK, 2008 - 2018

The LEP area’s productivity gap is heavily driven by structure of the economy. National data on productivity by industry shows clear gaps between sectors in terms of performance relating to levels of GVA per hour worked:

Most Productive Sectors	GVA per hour worked 2018
L: Real estate activities	£289.89
K: Finance and Insurance	£68.65
J: Information and communication	£50.77
ABDE: Non-Manufacturing Production & Agriculture	£50.25
C: Manufacturing	£39.25
Least Productive Sectors	GVA per hour worked 2018
I: Accommodation and service activities	£17.04
N: Administrative and support service activities	£22.53
R: Arts, entertainment and recreation	£24.02
Q: Human health and social work activities	£24.08
S and T: Other service activities & Activities of households as employers	£25.45
G: Wholesale and retail trade	£26.43

Source: Office for National Statistics (ONS)

Figure 2.4 Nominal (smoothed) GVA per hour worked (£) by sector UK 2018

Using data from the Business Register and Employment Survey (2019), it is clear that Cornwall’s economy is lacking in several of the sectors that deliver high levels of GVA per head, and has particular concentrations in several of the least productive sectors, for example:

- **Information and communication** – accounts for just 1.5% in the LEP area, compared to 4.2% for GB
- **Finance and insurance**– just 0.8% of employment locally, compared to 3.4% nationally
- **Manufacturing** - 6.3% compared to 7.8%
- **Accommodation and food service** - 15% of local employment compared to 7.6% for GB

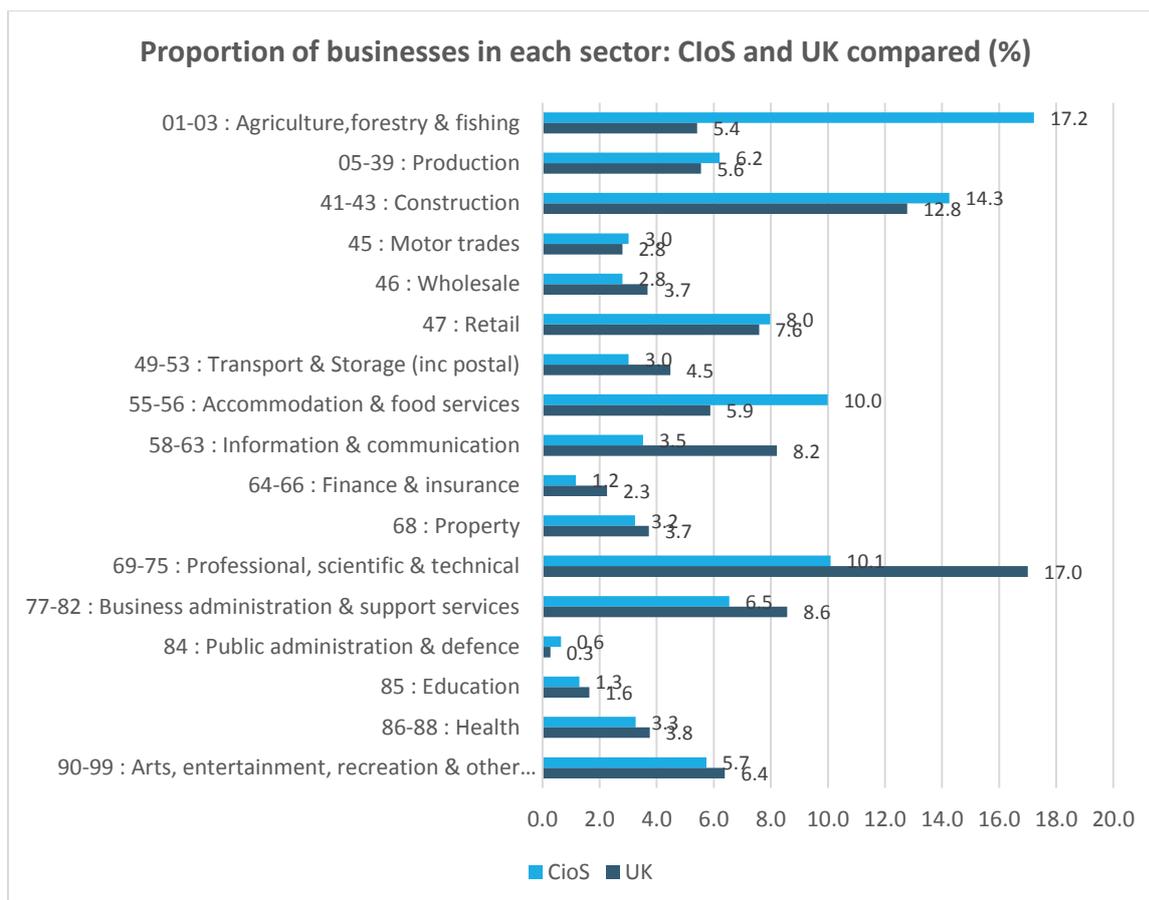
Research by Sheffield Hallam University² explored the differences in productivity across the UK and concluded that Cornwall's unusually high dependence on tourism may be a complicating factor in its GVA performance which the adjustments for industry and occupation are unable to take fully into account.

2.3 The business base has grown fast in recent years

Data for March 2020 shows that CloS is home to approximately **24,825** business enterprises. There are now 3.4% more enterprises in the LEP area than there were in 2018. This is a slightly faster rate of growth than the UK where the number of Value Added Tax (VAT) and/or Pay As You Earn (PAYE) businesses increased to 2.75 million, an increase of 3.0% from March 2018.

Agriculture, Fishing and Forestry make up the largest number of business units by sector accounting for 1 in 6 of all businesses (17%). In contrast in the UK, Professional, Scientific and Technical registered businesses predominate:

² <https://www4.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/local-productivity.pdf>



Source: ONS UK Business Workbook 2020

Figure 2.5: Sectoral make up of the business base: CloS and UK compared

This very different industrial make up of the local economy with its emphasis on Agriculture, Forestry and Fishing, Construction and Tourism compared with UK explains much of the difference between the local and national economy in terms of output, wages and productivity. Collectively, these sectors make up 4 out of 10 local businesses, whereas the economy has substantially fewer enterprises proportionally in high wage, high growth business services such as ICT, Finance, Business administration and Professional services.

Examination of the rates of growth of individual sectors shows strong growth for **Transport and storage** (up 21%) and **Construction** (+7.9%) but also in the business services which have been so under-represented traditionally in CloS, including a 7.4% increase in ICT companies, and 13.7% increase in Finance and insurance:

Change 2018 -2020	Nos	Percentage
Agriculture, forestry & fishing	-5	-0.1
Production	65	4.4
Construction	260	7.9
Motor trades	15	2.0
Wholesale	5	0.7
Retail	-50	-2.5
Transport & Storage (inc postal)	130	21.0
Accommodation & food services	95	4.0
Information & communication	60	7.4
Finance & insurance	35	13.7
Property	40	5.2
Professional, scientific & technical	85	3.5
Business administration & support services	105	6.9
Public administration & defence	0	0.0
Education	0	0.0
Health	-50	-5.8
Arts, entertainment, recreation & other services	35	2.5
Total	825	3.4

Source: UK Business Activity, Size and Location 2020, ONS

Figure 2.6 : Recent change in the number of business units in CloS 2018 -2020

2.4 Most enterprises are micro businesses

As is common across the UK, the vast majority of businesses in Cornwall and the Isles of Scilly are micro enterprises, with **69.1%** of all businesses employing fewer than five people and **84.5%** employing fewer than ten people. Full details on the composition of the LEP's business base are provided in the table below. As can be seen, the proportion of businesses with under 10 employees is the same as nationally (although the mix is a little different) but CloS has slightly fewer medium sized and large firms than average.

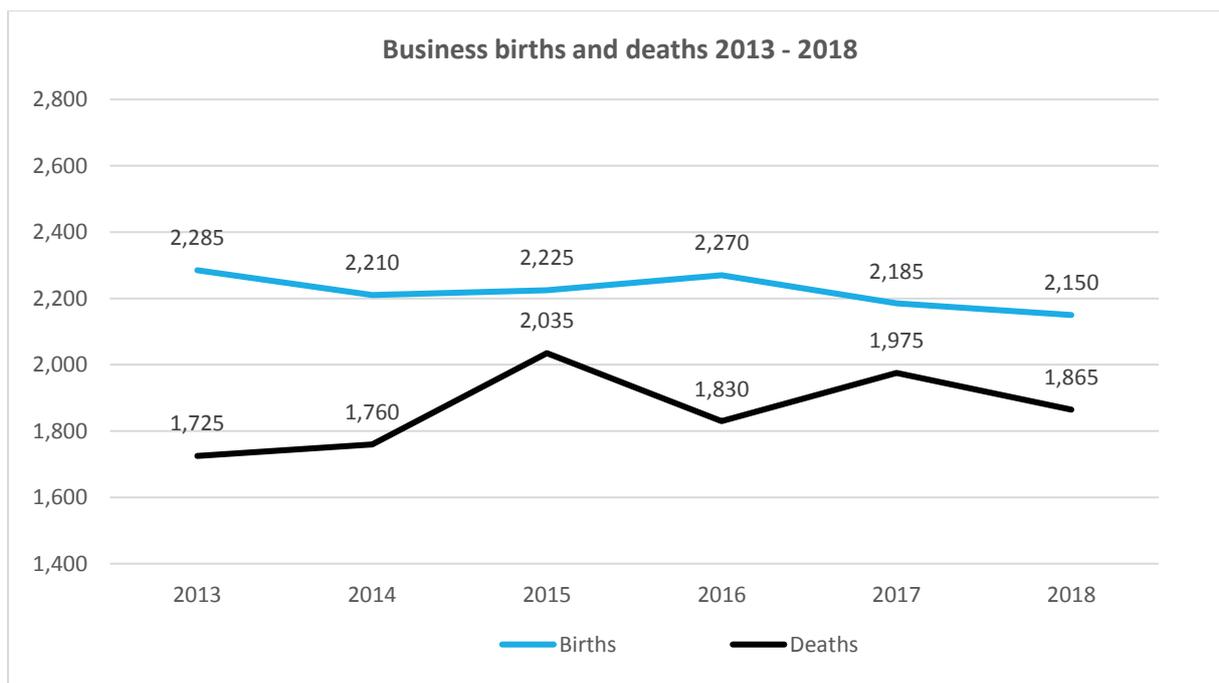
Business size	0-4	5-9	All under 10	10-19	20-49	50-99	100-249	250+	Total
Cornwall	69.4	15.1	84.5	8.5	4.9	1.3	0.6	0.2	100.0
Isles of Scilly	69.6	19.6	89.2	4.3	6.5	0.0	0.0	0.0	100.0
CloS	69.4	15.1	84.5	8.4	4.9	1.3	0.6	0.2	100.0
England	71.7	12.8	84.5	7.5	4.9	1.7	0.9	0.4	100.0

Source: UK Business Activity, Size and Location 2020, ONS

Figure 2.7: Size distribution of enterprises 2020, CloS and UK

2.5 Entrepreneurship: Business start ups have declined

Supporting entrepreneurship is a key way for an economy to generate new jobs, ideas and, critically, economic value and wealth. Measuring entrepreneurship, however, is not entirely straightforward and therefore a number of proxy indicators are used to provide the necessary insight. One of the indicators commonly used is the number of new business start-ups. Latest data shows that in 2018 there were 2,150 business births within CloS; this represents an all time low in the period examined and follows from a relatively steep decline in the number of new businesses created since 2016. As a result, the number of new businesses created in 2018 was 6% lower than in 2013. More positively this rate of decrease is lower than in the UK where there has been a 10% decline over the same period.



Source: Business Demography 2018, ONS (published Nov 2019)

Figure 2.8: Number of business births in CloS (2013-2018)

The ONS suggests that potential uncertainty related to the EU referendum could have been a cause for the sharp decline in the rate of business births in 2017. Depreciation of sterling following the EU referendum result, feeding into higher raw materials and import prices, could also have discouraged the birth of new businesses and/or led to deaths of existing businesses.

Turning to business closures, in 2018, there were fewer enterprise deaths (1,865) in CloS than seen in the previous year. While the number of deaths has fallen, the figure is still higher than in 2013. The overall death rate in CloS of 8.5% (number of deaths as a proportion of total active businesses) is nevertheless below the UK rate of 11.4%.

While important, business births are just one indicator of the health of enterprise within an area. The rate at which new businesses survive is also, clearly, an important factor.

Data for enterprises formed in 2015 indicates that at the one year, two year and three year intervals more new businesses survived in Cornwall and the Isles of Scilly than is the case across UK as a whole. This is also the case for the South West region.

	Year 1	Year 2	Year 3
Cornwall and Isles of Scilly	91.7	74.2	60.7
UK	89.7	71.3	55.3

Source: Business Demography 2018, ONS

Figure 2.9: Survival rates of new businesses formed in 2015

2.6 High growth businesses

High growth businesses as defined by the ONS are businesses with an average growth in employment of greater than 20% per year over a three-year period. The size threshold used to identify these businesses is that they have 10 or more employees. Of course in Cornwall and the Isles of Scilly this forms a very small proportion of the overall business base.

At UK level, out of 282,000 businesses between 2015 and 2018 that have 10 or more employees, 14,000 or 5% have been classed as being high growth, an increase of 0.3 percentage points compared with the previous year. In CloS the rate is a little below the average at 4.4% (115 businesses) and has remained steady in the past year.

2.7 The impact of Covid-19 on enterprise

All the above data predates the crisis caused by the pandemic, but it is becoming evident that on many indicators, the crisis has hit harder and faster than any other economic shock on record.

Almost two-thirds of all businesses could be at risk of insolvency, according to official figures that show the UK could suffer “a flood” of bankruptcies over the coming months.

The Office for National Statistics (ONS) said that 64% of businesses across all industries were at risk of insolvency during September 2020, with 43% of companies running on less than six months’ cash reserves³.

The latest Business Impact of Coronavirus Survey (BICS) from the ONS found that the Accommodation and Food Service industries and the Administrative and Business Support industries had the highest percentages of firms at severe risk of insolvency, at 17% and 9% respectively, so it may be expected that CloS could be hard hit.

Across all sectors, national data shows that there has been a 9% jump in the number of companies in significant distress since March 2020.

After the first wave of the virus, as lockdown eased, the economy showed some signs of recovery, but as we enter a second wave of infection it appears that a V shaped recovery is no longer a prospect. In August, national output was 9% below its pre-crisis level and forecasters predict that unemployment will rise far higher than the 4.5% rate recorded in June - August. The Bank of England has forecast a rate of 7.5% by the end of 2020 and the Office for Budget Responsibility an even sharper rise to 11.9%.

2.8 The largest numbers of jobs are in Accommodation and Food Services; Health and Social Care and Retail.

The sectoral make-up of a local area is an important determinant of the workforce skills that are required.

Within Cornwall and the Isles of Scilly there are **214,000** employee jobs in total. Focusing on the profile of these jobs in absolute terms, three of the largest sectors are service sector consumer-facing roles in the form of Accommodation and food (34,000, 16% of the total); Health and social

³ <https://www.theguardian.com/business/2020/oct/28/uk-facing-flood-of-bankruptcies-over-coming-months-says-ons>

care (33,000, 15%) and Retail (25,000, 12%). Between them these three sectors account for 4 out of 10 jobs in Cornwall and the Isles of Scilly.

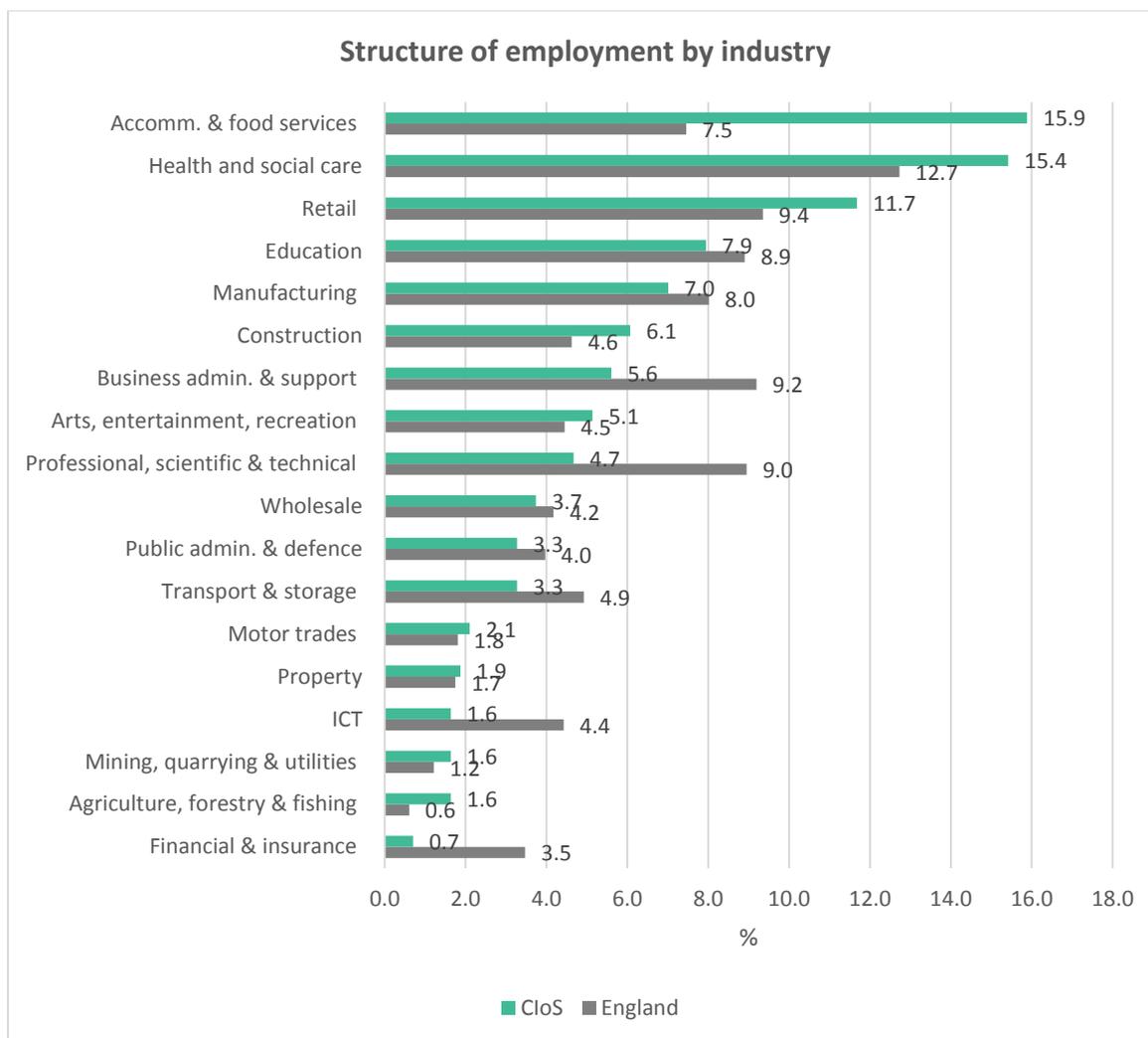
	Number
Agriculture, forestry & fishing	3,500
Mining, quarrying & utilities	3,500
Manufacturing	15,000
Construction	13,000
Motor trades	4,500
Wholesale	8,000
Retail	25,000
Transport & storage	7,000
Accommodation & food services	34,000
ICT	3,500
Financial & insurance	1,500
Property	4,000
Professional, scientific & technical	10,000
Business admin. & support	12,000
Public admin. & defence	7,000
Education	17,000
Health	33,000
Arts, entertainment, recreation	11,000
All	214,000

Source: BRES 2018

Figure 2.10: Employee jobs by sector CloS

A comparison with the national distribution of employment emphasises how different the local labour market is from the national average:

- Accommodation and food accounts for twice the average level of employment in England (15.9% vs 7.5%).
- Conversely, CloS is significantly under-represented in jobs in Professional, Scientific and Technical jobs (4.7% vs 9.0%); Business administration and support (5.6% vs 9.2%); ICT (1.6% vs 4.4%) and Finance (0.7% vs 3.5%)
- These knowledge intensive industries account for around half the proportion of jobs (14.7%) that they account for in England (27.8%) which in turn will affect the skill levels of the local workforce and hence local productivity.

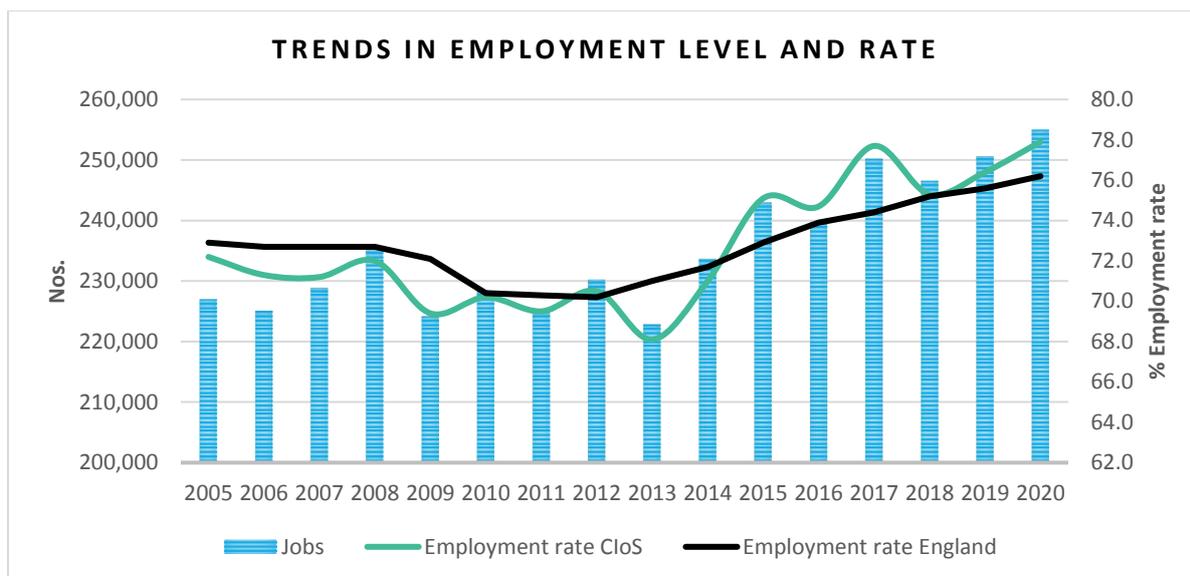


Source: BRES 2018

Figure 2.11: Employee jobs by sector, CloS and England compared (%)

2.9 Pre-Covid-19 employment rates have been strong

The level of employment in the LEP area is the main indicator of the overall demand for labour in the area. In March 2020 employment was at an **all time high of 255,000 people**, an employment rate of 77.9%. This is 1.7 percentage points above the national average of 76.2%. As can be seen employment has recovered strongly from a low point in 2012 and for several years in the past decade has been higher than the national rate:



Source: Annual Population Survey April to March each year

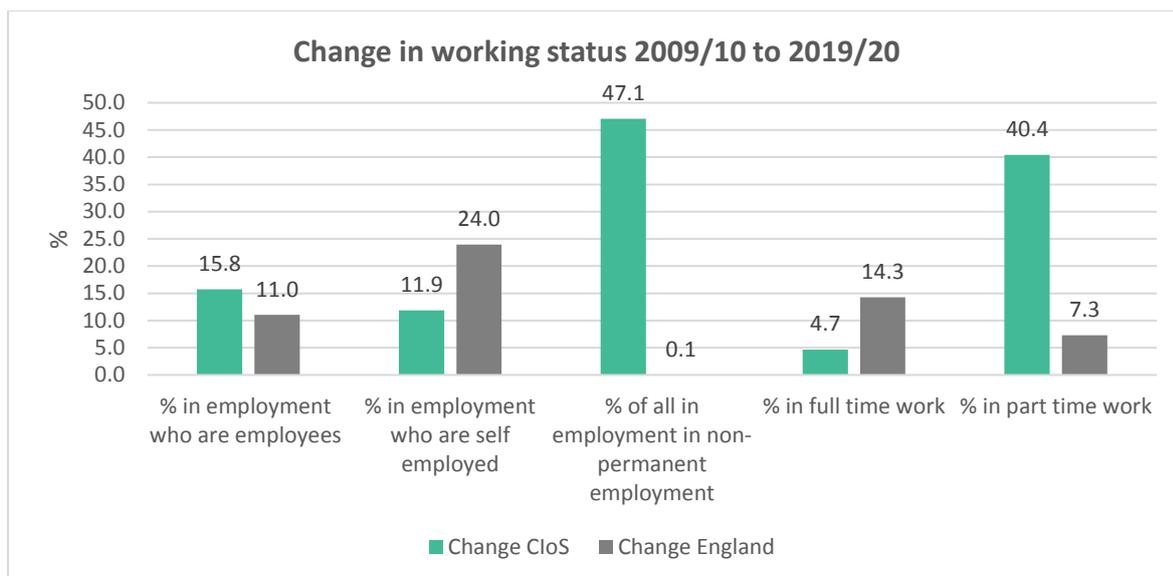
Figure 2.12: Trends in employment rate in CloS and England (% of working age [16-64] population in employment)

Although this employment rate performance suggests that the local economy has been effective in getting people into work, it is important to note that the relatively high local employment rate is largely due to slow population growth. Between 2015 and 2020 the count of people in employment in CloS increased by only 4%, a lower rate than the national average of 6%.

2.10 Part-time employment and self-employment are key contributors to employment growth in the local area

In overall terms the LEP has performed relatively well with regard to employment growth; but there is also the question of the nature of the jobs created through that growth. There is a widespread concern about the quality of jobs and in particular the rise of “atypical” forms of employment, including self-employment, part-time employment, temporary employment and zero hours contracts.

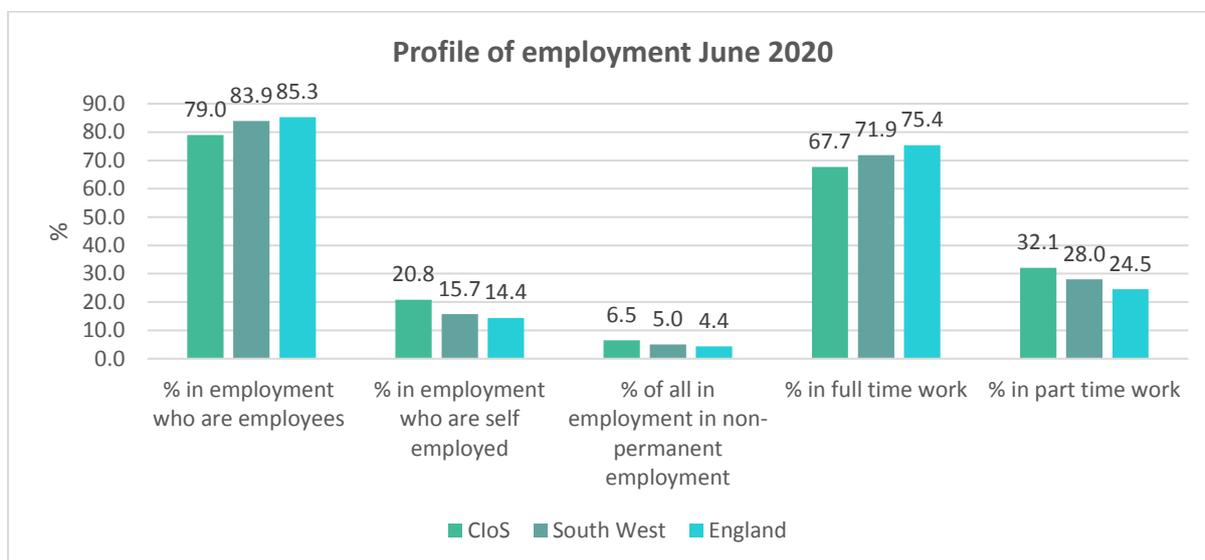
As Figure 2.13 shows, the strongest areas of growth since 2009/10 have, by far, been for part-time employment and non-permanent employment rather than for employees and workers in full-time jobs. The growth in non-permanent or temporary work has grown strongly albeit from a very small base. Currently 17,500 people work in temporary roles up from just under 12,000 a decade ago.



Source: Annual Population Survey July to June each year

Figure 2.13: Change in the ways people are employed in Cornwall and the Isles of Scilly over the past decade compared with England (%)

As a consequence of these trends, the LEP area’s current employment profile is weighted towards atypical forms of employment. Relative to the national average workers are more likely to be self-employed and part-time workers and less likely to be employees or to be employed full-time. This is important in terms of pay levels and training and development since it is those in permanent full time jobs that are most likely to secure higher wages and benefit from employer sponsored training.



Source: Annual Population Survey July to June each year

Figure 2.14: Profile of employment by employment status: CloS; South West and England compared

Overall, this pattern reflects the LEP’s reliance on employment in sectors associated such as tourism and social care, within which non-permanent employment and part time working is widespread. National data shows that temporary workers in the tourism sector are much more likely to be

employed in this way because they are seasonal or casual workers rather than on fixed contracts or agency temps.

2.11 Self-employment rates are high. Self-employment accounts for 1 in 4 men’s jobs

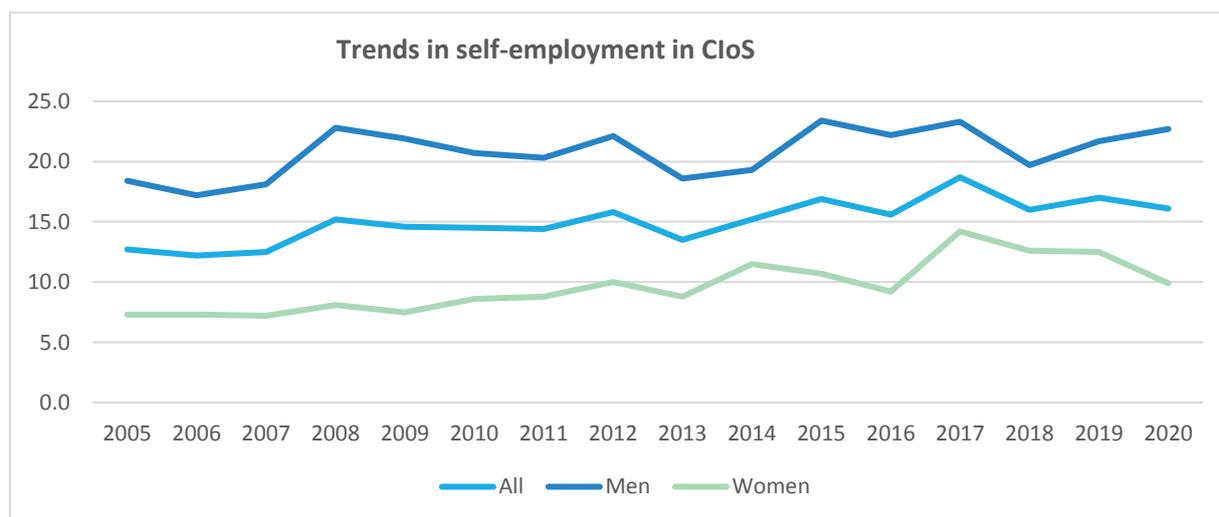
A characteristic of rural economies is that there is a greater prevalence of small and micro businesses and self-employment. This is equally true of Cornwall and the Isles of Scilly. Locally, 52,700 people were self-employed in June 2020 and the LEP has **the highest rate of self-employment of any LEP area**. At 16.1% the rate is well above the English average of 11.0%. The next highest rates are in Cumbria (13.8%) and The Marches (13.5%).

The high self-employment rate is driven by men, with latest data showing that almost 1 in 4 men in CloS are self-employed compared with 1 in 10 women.

The long term trend in self-employment has been upwards, and it is estimated that nationally, 40% of the jobs growth between the onset of the 2008 recession and recovery to 2015 was accounted for by self-employment⁴.

Although the level of self-employment has fallen from a peak in 2017, male self-employment has since started to recover strongly, contrasting with an on-going decline in female self-employment. Commentators do not see all growth as positive and the Institute of Fiscal Studies⁵ reports that:

‘Solo self-employment is often a fall-back option for workers hit by employment shocks – an intermediate state between employment and unemployment. As the COVID-19 crisis increases labour market volatility and creates uncertainty over future employment opportunities in certain sectors and occupations, we may see a further rise in solo self-employment. If so, that would be a group worthy of concern and policy attention alongside the potentially large number of unemployed people.’



Source: Annual Population Survey July to June each year

Figure 2.15: Trends in self-employment in Cornwall and the Isles of Scilly 2005 - 2020

⁴ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/500317/self-employed-income.pdf

⁵ <https://www.ifs.org.uk/publications/14944>

2.12 But self-employed earnings are low and Covid 19 has had an impact....

Self-employed earnings have consistently been below those of employees. Data from HMRC shows that in 2017/18 self-employed people in CloS were estimated to earn £13,600 (median figure), somewhat below the South West median of £13,900 and almost £6,000 below the median income for those in employment (£19,400).⁶ This low level of earnings means that many will not be able to sustain themselves through the Covid-19 pandemic and makes them especially vulnerable to unemployment. The IFS has found that, *“more than a quarter of self-employed people earning less than £50,000 would not have had enough savings and other liquid assets to cover three months of lost earnings – even if they had a partner who was also earning.”*⁷

Since the self-employed are known to have been particularly hard hit by the recent and continuing financial crisis it is important to understand how effectively they have been financially supported by the Self-Employment Income Support Scheme (SEISS). This initially provided a grant worth 80% of average monthly trading profits, paid out in a single instalment covering three months’ worth of profits, and capped at £7,500 in total. On the 17 August 2020 applications for the second grant of SEISS opened. This is a grant worth 70% of average monthly trading profits, paid out in a single instalment covering 3 months’ worth of profits, and capped at £6,570 in total.

The data below covers claims for the second grant in the SEISS up to 31 August 2020.

Analysis of programme data published by HMRC shows that as of 31st August 2020, 55% of the 40,600 people in Cornwall and the Isles of Scilly eligible for the scheme had made a claim by 31st August 2020 – well below the UK rate of 60%. The claim rate varied from 55% in Cornwall to 61% in the Isles of Scilly. The average claim in Cornwall was £2,500 which is in line with the average national rate, contrasting with the Isles of Scilly where the average claim was £3,200. The total claimed under the scheme to date has been £55m.

Research by the Resolution Foundation has shown that although the Government has spent twice as much on the average self-employed worker (£2,518) than on the average furloughed employee (£1,291), the support appears to have been poorly targeted. This has meant that **the self-employed have been harder hit and for a greater length of time**. Even by September 2020, 17% of self-employed workers nationally were still not working at all, and more than half were still experiencing lower pay than before the crisis. At its peak, three-in-ten were not receiving any pay at all, compared to just 4 per cent of employees.

Although all demographic groups have been impacted, **younger and lower educated self-employed workers have been most likely to see their pay fall to nothing**. The Resolution Foundation reports that falling self-employment has been the biggest driver of unemployment among men. People who were self-employed before the crisis have been more than twice as likely as employees (10 per cent vs 4 per cent) to class themselves as out of work.

⁶ <https://www.gov.uk/government/statistics/personal-incomes-tables-312-to-315a-for-the-tax-year-2017-to-2018>

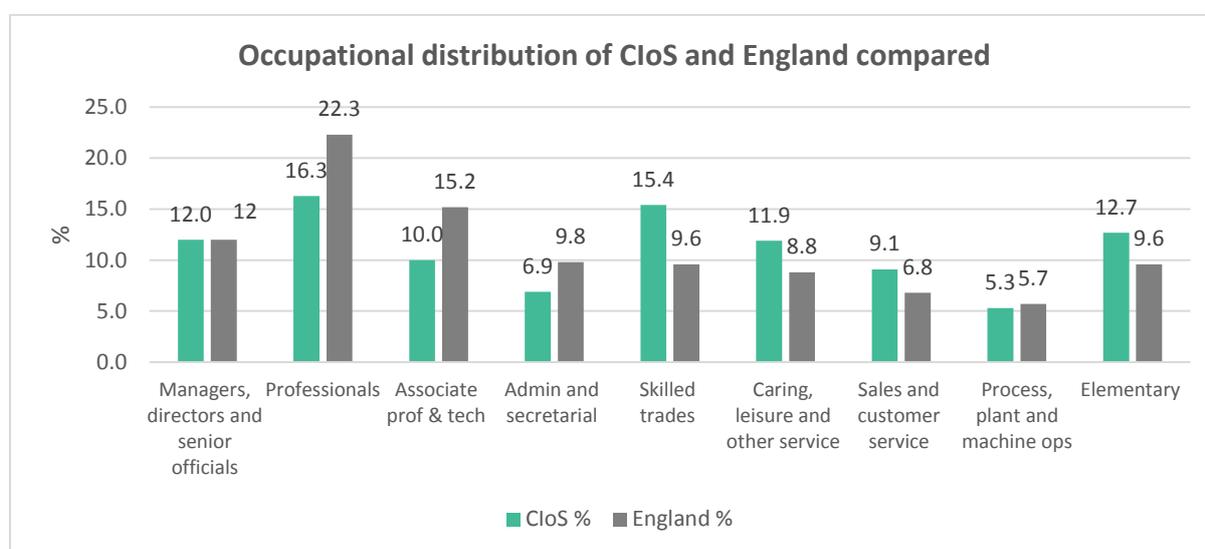
⁷ <https://www.ifs.org.uk/publications/14786>

2.13 The LEP area has a significant deficit of higher skilled employment

Cornwall and the Isles of Scilly’s sectoral and employment status differences as well as the small size of companies, in turn give rise to differences in the occupational structure, with CloS having far smaller proportions of workers in Professional and Associate Professional occupations than in England. Other differences with the national average are:

- A lower than average representation of Administrative and secretarial roles;
- Higher levels of Skilled trades, Retail and Caring and leisure occupations
- An above average proportion of Elementary occupations.

As later sections show, these differences between the two are reflected in the qualifications base of local residents.



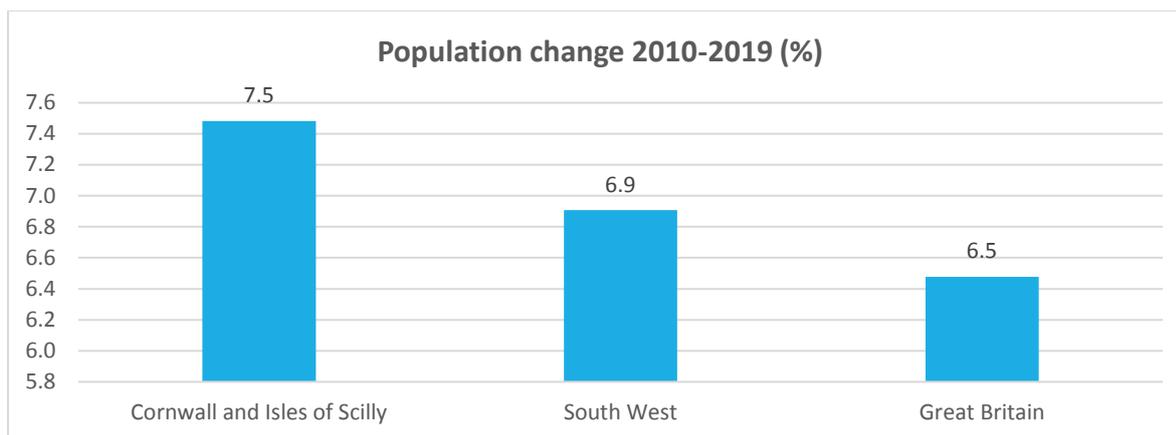
Source: APS July 2019 to June 2020

Figure 2.16: Working age residents’ employment by occupation; percentages

2.14 Population growth has been above average

It is estimated that in 2019, there were **571,800** people living in Cornwall and the Isles of Scilly, making it one of the smallest LEPs in the country.

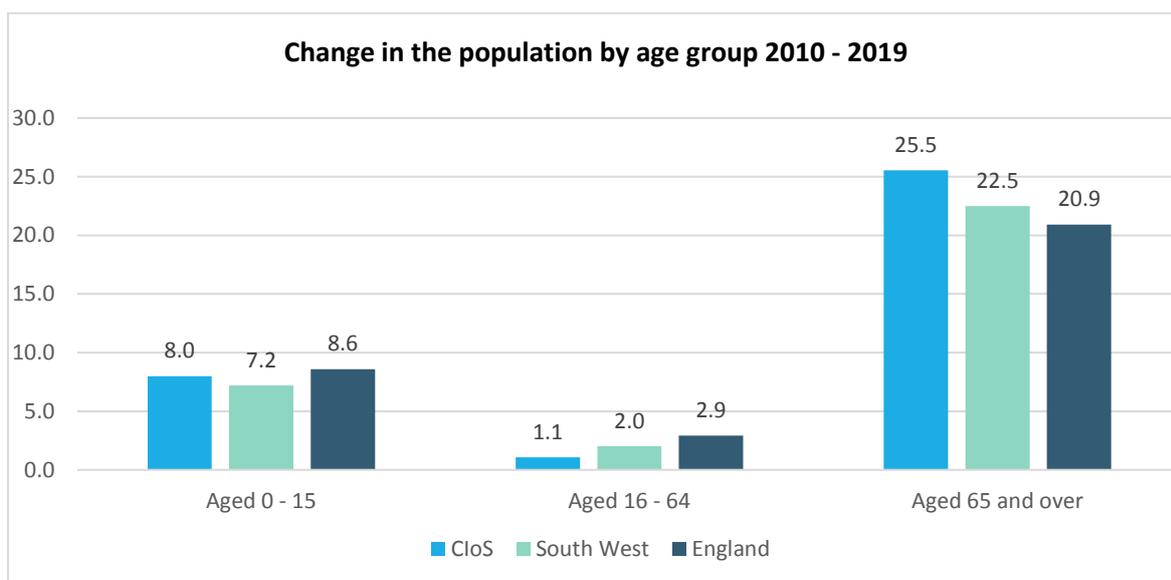
In the past decade, the LEP has grown steadily with an increase in population of 7.5%, a little above the average growth in England of 6.5%.



Source: ONS Sub national population estimates

Figure 2.17: Population change between 2010-2019; percentage change

Of course, much of the growth is accounted for by the ageing of the population; and in CloS the over 65s have increased by 25.5%, which is almost 5 percentage points over the national rates of increase. This major increase in the over 65s will have significant financial implications in terms of the costs of social care, relative to the national position and implications for the make-up of the workforce. As can be seen, the growth of the working age population has been particularly low:



Source: ONS Sub national population estimates

Figure 2.18: Percentage change in the population between 2010-2019 by age band

Overall, the share of the working age population of CloS is somewhat lower than the regional and national averages:

Age bands: Percent	CloS	South West	England
0-15	17.0	17.6	19.2
16-64	58.0	60.1	62.4
65+	25.9	22.3	18.4
Total	100.0	100.0	100.0

Source: ONS Sub national population projections

Figure 2.19: Estimated resident population by age band in 2014 by geography

2.15 Strong population growth is projected for the next decade

Looking ahead, projections suggest relatively strong growth in Cornwall and the Isles of Scilly to 2030 with an increase of 9.7% compared with a 5.0% increase in England. The rise of the working age population over the next decade in CloS is forecast to be lower at 5.6% but that is twice the national growth rate of 2.5%. The projections do not take into account any planned housing development.

However, the key demographic change apparent from the data is the continuing rising numbers of over 65s in the population, with a projected increase of c37,000 or 25.9 percentage points which will increase its overall share to 29% of the population.

2.16 Deprivation

As well as improving the performance of the local economy there is a need to ensure that growth is inclusive and that everyone in the local community has the opportunity to participate in high quality employment and benefit from recovery and renewed economic growth. This partly involves addressing localised pockets of deprivation at neighbourhood level.

The Index of Multiple Deprivation (IMD) is a national statistical measure that is published once every four years. The latest data was released in September 2019. The Index measures relative deprivation across small geographical areas or neighbourhoods that are called Lower Super Output Areas (LSOAs). There are 32,844 LSOAs across England, of which 326 are in Cornwall. Neighbourhoods (LSOAs) are ranked across the following seven categories or domains: income; employment; health and disability; education skills and training; barriers to housing and services; crime; and the living environment. Each neighbourhood also receives an overall IMD rank from 1 (the most deprived area) to 32,844 (the least deprived area). It is common to describe how relatively deprived an area is by saying whether it falls amongst the most or least deprived 10% of areas in England.

Cornwall's IMD ranking for 2019 is 83 out of 317 local authorities. This is a slightly improved position compared with 2015, in which Cornwall had an IMD ranking of 68 out of 326 local authorities.

17 neighbourhoods (LSOAs) in Cornwall have the highest levels of deprivation. These neighbourhoods are in the top 10% most deprived areas in England. 6 of the 17 most deprived areas are in the Camborne and Redruth Community Area.

Cornwall's ranking relative to other local authorities has improved in four of the seven domains since 2015:

- Crime (52 place rise)
- Barriers to housing and services (51 place rise)
- Living environment (8 place rise)
- Health deprivation & disability (2 place rise)

But has decreased in three domains compared with 2015:

- Income (11 place drop)
- Employment (17 place drop)
- Education, skills & training (18 place drop)

The Education, Training and Skills domain is based on two subdomains. the Children and Young People Sub-domain measures the attainment of qualifications and associated measures ('flow'), while the Adult Skills Sub-domain measures the lack of qualifications in the resident working-age adult population ('stock'). Around 7% of LEP neighbourhoods (22 in total) are among the 10% most deprived with regard to the first of these, which relates to Children and Young People.

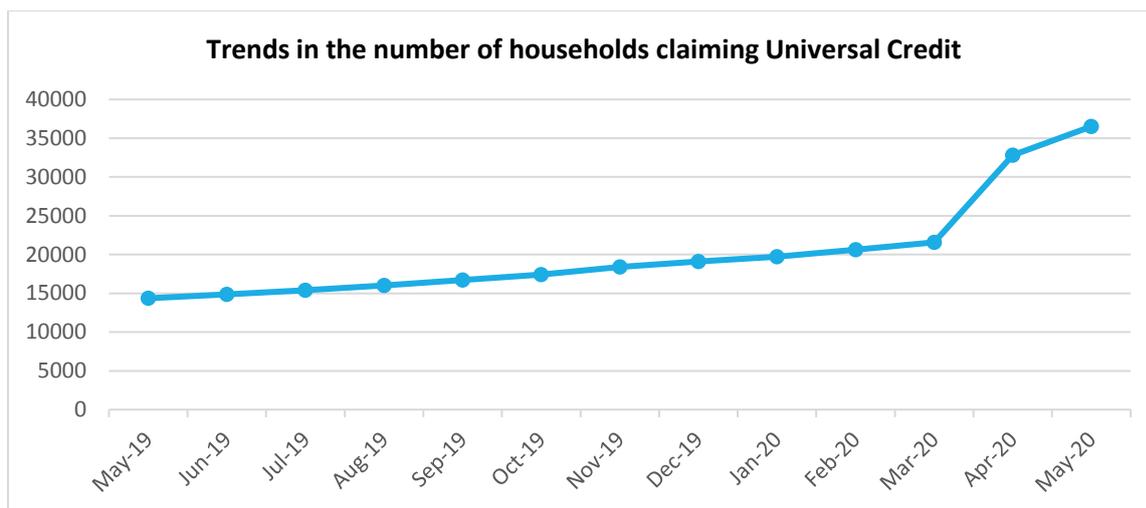
The deprived neighbourhoods are concentrated in Bodmin and Liskeard.

Only 3 neighbourhoods fall into the most deprived decile in respect of Adult Skills, the second of the subdomains. These neighbourhoods are concentrated in Bodmin and Redruth.

Given that several of these deprived neighbourhoods fall within particular towns and it is town centres that have been and are continuing to be hard hit by the impact of the coronavirus, there may need to be specific town centre initiatives to support recovery and to support local people redeploy and redevelop their skills for the future.

2.17 Poverty and Covid-19

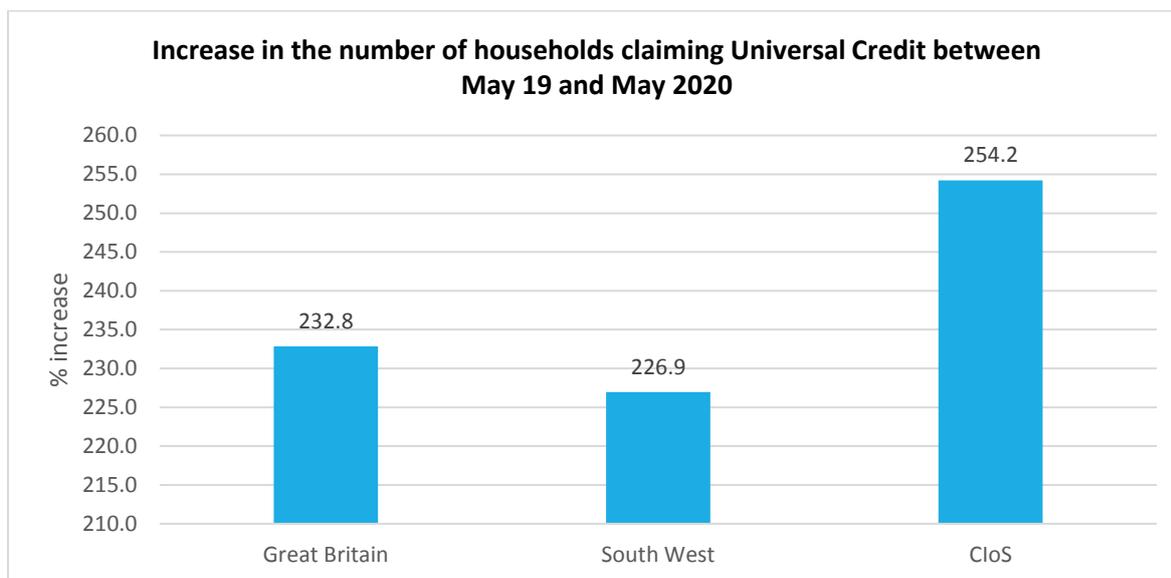
The economic implications of the COVID-19 pandemic will mean a reduction in household incomes as workers lose their jobs, earnings fall, and falling share prices and interest rates lead to lower incomes from savings and investments. As a result, there has been a dramatic increase in the number of households claiming Universal Credit. In May 2020 36,518 households were claiming Universal Credit in Cornwall and the Isles of Scilly, a figure 2.5 times greater than in May 2019. People are eligible to claim if they are on low income, have low levels of savings or are out of work. Nationally, the average payments for families with children is £1,100 per month; for a couple with no child dependants it is £700 per month and for single people with no child dependants it is £560.



Source; StatXplore households on universal credit. <https://statxplore.dwp.gov.uk/webapi/jsf/tableView/tableView.xhtml>

Figure 2.20: Trends in the number of households claiming Universal Credit

The increase in households claiming benefits has been far greater in Cornwall and the Isles of Scilly than in the South West or Great Britain, underlining the area’s greater vulnerability to the impact of the pandemic on working life:



Source; StatXplore households on universal credit. <https://statxplore.dwp.gov.uk/webapi/jsf/tableView/tableView.xhtml>

Figure 2.21: Change in the number of households claiming Universal Credit between 2019 and 2020

National data on the impact on poverty⁸ is that:

⁸ Gordon D. Bristol Poverty Institute: Covid-19 and Poverty in the UK

- The Food Foundation Survey found that in the first wave to May 2020, 4.9 million adults were currently food insecure compared with 2 million pre-lockdown - 1.7 million children live in these households.
- A Resolution Foundation Coronavirus Survey found that 33% of employees who were in the bottom quintile of weekly earnings before coronavirus have experienced furloughing, job loss or hours reductions associated with reductions in pay, compared with 15% in the top quintile.
- The estimated effect of a two month lockdown followed by six months of partial functioning of some activities (80% of capacity) is that poor people in the UK would lose on average over 25% of their income and that the relative income poverty rate (AROP) would increase to 38% - a 12% increase on the pre-Coronavirus rate.

According to the Institute for Fiscal Studies⁹, workers whose livelihoods are most at risk during the COVID-19 crisis already tended to have relatively low incomes, and were relatively likely to be in poverty, prior to the onset of the crisis. Employees working in 'shutdown sectors', such as hospitality, were already almost twice as likely to be in poverty as other employees, and poverty rates were higher still for self-employed people working in these sectors. Cleaners and hairdressers stand out as groups with higher poverty rates than other workers who are unlikely to be able to work from home.

Headline findings from recent research by the Resolution Foundation published in October 2020 shows that:

- Young people have been and are most likely to be affected from the pandemic. For the 18-to-24-year old group, the Resolution Foundation suggests a rise in the unemployment rate of 10 percentage points from February. This would mean an unemployment rate of 20 per cent in September, or approximately 750,000 people.
- The run-down of the Job Retention Scheme has seen most furloughed workers return to work, but almost 1 in 10 were no longer working in September.
- The impact on the labour market remains focused on sectors heavily affected by social distancing restrictions, as well as the young, the low paid, and those on insecure contracts.
- 17% of formerly self-employed workers were still not working at all in September. Amongst the young formerly self employed (18-34) 24% were without work in September.
- Many workers who previously worked in sectors hit hardest by the pandemic **are searching in those same sectors**. Among respondents searching for jobs who in February worked in hospitality, leisure or non-food retail (including those who both still work in these sectors and those who have since lost their jobs), the top four job-search are hospitality, leisure, non-food retail as well as administrative positions.

For Cornwall and the Isles of Scilly it will be vital to find ways of limiting the impact of the pandemic on businesses and the local population as we now enter a second wave. As earlier sections have shown, the impact of the 2008 crash was still lingering when the pandemic hit and at best there had been limited growth in the last year or so. Other factors increase the area's vulnerability: the LEP area has a concentration of businesses and jobs in tourism and hospitality; later sections will show

⁹IFS. June 2020: Living standards, poverty and inequality in the UK: 2020

that wage rates are low, which in turn makes people vulnerable to poverty; and local recovery will depend partly on people spending money locally but CloS has experienced a faster increase in Universal Credit claimants than nationally indicating a greater prevalence of low income households.

2.18 Implications for policy

- If the economy of CloS is to diversify in order to grow its economic wealth in line with its ambitions, then there is a need to better understand the skills needs of the LEP's priority sectors, barriers to and opportunities for growth, and the impact of Covid-19. The pandemic has underlined the importance of diversifying the economy to build economic resilience.
- The local economy is very vulnerable to the impact of the pandemic due to its industrial and employment structure. Some jobs won't come back. Careers advice and training for the adult workforce has never been more important to help people adapt and retrain for future opportunities. There is a need to ensure that JobCentre Plus, the National Careers Service and the local careers hub have up to date and timely information on the labour market and close partnership working between them.
- The ageing population indicates that there will be significant growth in the demand for health and social care as well as significant financial implications for the Council. The focus on high productivity sectors should not mean that the needs of the foundation sectors – care, retail and tourism – are overlooked. Strengthening these sectors and improving career prospects within them will help us to build resilient communities in all parts of the county.
- Jobs growth will be key. Action will be needed to ensure that with the raising of the State Pension Age older workers have the opportunity to remain in work and use their skills, whilst at the same time, economic growth will be needed to continue to create new opportunities for young labour market entrants. A key issue for the Digital Skills Partnership is to ensure that there is sufficient accessible learning available to enable older workers develop their digital skills; a task which has been given added impetus by Covid-19.
- The pandemic will impact on poverty and deprivation and especially young people. Information advice and guidance will be vital, as will be effective skills development which provides the skills that employers need. There needs to be effective dissemination and uptake of the Employer Incentive Grants. Effective support will be needed for those at risk of NEET or unemployment.

Further information needs to support the update of the Local Skills Report

- *There will be a need to update information on employers skills needs to reflect the impact of Covid-19.*
- *To date there is very little intelligence on employer needs in the LEP's priority sectors. If the Local skills Report is to effectively support the delivery of the Local Industrial Strategy this needs to be addressed.*
- *The use of detailed modelling information to provide data on the uptake of furlough and SEISS – to identify which communities are hardest hit will be invaluable in shaping local responses*

- *At the time of writing the Town Deals have not been finalised. Any update needs to reflect on the skills elements of the Plans/investments and their alignment with the skills strategy.*

3 STAGE 2: SKILLS DEMAND

Summary points

- Three sectors have accounted for most of the jobs growth in the past 3 years: Accommodation and food services; Health and social care; and Construction. Going forwards, this pattern may be expected to change when data is available which takes into account the impact of the pandemic.
- In terms of occupation, there has been a steep rise in Caring, leisure and other service occupations and a significant increase in the higher level occupations (professional, managerial and associate technical). This has been accompanied by a decline in Process, plant and machine operatives; Administration and secretarial and Skilled trades.
- The median weekly wage of a resident of CloS is £504.4 which is 15% below the England median of £591.3. 1 in 3 jobs pay less than the Living Wage Foundation's Living Wage rate.
- Change in the workplace is being driven by technological change and automation; changing patterns of employment, for example the gig economy and the ageing workforce.
- Economic forecasters, Oxford Economics predict that Cornwall will suffer a severe recession as a result of the pandemic.
- Cornwall and the Isles of Scilly will fare worse than the South West and UK.
- The forecasts suggest that GVA will fall by 13.5% in 2020 and will not return to the level recorded in 2019 until 2028.
- The sharp decline in activity in 2020 will have greatest impact on Accommodation & food services and Arts, entertainment & recreation, where GVA would fall by around 30%. All sectors apart from Health and social care will see a fall in productivity.
- Employment is forecast to decline by 6% in 2020, with further falls expected for 2021. Unemployment is expected to rise to 6.1% in 2021.
- Lower skilled occupations will be disproportionately affected. Recovery will mostly be driven by higher skilled occupations and occupations across the health and social care sector.
- Data for Cornwall and the Isles of Scilly on the number of people furloughed shows that at June 2020, 37% of employments (83,400) had been furloughed, a higher rate than the South West (32%) and England (32%). (Employments include directors as well as employees)

3.1 Introduction

Skills are a key factor in economic competitiveness and social well-being¹⁰. Without the skills needed to achieve high levels of productivity, the economy cannot reach its potential. In the long term, those businesses which are the most profitable are those providing the highest value added goods and services and it is the quality of the workforce which gives firms that added value and contributes to much of their competitive edge. At a personal level individuals are more likely to earn more if they have higher skills and qualifications.

According to the Treasury, it is the UK's weaknesses in its skills base which has contributed to the UK's longstanding productivity gap (of over 20%) with France, Germany and the US¹¹.

¹⁰ BIS: Benchmarking UK competitiveness in the UK economy, 2012

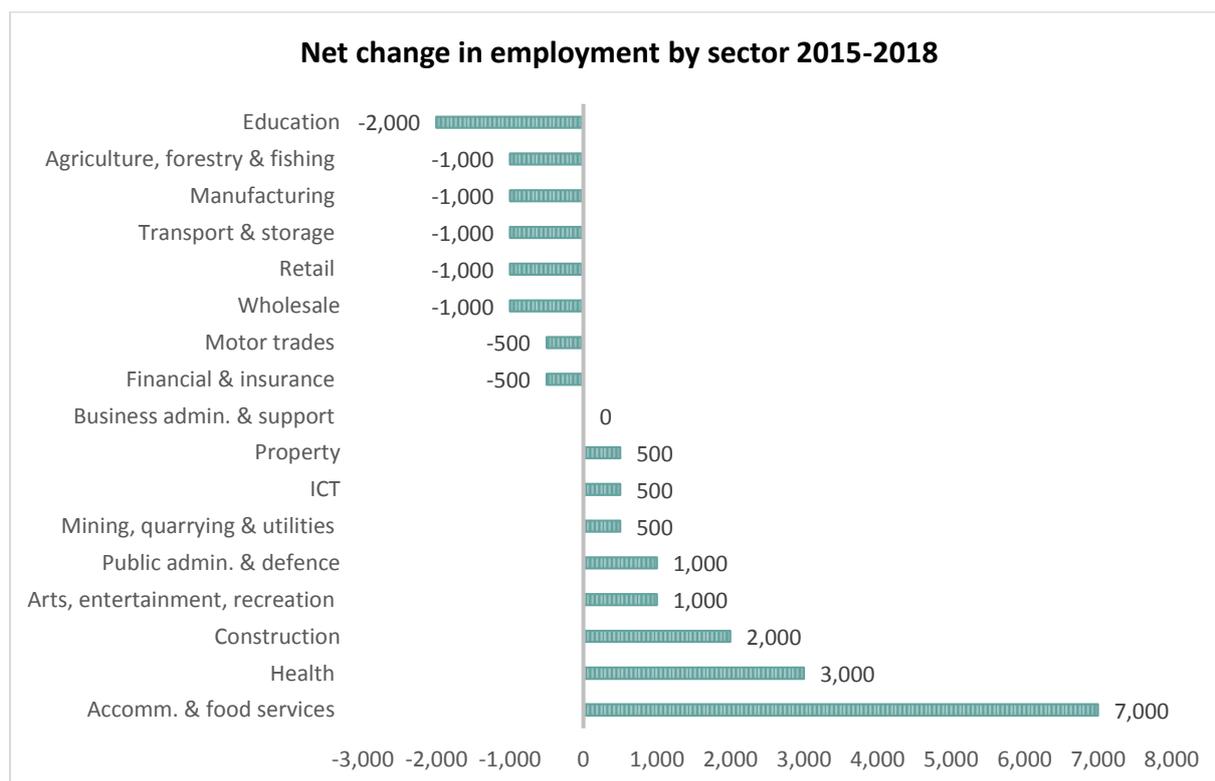
¹¹ HM Treasury. 2015. Fixing the foundations, 2015. <https://www.gov.uk/government/publications/fixing-the-foundations-creating-a-more-prosperous-nation>

Skills and productivity and hence economic wealth go hand in hand. Until recent years, as more people have become better qualified and skilled, productivity has grown too. However, productivity growth in the UK has stalled since the financial crash and the South West region and Cornwall and the Isles of Scilly are no exception to these trends.

In this chapter the evidence is explored in relation to the workforce, its skills and competitiveness to assess what factors underlie the LEP’s relatively poor productivity performance and where its skills strengths and weaknesses lie. Forecasts of the change in demand post Covid-19 are set out which demonstrate the impact of the pandemic on suppressing demand.

3.2 Recent trends in employment

The pattern of growth and decline across industry sectors is a key driver of change in relation to the skills required of the workforce. Recent trends paint a mixed picture of change. There has been some strengthening of employment patterns in the service sector with main jobs growth occurring in Accommodation and food services and Health, but this has been accompanied by losses in Education, Agriculture and Fishing, Manufacturing as well as Retail. The data predates the pandemic and it may be expected that the impact of Covid-19 will have a significant effect on future employment trends and specifically on key sectors of the local economy, such as tourism.



Source: BRES 2018

Figure 3.1: Patterns of occupational employment change 2015 -2018

The changing profile of occupational employment provides an important insight into the demand for skills in the local labour market. Occupations are largely defined by the level and type of skills that are required in order to perform work tasks.

3.3 The main sources of employment growth and skills demand are higher skilled professional occupations and “service-intensive” occupations.

Employment statistics are volatile at local level. In order to gain a clear picture of the more detailed pattern of change in occupational employment over time, figures presented in Figure 3.2 have been averaged for a pair of three-year periods: 2009-2012 and the most recent period 2017 -2020. Key points to note are:

- A strong rise in demand for Caring, leisure and other service occupations where demand has risen by 23,900 (34.3%) and Sales and customer service – up by 39.6% or 18,800 jobs.
- An increase of 25% in higher skilled Professional occupations, accompanied by a rise in Managerial and Associate and technical positions. Between them, these 3 occupational groups account for 43% of the net growth.
- Only three occupational groups have declined: Process, plant and machine operatives; Administration and secretarial and Skilled trades.

	Ave. 2009-2012	Ave 2017-2020	Change	% change
Managers, directors and senior officials	26,433	29,933	3,500	13.2
Professionals	32,800	41,100	8,300	25.3
Associate prof & tech	26,867	29,567	2,700	10.0
Admin and secretarial	23,300	20,933	-2,367	-10.2
Skilled trades	42,767	41,100	-1,667	-3.9
Caring, leisure and other service	23,233	31,200	7,967	34.3
Sales and customer service	15,833	22,100	6,267	39.6
Process, plant and machine ops	16,400	14,367	-2,033	-12.4
Elementary	31,333	35,800	4,467	14.3
Total	238,967	266,100	27,133	11.4

Source: Annual Population Survey (July to June each year)

Figure 3.3: Occupational change in CloS (Using rolling averages 2009-12 and 2017-20)

3.4 Drivers of labour market change

Change in the workplace is not new. From the pre-industrial economy to the industrial revolution, and now what is dubbed the fourth industrial revolution, change is a constant and there are three overarching trends in particular that are having an impact on business, society and work:

- **Technological change and automation:** New jobs, new skills, automation and the intensification of work.
- **Changing organisational structures and modes of working:** The rise of the gig economy, outsourcing and insecurity.
- **The ageing and changing workforce:** The rise in the State Pension Age, flexible working and the rise in care responsibilities.

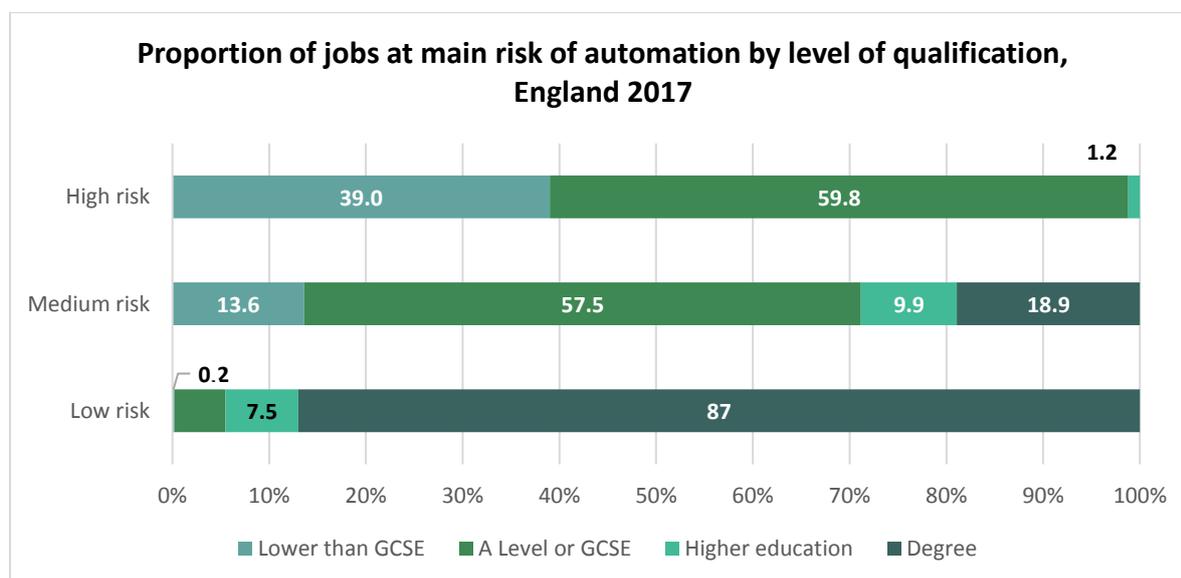
1. Automation

Research for the Industrial Strategy Council¹² suggested that technology and automation will be the biggest driver of change. According to estimates by the McKinsey Global Institute, **39% of the activities that people are paid to do in the UK today could be automated by 2030**. This will transform the volume and types of skills needed in the future workplace and the Report contends that, *“This means that an enormous effort is needed to train and prepare millions of currently low skilled adults for the new future of work, at a scale which has not been seen since Britain introduced The Open University post-World War I to upskill its workforce for a modern era.”*

Those who will disproportionately ‘lose out’ to automation will include minorities, women, working mothers and disabled persons¹³.

Research by the ONS was more cautious in its estimates and estimated that in 2017, 7.4% of the workforce in England were at risk of automation. It found that the three occupations with the highest probability of automation were waiters and waitresses, shelf fillers and elementary sales occupations, all of which are low skilled or routine jobs and which represent relatively high proportions of the local workforce. As a result, ONS estimates suggest that in Cornwall and the Isles of Scilly the proportion at risk rises to **11.1%**, equivalent to 20,007 workers.

As might be expected, there is a correlation between the risk of automation and the level of qualifications needed for a job. Employees with lower education than GCSEs and those with A level or GCSEs make up most of the jobs at high risk of automation, 59.8% and 39% respectively:



Source: ONS 2019. Probability of automation 2011 and 2017

Figure 3.4: Level of risk of automation by highest qualification

¹² Industrial Strategy Council. UK Skills Mismatch, October 2019. <https://industrialstrategycouncil.org/uk-skills-mismatch-2030-research-paper>

¹³ <https://publications.parliament.uk/pa/ld201719/ldselect/ldai/100/10001.htm>

Automation will not only alter the types and numbers of jobs available but also their value. The replacement of workers doing routine tasks which can be done by machines places a premium on workers with problem solving, creativity, leadership, empathy and design skills. Currently, many employers are focusing on developing the skills of these highly valued employees, but if change is not to be accompanied by skill shortages, redundancies and rising inequality there will be a need for employers to develop inclusive workforce strategies for skills development and upskilling those at risk. Lifelong learning is back on the agenda and the government is putting greater emphasis on individuals taking responsibility for their own skills development, which in turn will have implications for adult information, advice and guidance and learning provision.

2. Changing employment patterns

Accompanying the technological revolution are significant changes in how workers are employed. Businesses are increasingly using a whole range of options to recruit workers from hiring traditional full-time staff to outsourcing, independent contractors, gig workers, and crowdsourcing.

Temporary, insecure and self-employed work is on the rise and under-employment is 40% higher than its early 2000s low.¹⁴ Nationally, the numbers of workers on zero-hours contracts in their main job rose by 21% in 2017 to almost a million. According to the Citizens Advice Bureau the number of those on zero-hour contracts, temporary contracts with variable shift patterns and those in agency work adds up to 4.5 million people in England and Wales who are in some form of insecure work.¹⁵

As was noted in Section 2, an estimated 17,000 people in CloS are in 'atypical' work, equivalent to 6.5% of the workforce (June 2020) and higher than the proportion in the South West (5%); and England (4.4%).

3. The ageing and changing workforce

On the basis of current trends, the UK's future workforce will be more ethnically diverse, have a greater proportion of women and will be older. As the workforce becomes older with people working into their late 60s and early 70s the number of workers with disabilities and health issues will increase. It is predicted that eldercare will replace childcare as the major work-life issue by 2021¹⁶ and that the next generation will be expected to spend more years caring for ageing parents than their own children.

Analysis of the employment rate shows that compared with data from 5 years ago the increase in employment has been driven nationally (up 14.1%) and locally (up by 16.6%) by 50-64 year olds. This suggests that with the raising of the state pension age, longer working lives are becoming a reality. CloS already has an older workforce than average and population growth is being driven largely by people living longer. This underlines the importance of securing jobs growth locally to ensure that there are on-going opportunities for young people to enter the workforce as people stay in work for longer. Keeping the skills of older workers up to date will also be a key local challenge.

¹⁴ Ibid

¹⁵ Ibid

¹⁶ Podro S. (2011): Acas Policy Discussion Papers,

3.5 Digital skills needed more than ever

In 2016, the ONS estimated that within the next 10 to 20 years, 90% of jobs will require some sort of digital skills.

Research by Lloyds Bank, 'The UK Consumer Digital Index 2020¹⁷' shows that the levels of digital exclusion are high.

- 52% of the UK workforce are not yet fully digitally enabled (c.17.1 million people)
- c.2.7 million (5%) people can access the Internet but lack the ability to use it to its full advantage; in total, an estimated 11.7 million (22%) people in the UK are without the skills needed for everyday life.
- If these rates continue and trends remain the same, by 2030 1 in 4 of the UK will still have a very low level of digital engagement.

Data for the 2020 Index was collected prior to the Covid-19 pandemic and the lockdown measures that followed. However, Lloyds undertook specific research to investigate the impact of the virus on consumers' digital behaviours and attitudes. The research found that:

- **78% of people agree that the COVID-19 pandemic increased their need for digital skills,** and 80% agree that using technology has been a vital support to them
- Just over half of people surveyed (51%) believe the need for digital skills in their home/work life due to the lockdown has been more necessary)
- 31% have improved their digital skills solely for work-related reasons
- Well over half of people (57%) agreed they will continue to boost their digital skills after the COVID-19 pandemic, but with **only 32% saying they feel more confident about their digital skills, the survey indicated that 'support must be ongoing throughout and beyond this crisis.'**

Digital skills for day to day life as well as for work are also vital and this has been brought home by Covid-19. The above data underscores the fact that for a large proportion of the population this digital transition has not been feasible. With the pension age rising to 66 in October 2020 and set to rise again between 2026 and 2028 longer working lives mean that workers of all ages will need to be encouraged to improve their digital skills for the modern workplace.

3.6 The LEP area has large numbers of low-paid jobs

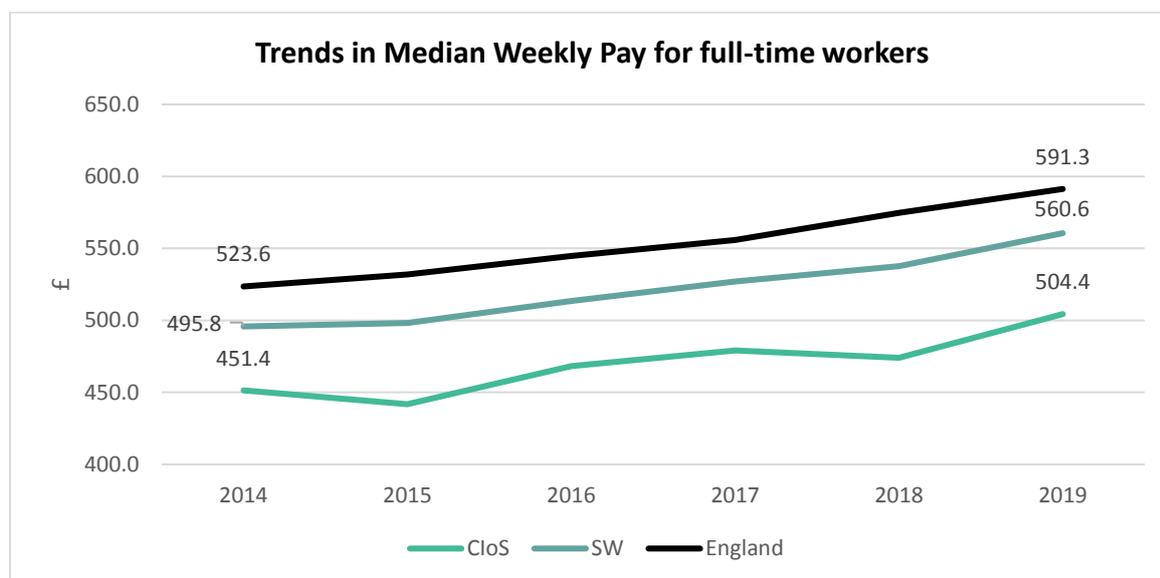
Earlier analyses have focused on the quantity of jobs, but when comparing the relative strengths of local economies quality is also important; and pay rates¹⁸ are generally used as a simple proxy for this.

¹⁷ Lloyds Bank, 'The UK Consumer Digital Index 2020'. <https://www.lloydsbank.com/banking-with-us/whats-happening/consumer-digital-index.html>

¹⁸ The Annual Survey of Hours and Earnings is based on a 1% sample of employee jobs taken from HM Revenue and Customs PAYE records, and the results are presented by both place of work and place of residence. The ASHE results do not cover the self-employed, nor do they cover employees not paid during the reference period. The median (middle value) figures are used as the headline statistics. The median is the value below which 50% of employees are allocated and is more reflective of the 'typical' wage or income. It is preferred over the mean (average) for earnings data as it is influenced less by extreme values and because of the skewed distribution of earnings data.

Locally, median resident earnings are considerably lower than the national average, with the median weekly wage of a resident of CloS being £504.4 (15% lower than the England median of £591.3). This undoubtedly reflects the underlying structure of the local economy with its predominance of lower paying service sector jobs and lack of higher paid roles in areas such as Finance, Insurance and ICT.

Trend data shows that, through time, the gap between CloS and the South West has gradually widened, suggesting that local pay rates are falling further behind.



Source: Annual Survey of Hours and Earnings Resident Analysis

Figure 3.5: Trends in the median gross annual pay of residents between 2014 – 2019

Alternative analysis of pay rates relative to where people work shows the effects of cross-border commuting to higher paid work. This is most clearly shown here in relation to Cornwall and the Isles of Scilly where highly skilled residents are likely to commute out to Devon and beyond to take advantage of higher value work in the urban centres. Annually, the difference in take-home pay is almost £3,000 between workplace and residence.

	Residents	Workplace	Difference between workplace and residence (£)
CloS	504.4	490.6	13.8
South	560.6	551.4	9.2
England	591.3	591.4	-

Source: Annual Survey of Hours and Earnings 2019

Figure 3.6: Resident and Workplace analysis (Median weekly gross pay for residents and the workforce (Full-time workers))

According to the Annual Survey of Hours and Earnings, 33% of local jobs pay less than the Living Wage Foundation’s Living Wage rate, which is intended to reflect the level of pay people need to get by. The UK Living Wage outside of London is currently £9.30 per hour. In Cornwall (no data available for IoS) 66,000 people are estimated to earn less than the Living Wage threshold,

equivalent to 1 in 3 of the adult workforce, the highest proportion of any authority in the South West and considerably higher than the England average of 23%.

Category	2018	
	Numbers	%
All men	29,000	27.9
All women	38,000	37.1
All full-time	33,000	24.5
All part-time	33,000	48.2
All	66,000	32.5

Source: ONS

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/adhocs/11027annualsurveyofhoursandearningsasheestimatesofthenumberandproportionofemployeejobswithhourlypaybelowthelivingwagebyplaceofresidenceforlocalauthorityandparliamentaryconstituencyukapril2018andapril2019>

Figure 3.7: Proportion of employee jobs paying below the Real Living Wage (as defined by the Living Wage Foundation)

The reasons behind these figures are complex but essentially, the LEP has more small businesses and self-employed people, employing more part-time workers, in sectors where low pay is endemic.

3.7 Forecasts suggest that the Cornwall economy will suffer a severe recession in 2020

Following the onset of the pandemic Oxford Economics were commissioned by the South West Councils to prepare forecasts of the impact and implications of the coronavirus pandemic for each the authority areas in the South West. Their report was published in July 2020 as the first lockdown had eased. As the authors noted, **“There remains a great deal of uncertainty regarding the scale of impact of the virus, and of the measures that were introduced to limit its spread.”** For this reason, a baseline forecast was produced along with an upside view and a downside view. This latter scenario reflected the possibility of a second wave and further lockdown measures and it is this scenario which is being used in this report.

It should be noted however, that even in the baseline scenario **Cornwall was projected to fare worse than the South West region or the UK.** This is because of:

- Its structural mix: **Cornwall’s sectoral structure is skewed towards sectors most exposed to the crisis**, with wholesale & retail trade and the hospitality & leisure sectors among the largest employers locally.
- Its lower representation of sectors which have been typically more resilient such as business services (such as professional services, administrative services and information & communication) where remote working has allowed continued activity.

- Digital connectivity matters too. While Cornwall scores around the average for access to digital infrastructure, the extent to which this is possible depends on the type of work being done.
- Types of place are important. The Centre for Towns has considered the exposure of towns and cities to the economic downturn across the UK. It showed that small towns and coastal towns have been most acutely affected.

In the downside scenario, Cornwall GVA falls by 13.5% in 2020 and does not return to the level recorded in 2019 until 2028—six years later than in the baseline forecast. As a result, GVA would decline by an average of 0.4% per year between 2020 and 2025. These forecasts are heavily caveated and the authors note that **“it is possible that Cornwall’s economy recovers quicker than we are anticipating.”**

The sharper decline in activity in 2020 will have greatest impact on accommodation & food services and arts, entertainment & recreation, where GVA would fall by around 30% as these sectors are most impacted by a further extension of social distancing measures. Another notable feature of this scenario is that almost all sectors (with the exception of human health & social work) will see a significant reduction in activity, including those such as business services which are relatively resilient in our baseline forecast.

In terms of the labour market headline figures suggest:

- A decline in employment of almost 6% (c16,000 jobs) in 2020 with a further fall in 2021.
- **The number of jobs in Cornwall would remain below 2019 levels until beyond 2025.**
- Unemployment would also rise considerably, peaking at 6.1% in 2021 (c17,000 people).
- The wholesale & retail, construction, and accommodation & food service sectors would each employ around 1,000 fewer people in 2025. This does not mean that employment in these sectors would fall in absolute terms, but rather that the pace and scale of recovery in job creation would be reduced in this scenario, reflecting the fact that capacity in these sectors would be reduced as a result of continued social distancing measures. The nature of this scenario means that employment growth in Cornwall would become even more concentrated within the human health & social work sector.
- While all occupations will see employment contract in 2020, lesser-skilled occupations will be disproportionately affected: the bottom three occupational groups (sales & customer services, process, plant & machine operatives, and elementary occupations) will account for 42% of all job losses in 2020, despite accounting for just over a quarter of employment (27%) prior to the crisis. Alongside skilled trades, a loss of jobs in the latter two groups largely arises due to the sharp contraction in manufacturing employment, while a fall in sales & customer services can be largely attributed to a loss of employment in hospitality. Similarly, a fall in managers, directors & senior officials—that are typically employed across various industries—reflects the downturn in activity across most sectors of the economy in 2020.
- In contrast, the job recovery is mostly led by higher-skilled occupations. Over the period to 2025, 59% of additional employment (2,700 workers) will be in the managerial, professional or associate occupations—reflective of the growth in business services and human health & social work, which typically support higher-skilled occupations. The increase in caring, leisure

& other services (1,700 workers) is also a reflection of growth in human health & social work in particular.

Alternative government commissioned projections 'Working Futures' for 2017-2027 predate the pandemic but provide a useful perspective on long-term structural change in the workplace.

Projections for CloS show that even prior to the current economic situation, employment was forecast to only grow modestly, at an average of 0.3% (or 9,000 jobs) p.a. over the forecast horizon. The modest growth rates reflect the uncertainty around Brexit, as businesses delay and deter investment decisions in the short-to-medium term.

This level of growth is lower than historical averages, and most notably, employment is expected to decrease at an average of around 0.4% p.a. in primary sectors & utilities and 0.9% in manufacturing over the forecast horizon. Both these sectors face cost pressures which combined with technology improvements will likely decrease labour demand in traditional roles.

Economy-wide employment growth over 2017-2027 is expected to be driven mainly by relatively stronger growth in jobs in business & other services and public administration, education & health, growing on average at 0.8% and 0.5% p.a. respectively. (Again, these forecasts pre-date the pandemic.)

Together, these data confirm that the occupational structure of employment is continuing to change in favour of white collar and higher skilled occupations, although there will still be many job opportunities for less skilled workers. The results suggest significant employment growth for higher-level occupations such as managers, and most professional and associate professional and technical jobs. Caring, leisure and other service occupations are also projected to see significant employment growth. Job losses are projected for administrative & secretarial occupations; skilled trade occupations; and process, plant & machine operatives. Elementary occupations are projected to experience mixed fortunes depending on susceptibility to automation. with some growth at both high and low skill levels and a hollowing out in the middle.

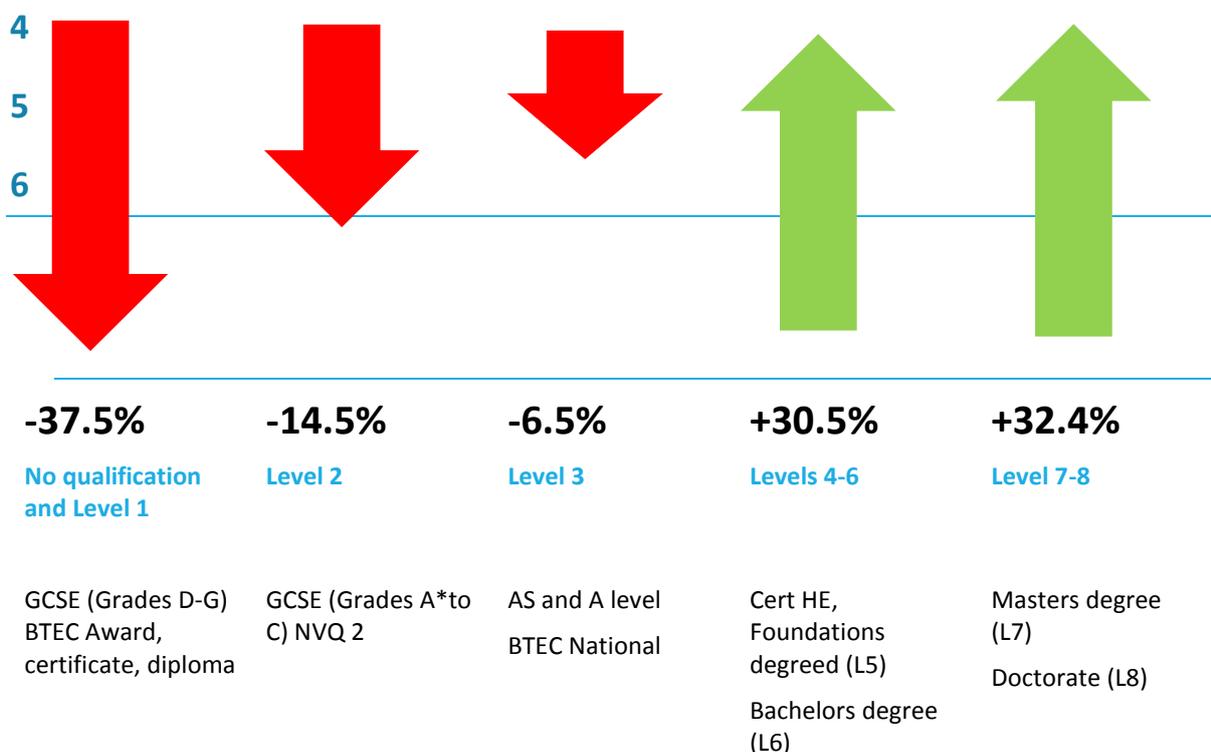
Despite these longer term trends, the need to replace those leaving the workforce for reasons of retirement and other factors will generate significant numbers of opportunities even in areas where employment is projected to fall.

	2017-2027			
	Net change	Replacement demand	Total requirement	Total requirement
Growth	%	%	%	000s
Managers, directors and senior officials	1.1	3.4	4.2	16
Professional occupations	1.2	3.0	3.9	23
Associate professional and technical	0.9	2.9	3.7	14
Administrative and secretarial	-1.8	2.8	1.4	4
Skilled trades occupations	-0.8	2.5	1.8	7
Caring, leisure and other service	1.3	3.5	4.5	16
Sales and customer service	0.0	2.8	2.8	9
Process, plant and machine operatives	-1.0	2.6	1.9	3
Elementary occupations	0.2	2.9	3.0	12
All occupations	0.3	3.0	3.2	105

Source: Working Futures 2017-2027

Figure 3.8: Forecasts of occupational change including replacement demand; % and numerical change

This hollowing out of the labour market has implications for skills demand. There will be a rise in the demand for higher level qualifications and a fall in those with low or no qualifications.



3.8 The impact of Covid on labour demand

The above forecasts indicate what might happen to the economy in the next few years as a result of the pandemic. But data is already available to show how the pandemic has upturned the labour market. Nationally, there have been more than two million new claims for Universal Credit, the sharpest annual rise in the claimant count on record, and more than nine million jobs have been furloughed through the Coronavirus Job Retention Scheme¹⁹.

The Office for Budget Responsibility has projected that 1.25 million (15%) of furloughed workers may not have jobs to return to, causing a second spike in unemployment. This needs to be set against the fact that during the last three recessions it has taken the employment rate 3-7 years to recover.

Reflecting the impact of the pandemic, vacancies across the country fell to a record low between April and June 2020 before recovering somewhat in July to September 2020. However, estimated vacancies for August 2020 were still around 40% lower than in February 2020. Real time vacancy monitoring undertaken by IES and JRF²⁰ (dated 10th July 2020) shows that CloS mirrors these national trends. Locally, vacancies have fallen almost 38.8% since mid-March and almost 50% compared with the same week a year ago.

Commentators believe that some of the changes seen during the current crisis, such as increased home working and online shopping, will remain to some extent. This will change the pattern and levels of employment across sectors and occupations but in ways which cannot yet be predicted with any confidence.

The Coronavirus Job Retention Scheme (CJRS) was announced by the government on 20 March 2020 in order to support employers who have been unable to undertake their normal activities through the COVID-19 period.²¹ Latest data for Cornwall and the Isles of Scilly on the number of people furloughed shows that at June 2020, 37% of employments (83,400) had been furloughed, a higher rate than the South West (32%) and England (32%). As at 31st August the furlough take up rate had fallen to 10% in the LEP area.

More recent data is unavailable and it is not known how many people continue to be furloughed. The Institute for Employment Studies has warned that there could be 650,000 redundancies nationwide in the second half of 2020. Although these statistics are not available at LEP level it is evident that across the country there have been significant job losses already, especially amongst retail and hospitality employers. Locally, the president of Cornwall Chamber of Commerce has raised concerns about rising job losses in Cornwall.²² As well as the retail jobs affected by national chains, press reports show for instance that:

¹⁹ LWI 2020: Missing millions – where will the jobs come from?

²⁰

Dafni Papoutsaki and Matthew Williams Weekly vacancy analysis: Vacancy trends in week-ending 5 July 2020

²¹ <https://www.gov.uk/government/publications/coronavirus-job-retention-scheme-statistics-july-2020/coronavirus-job-retention-scheme-statistics-july-2020>

²² <https://www.cornish-times.co.uk/article.cfm?id=127543&headline=%27Very%20concerning%20number%20of%20redundancies%27%20in%20Cornwall%20says%20Chamber%20boss§ionIs=news&searchyear=2020>

- The Eden Project has announced that 169 staff are to be made redundant
- Cornwall Council has announced that up to 200 jobs could go
- St Austell Brewery is to lose up to 100 jobs
- Tulip Ltd meat processing plant has lost 120 jobs in Bodmin.

ONS data published in October 2020 (relating to July and August) shows that:

- As at 31 August, the sector with the highest proportion of its workforce eligible for furlough that were actually furloughed was Arts, entertainment and recreation at 33% followed by Accommodation and food services sector at 27%. In all, 50% of employers in the Arts, entertainment and recreation sector were using the furlough scheme at the end of July as were 45% of employers in Accommodation and food services
- Women were more likely to have been furloughed than men.
- According to the BBC²³, young people, particularly those from deprived backgrounds, have had their earnings and job prospects hit hardest by the coronavirus pandemic, adding to fears for the long-term impact on their futures.
- BBC Panorama found people aged 16-25 were more than twice as likely as older workers to have lost their job, while six in 10 saw their earnings fall, according to the BBC research.

3.9 Implications for policy

- The impact of the pandemic is expected to be severe and its effects are upending earlier trends of growth. Although the whole county will be impacted there will be some areas where the impacts are far more severe than others, eg the coastal towns and the LEP will need data and information to understand the local impact to develop a place-based, targeted community response.
- The impact of Covid-19 will accelerate the urgency of the skills challenge. As a result of the Covid-19 crisis many workers face uncertain job prospects, particularly those where skill levels are low in sectors such as hospitality and retail. Upskilling and reskilling will be essential to enable workers to move into other sectors, but a lack of basic skills can make it more difficult for them to access learning programmes and apprenticeships. Adult learning in basic and digital skills should be prioritised. The opportunities offered by devolution will enable a locally tailored response.
- EU funded programmes should be quickly adapted to enable successful programmes expand their intake.
- The impact of redundancy and unemployment will have an impact on mental health and well-being and it will be important that the health and skills agendas are aligned in their response.
- IAG needs to be inclusive supported by real-time labour market data and an understanding of where future jobs growth will come from.

²³ <https://www.bbc.co.uk/news/uk-54662485>

Further information needs to support the update of the Local Skills Report

- *The DfE should be made aware of the lack of up to date statistics on basic skills, which inhibits the effective mapping of need versus supply. In the meantime, work needs to be undertaken to map the supply of learning and identify best practice.*

4 STAGE 3 THE SUPPLY OF SKILLS

Summary points

- 8,400 people were classed as ILO unemployed at June 2020. At 3.2% this was below the rate recorded in the UK (4%). A further 15,200 are considered to be economically inactive and looking for work.
- Claimant count data is more up to date and the statistics show that in September 2020, 19,305 people in CloS were claiming unemployment-related benefits, equivalent to 5.8% of the working age population. This figure has more than doubled since January 2020. Wards in Newquay have been particularly affected.
- There is no local data on remote working but national data points to a sea-change in behaviour. Nationally, almost half the workforce have been working from home during lockdown. It might be expected that the level of home working is less than this in CloS since the nature of jobs and sectors do not so readily lend themselves to remote working.
- In terms of the qualifications of the workforce CloS occupies a mid-range position along with other rural LEPs such as Worcestershire, The Marches and Heart of the South West. 37% have higher level qualifications at Level 4 and above, a little below the national average of 40%.
- There has been a significant increase in graduate level qualifications locally since 2015. The proportion with Level 4 qualifications has risen 7.7 percentage points compared with a national growth rate of 3.3 percentage points.
- By the age of 19, 81.8% of young people attain Level 2 or equivalent which is in line with the national average. An above average proportion (70.8% compared with 68.7% nationally) of young people attain Level 2 in English and Maths by the age of 19. Level 3 performance is broadly in line with the national average.
- Fewer young people with an A level or equivalent (L3) progress to Higher Education (49%) than in England (57%).
- The take up of apprenticeships has fallen both nationally and locally with the introduction of the Apprenticeship Levy. People from CloS are much more likely to opt for Intermediate apprenticeships (51% of starts) than nationally (37%).
- Adult learning is in decline both locally and nationally. Notable falls have occurred in participation in full Level 2 qualifications and English and maths. Level 3 learning has held up relatively well and participation in Level 4 qualifications has grown significantly, albeit from a very small base.
- Participation in STEM subjects has declined.
- There has been a year on year decline in HE participation since 2014/15 of 13% overall, and in contrast to nationally, where the number of UK-domiciled students increased year on year, by a total of 4% over the same period.
- 64% of employers trained their employees in the past 12 months (2019 data) but overall, fewer employees are being trained and for less time. Local employers were more likely than average to use FE colleges for their training and were more likely to train their employees to a qualification.
- Older workers and people with a disability are far less likely to be in employment than average.

4.1 Introduction

The availability of the right number of people with the right skills is critical to the LEP's ambition to achieve inclusive growth. The following section examines the overall level and profile of labour supply in CloS as well as the key characteristics of the skills of the workforce.

National research has shown that increased levels of skills in the workforce can lead to business innovation and better adaptation to new technologies, as well as the identification and exploitation of new market opportunities. The ability to remain globally competitive and to change the strategy of a company is also dependent on the skills of the workforce. Conversely, skills shortages and skills gaps can impact on a company's ability to innovate and introduce new value added products and different working practices.

4.2 Unemployment is on the rise

At its simplest, unemployment represents an over-supply of particular skills at any one time, for example, skills which are out of date or which are insufficient in some way. The International Labour Organisation (ILO) is the Government's preferred measure of unemployment. Estimates are derived from the Annual Population Survey and include people who are not working but who have looked for a job in the last four weeks. As might be expected in the current climate, unemployment – as measured according to the ILO definition - is rising. Around 1.1 million people were looking for work between July 19 to June 2020 in England. In addition to the 1.1 million unemployed the ONS estimates that there are an additional 2 million people across the UK who are on the fringes of unemployment and who may soon need to look for work.

In Cornwall and the Isles of Scilly an estimated 8,400 people were looking for work between July 2019 and June 2020. This is equivalent to 3.2% of the economically active population aged 16+. At that time the unemployment rate in CloS was not statistically different to that of the UK (4%). Sample sizes for local data are too small to be statistically reliable to explore in depth but nationally young people aged 16 to 24 (12.0%) are three times more likely than average to be unemployed than average.

The figures relating to ILO unemployment only provide part of the joblessness picture, however. The LEP area continues to face a significant challenge around getting people into sustained employment. In addition to the 8,400 people who are unemployed, and who are available for and actively seeking work, consideration needs to be given to people who are economically inactive but who would like a job. When they are factored in, the count increases to **23,600 or 9% of the working age population**.

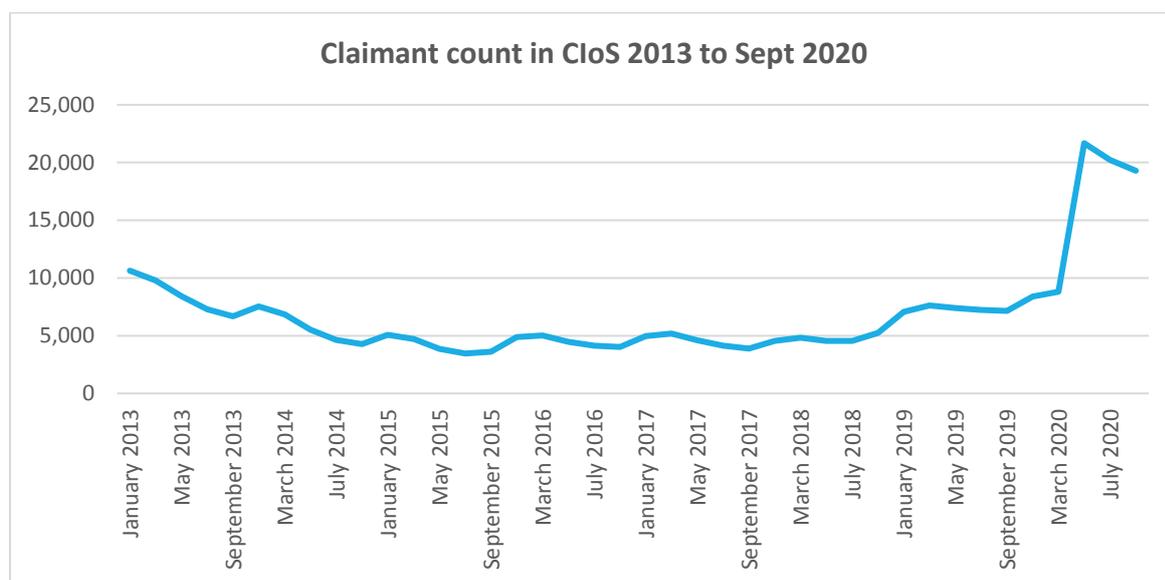
The number of inactive people who would like a job (c1 in 4) has remained stubbornly high in the face of a strengthening labour market. Whereas unemployment has almost halved since 2012 the number of inactive people who would like a job has remained largely static over the same period.

This confirms the continued importance of employment support and investment in skills development for the jobless and economically inactive; a challenge which has been given new urgency by the pandemic.

4.3 The claimant count has more than doubled

The alternative measure of unemployment is the claimant count which is an administrative count of the number of people claiming benefits mainly relating to unemployment. It is the most up-to-date indicator of labour market performance as figures are only four weeks old when they are released. The results show that in September 2020, 19,305 people in CloS were claiming unemployment-related benefits, equivalent to 5.8% of the working age population. This is a little below the national rate of 6.6%. Of the local figure, one fifth (22%) were aged between 16 to 24 years old and around one-quarter (26%) were aged 50 and over.

Reflecting the impact of the pandemic, the number of claimants across CloS has increased substantially since March 2020:

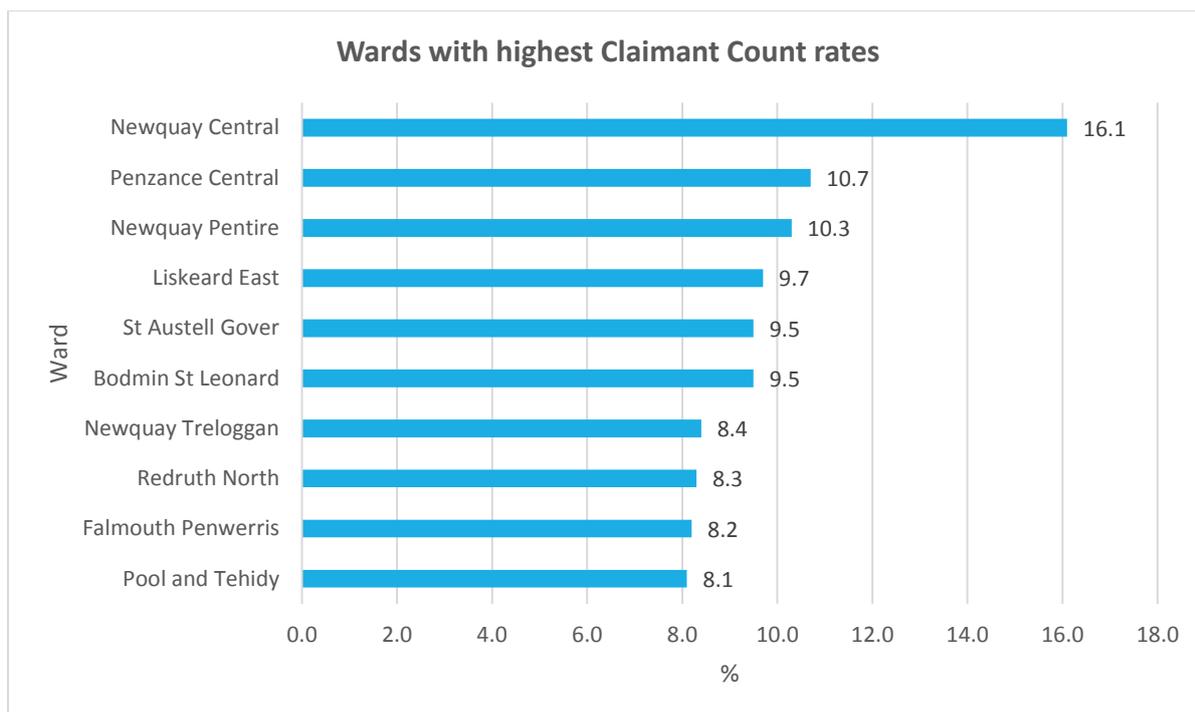


Source: ONS Claimant Count (Sourced 22 October 2020)

Figure 4.1: Trends in the Claimant Count in CloS 2013 to September 2020

As Figure 4.1 shows the number of claimants has more than doubled since January 2020. Key points to note from a more detailed analysis of the data are:

- The number of people claiming out of work benefits has increased by 129% or 10,900 people.
- The rate of increase since lockdown has risen at broadly the same rate for men and women.
- 59% of claimants are men who had an unemployment rate of 7.1% at September 2020 compared with a 4.6% rate for women.
- The rise in unemployment has impacted on all age groups with the impact being marginally greater for 16-24 year olds (up 133% compared with 129% overall).
- All wards have experienced sharp rises in unemployment since the start of the pandemic with wards in Newquay showing some of the greatest unemployment rates:



Source: ONS Claimant Count (Sourced 22 October 2020)

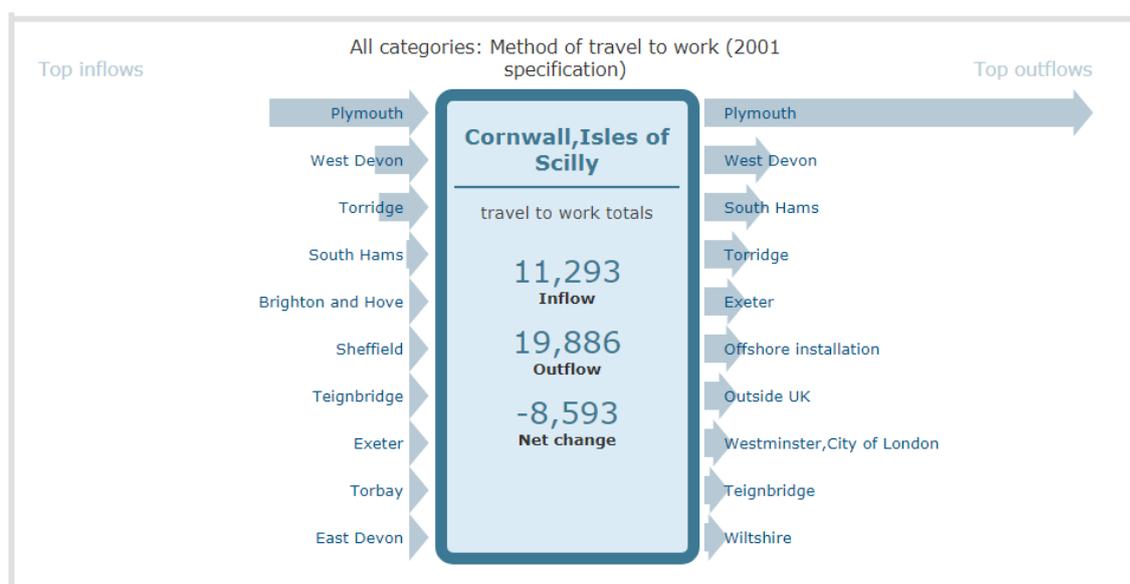
Figure 4.2 Wards with the highest Claimant Count rate (Sept. 2020)

4.4 Inward and outward commuting flows impact on the skills supply

The LEP area is not a closed system: commuting behaviour has a key bearing on the labour supply that is available to meet demand from local employers.

Overall the flows in to and out of Cornwall are influenced by its geography. Cornwall's peninsula setting, and single shared border with Devon & Plymouth, mean that levels of travel to work flows are less than would be expected in similar sized areas which are surrounded by neighbouring authorities. In total, 19,866 workers commute from Cornwall for employment purposes and 11,293 commute into Cornwall. The net flow is a loss of 8,593 workers.

Plymouth is the main source of inflows and outflows. 9,427 people commute out to Plymouth and 3,742 commute from Plymouth to Cornwall, a net outflow of 5,685.



Source: <https://www.nomisweb.co.uk/census/2011/wu03uk/chart>

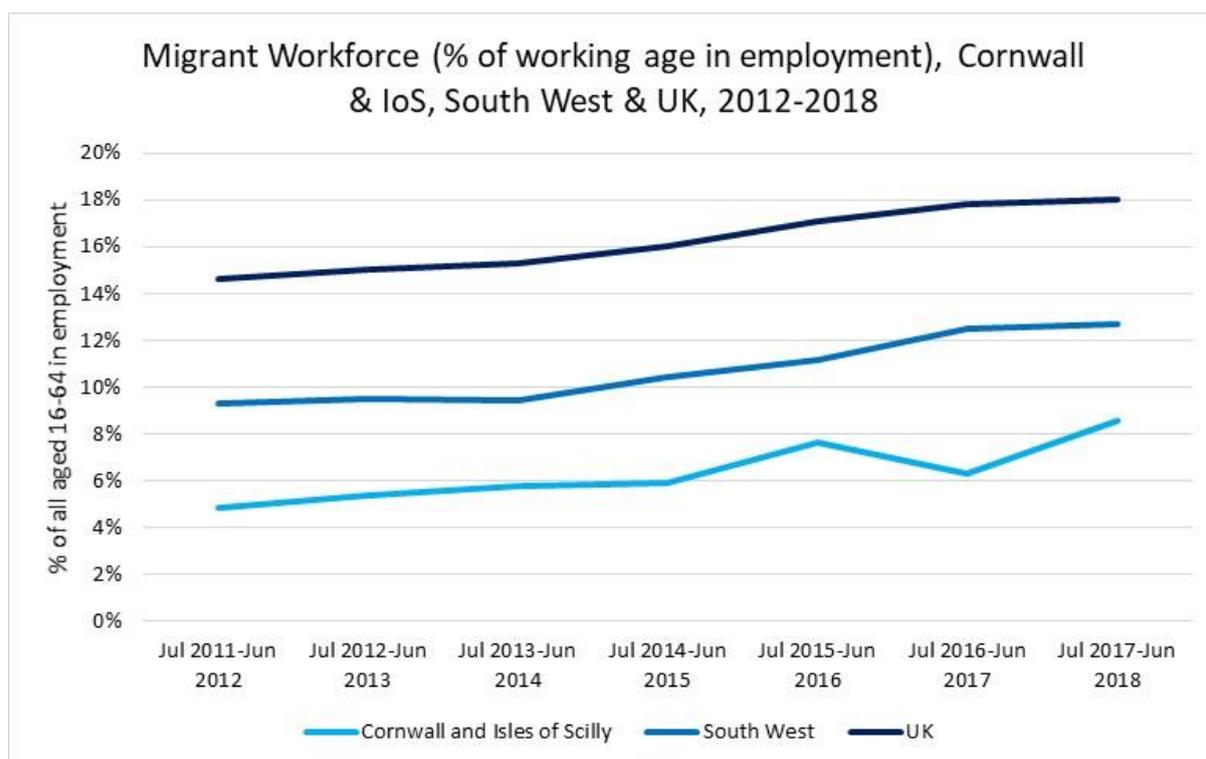
Figure 4.3: Commuting flows into and out of Cornwall

Accessibility of jobs is an issue for the area. This is reflected in the role of physical access as a cause of hard-to-fill vacancies. In the LEP area, 13% of hard-to-fill vacancies are due to remote location and/or poor public transport links, somewhat higher than the national average of 10%.

4.5 Migrant Workers

The presence of migrant workers can be indicative of a mismatch between the skills / labour requirements of employers and the available supply of indigenous workers. The hard data available on the migrant workforce at a local level is limited to estimates of the current workforce who were not born in the UK, along with data on new migrant workers registering for National Insurance numbers (NINOs).

Data from the Annual Population Survey (APS) estimates that in 2018, there were around 21,000 migrant workers living in Cornwall and the Isles of Scilly, accounting the 8.6% of people aged 16-64 who were in employment. The chart below shows that the concentration of migrant workers locally is well below that for the South West (12.7%) and the UK as a whole (18%), but is following the wider trend of a increasing levels of migrant working in recent years; up from an estimated 4.9% (10,900 workers) in 2012.



Source: Annual Population Survey (via Nomis)

Figure 4.4: Trends in the migrant workforce

One way of measuring the demand for migrant workers is new registrations for National Insurance numbers (NINOs) from overseas nationals. The table below shows that in the year to June 2020, there were 1,776 NINOs for workers with home addresses in Cornwall and the Isles of Scilly, and that this number has been gradually declining year on year since the Brexit referendum in 2016. Between 2016 and 2020, the number of NINOs locally has fallen by over a third, compared to just over a quarter for the UK as a whole.

Year (12 months to June)	Cornwall & IOS	UK
2016	2,681	821,994
2017	2,527	767,977
2018	2,300	638,234
2019	2,109	695,772
2020	1,776	604,178
% change 2016-2020	-34%	-26%

Source: DWP Stat-Xplore

Figure 4.5: NINO Registrations to Adult Overseas Nationals Entering The UK, 2016-2020

As might be expected, this fall has been driven by sharp declines in registrations from EU nationals in response to the UK's intended exit from the EU.

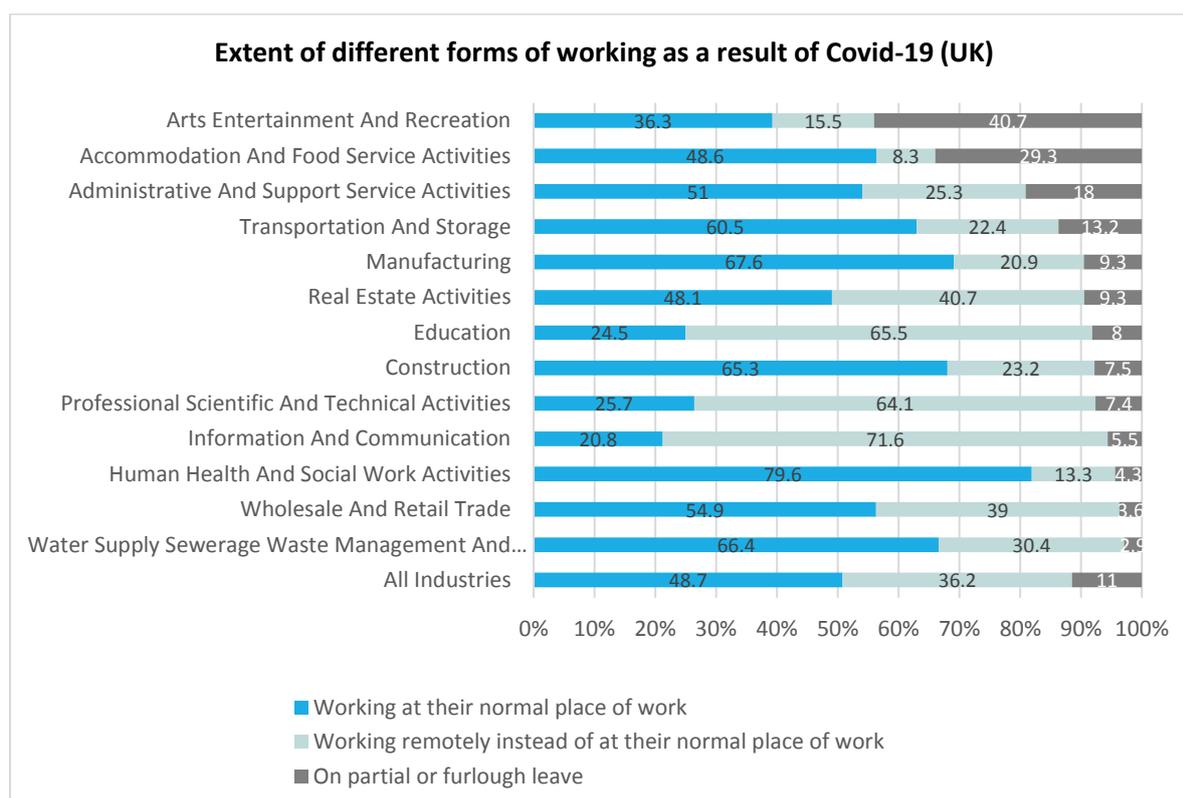
In terms of understanding more about the nature of employment that migrant workers tend to undertake, local area statistics are insufficiently robust.

4.6 Home working and the impact of Covid-19

Data from before the pandemic showed that home working in the UK was very much a minority activity accounting for just over 5% of the workforce, with an additional 1% saying they worked in proximity to their home (e.g. farmers) and 8% who said they used their home as a base e.g. some self-employed people..

The pandemic has radically changed this pattern and by April 2020 46.6%²⁴ of the workforce were working from home. As might be expected, occupations requiring higher qualifications and experience were more likely to provide homeworking opportunities than elementary and manual occupations. Thus, over two-thirds (69.6%) of the professional occupations did some work at home, whereas amongst the last five occupational groups²⁵ under 20% of workers undertook some amount of homeworking.

Data for 10th -23rd August has been broken down by industry and shows the wide variation in homeworking with 72% of those in ICT working from home compared with sectors which are more typically found in CloS namely Accommodation and food service activities (8%) and Health and Social work (13.3%):



Source: <https://www.ons.gov.uk/businessindustryandtrade/business/businessservices/bulletins/coronavirusandtheeconomicimpactsontheuk/10september2020#workforce>

Figure 4.6: Home working, working at work and furlough by sector (UK)

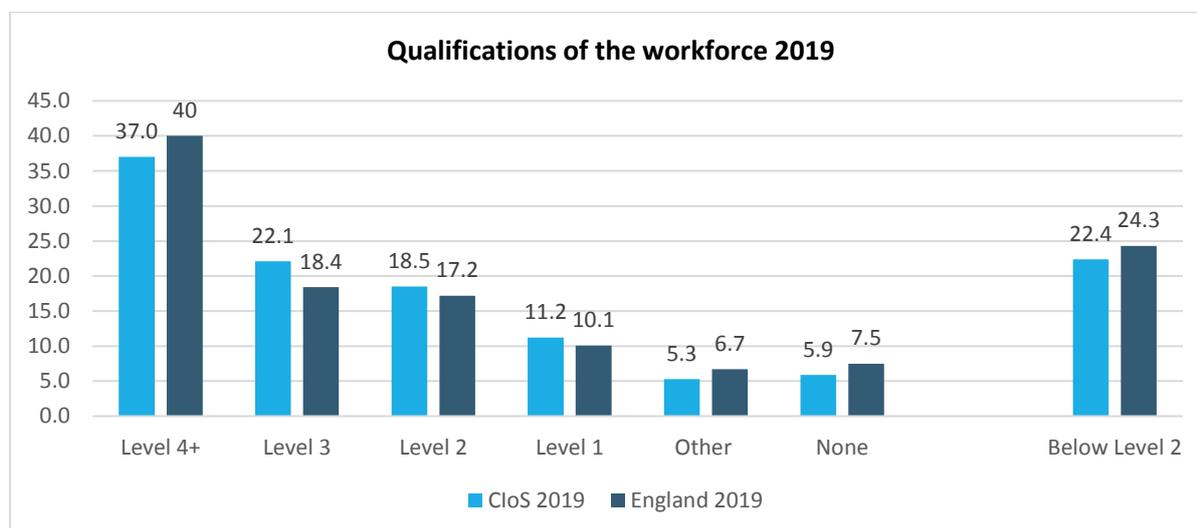
²⁴ ONS Business Impact of Coronavirus survey April 2020

²⁵ Except "Elementary Occupations" which has been excluded because of small sample sizes

4.7 There has been a steady in the proportion of local people qualified at Level 4 and above but the proportion with no qualifications remains static

In this section we examine the skills base of the working age population.

Currently 37% of the working age population in CloS has a graduate level qualification (Level 4+), somewhat below the English average of 40%.



Source: APS Working age population

Figure 4.7: Qualifications of the workforce: CloS and England compared (%)

Comparison with other LEPs shows that on this measure CloS occupies a mid-range position along with other rural LEPs such as Worcestershire, The Marches and Heart of the South West, but well below the top performing economies of London (54%) and Oxfordshire (51%).

Trend analysis shows that there has been a significant increase in graduate level qualifications locally since 2015. The proportion with Level 4 qualifications has risen 7.7 percentage points compared with a national growth rate of 3.3 percentage points, resulting in a considerable narrowing of the gap between the two. Conversely, there has been no change in the 5.9% who possess no qualifications.

Overall, the data paint **an improving picture**, but if the LEP is to compete successfully a further 10,000 more people would need to qualify to Level 4 just to reach the national average. This indicates the scale of the challenge and a continued need to prioritise skills development.

As is the case nationally, there is a marked contrast between the qualification profile of people in work and those outside the labour market who are unemployed or economically inactive. This is starkly illustrated by the gaps at the highest and lowest ends of the spectrum. In particular, the proportion holding no qualifications rises to over 1 in 8 of the working age population (13.2%) amongst those outside the labour market. Almost 1 in 3 of the unemployed/economically inactive possess either no qualifications or qualifications below Level 2, commonly taken to be the standard for employability:

CloS 2019	Employed (%)	Unemployed/economically inactive (%)
% with NVQ4+ - aged 16-64	38.9	30.7
% with NVQ3 only - aged 16-64	21.0	17.4
% with Trade Apprenticeships - aged 16-64	3.7	3.9
% with NVQ2 only - aged 16-64	16.2	18.1
% with NVQ1 only - aged 16-64	10.4	13.6
% with other qualifications (NVQ) - aged 16-	5.9	3.1
% with no qualifications (NVQ) - aged 16-64	3.8	13.2
< Level 2	20.1	29.9

Source; APS to December 2019

Figure 4.8: Qualifications of the employed population of working age with those outside the workforce

4.8 The pipeline of talent

Young people are tomorrow’s workforce, and the future competitiveness and capacity for growth of the CloS economy will, in part, be determined by the benefit gained by young people from the local education and training infrastructure.

The LEP’s strategies acknowledge this and seek to be ever more ambitious for its young people. The Strategic Economic Plan aims to ensure that young people living in all parts of Cornwall and Isles of Scilly can access further (FE) and higher education (HE), and have the aspiration to attend HE. Through working closely with employers, the LEP aims to promote work readiness and enterprise skills to young people.

Published statistics provide an insight into the proportion of young people achieving qualifications at different levels by the age of 19.

4.9 Attainment at 16 and 19

National research²⁶ has shown that attainment at 16 is key to future success and that GCSE attainment can predict the likelihood of progression to Higher Education. Therefore, performance and success at 16 is an integral part of the LEP’s ambitions to raise skill levels and to secure high value economic growth.

Latest data shows that overall, CloS’s performance against the main accountability measures at Key Stage 4 is a little below the national average. The average attainment 8 score per pupil for the LEP area is 45.4% compared with the national average of 46.7%. Cornwall also underperforms the national average with regard to attainment against English and Maths GCSEs. 39% achieved Grade 5 or above in Cornwall compared with 43% in England.

²⁶ University Challenge: How Higher Education can Advance Social Mobility, by the Independent Reviewer on Social Mobility and Child Poverty (October 2012)

Post 16 performance is better. By the age of 19, 81.8% of young people attain Level 2 or equivalent qualifications which is on a par with the national average. More specifically, 70.8% of young people attain Level 2 in English and Maths by the age of 19, a figure which is above the national average of 68.7%.

At Level 3 performance is marginally below the national average (55.9% in CloS compared with 56.9% in England).

The corollary of this is that around 18% of 19 year olds in CloS do not achieve a Level 2 qualification by the age of 19 (c900 19 year olds). Although this is in line with the national figure it represents a significant minority of young people who do not reach what is widely considered to be the minimum benchmark for employment. These young people have multiple options closed to them. Many will not be able to begin an apprenticeship, start technical courses or enter some workplaces because they cannot meet the basic entry requirements.

So whilst the evidence validates the LEP priority to raise qualifications and skills to support young people progress into the labour market and Higher Education, it will be important to ensure that those who attain lower level qualifications do not get left behind.

4.10 Destinations

Sustained destinations tend to be below average for 16-18 school leavers. For those leaving with an A level or equivalent (L3), 49% progress to Further or Higher Education compared with 57% in England. The data shows that more progress to employment (30%) than nationally (24%) which is likely to reflect the ready availability of jobs in the local economy. The corollary of this is with the pandemic bearing down heavily on the availability of jobs, young people will be at greater risk of entering unemployment on completion of their studies.

This pattern supports the earlier analysis which shows that more people in CloS possess Level 3 qualifications but fewer possess Level 4 qualifications. If the LEP is to succeed in attracting and retaining higher skilled jobs in the local economy then there is a need for more young people to progress to Higher Education.

For those with GCSEs or equivalent the destination pattern mirrors the national picture.

Area	Qualification Level	Proportion of pupils with activity recorded in 2017/18 as destination sustained for at least two terms:		
		Sustained education	Sustained apprenticeship	Sustained employment
England	Total	47%	10%	25%
	Level 3	57%	7%	24%
	Level 2	25%	16%	33%
	All other qualifications	17%	15%	25%
Cornwall and Isles of Scilly	Total	40%	9%	30%
	Level 3	49%	6%	30%
	Level 2	26%	16%	33%
	All other qualifications	20%	13%	28%

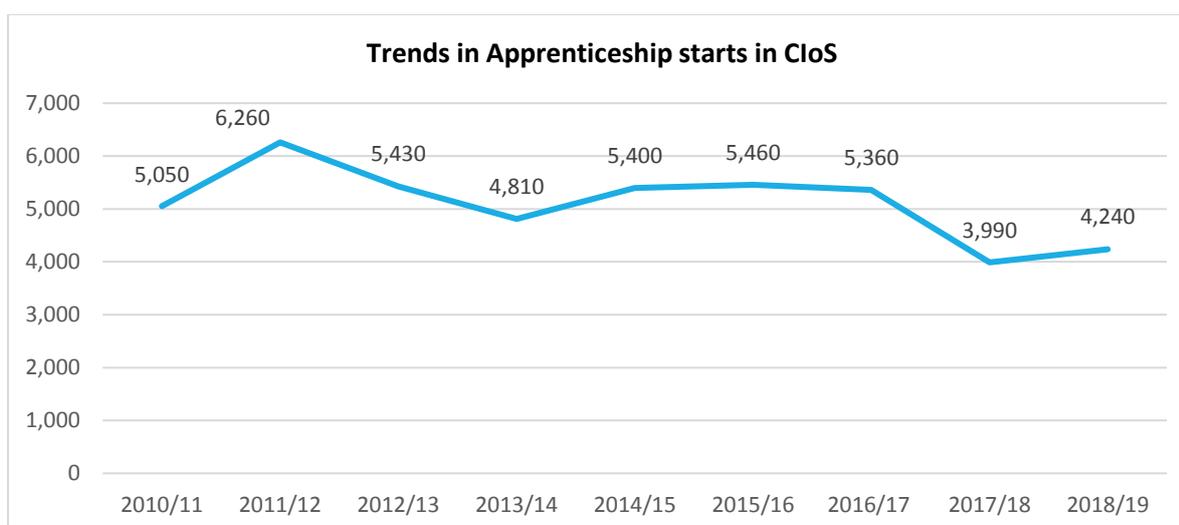
Source: DfE <https://www.gov.uk/government/statistics/destinations-of-ks4-and-16-to-18-ks5-students-2018>

Figure 4.9: 16-18 destinations - state-funded mainstream schools and colleges

4.11 The uptake of apprenticeships has declined

Locally, statistics from the National Apprenticeship Service show that there were 4,240 apprenticeship starts in the LEP in the last full year for which data is available (2018/19). Slightly more of the starts (54%) were undertaken by men than women.

Trend data for the past decade shows that numbers fell after 2011/12 as the impact of the 2008 financial crash continued to be felt, subsequently numbers then recovered until the introduction of the Apprenticeship Levy in 2017 which caused a slump in numbers to an all time low. 2018/19 figures give some cause for optimism that the corner has turned although it is very likely that the pandemic will set growth back once again.

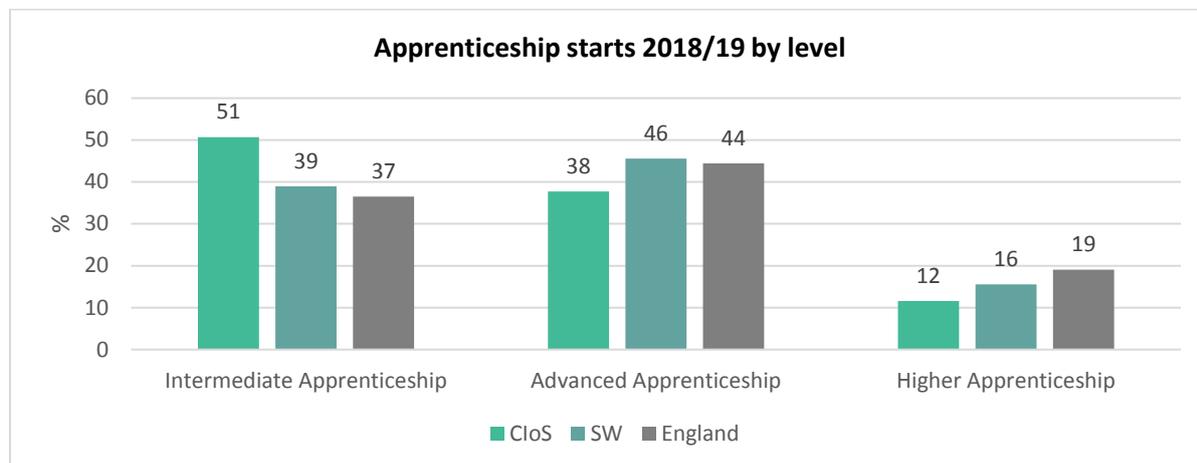


Source: FE Data library – Apprenticeships

Figure 4.10: Trends in Apprenticeship starts 2010/11 to 2018/19

Overall there has been a decline in apprenticeship starts of 16% in CloS which is greater than the regional (-11%) and national falls (-14%):

More detailed analysis shows that just over half (51%) of starts are at Intermediate level; 38% at Advanced and 12% at Higher levels. The predominance of Intermediate level apprenticeships is more pronounced than in the South West or England:



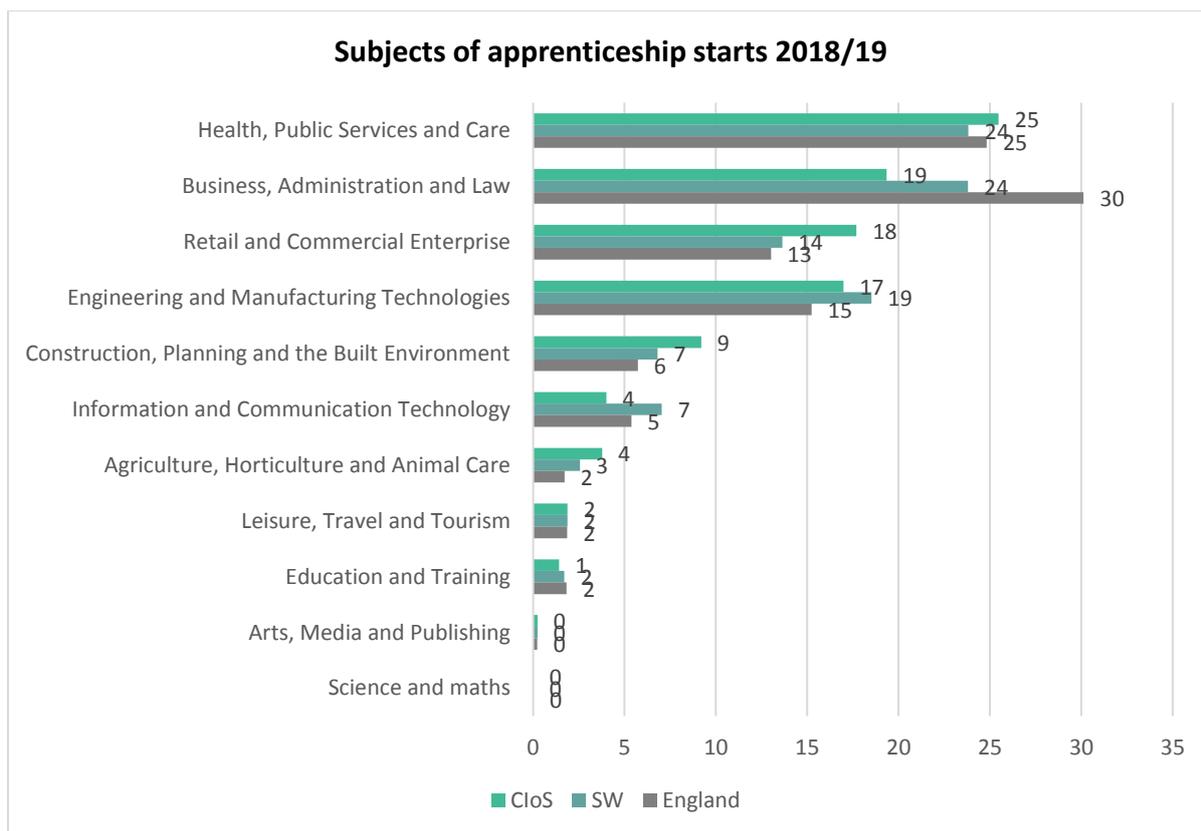
Source: FE Data library – Apprenticeships

Figure 4.11; Level of Apprenticeship starts 2018/19 (%)

The main areas of participation are in:

- Health, Public Services and Care: 25%
- Business administration: 19%
- Retail: 18%
- Engineering and Manufacturing: 17%

The main difference with the national position is far lower participation in Business administration than the average (which fits with the make-up of the industrial base), but more uptake of Construction, Retail and Agriculture Apprenticeships:



Source: FE Data library – Apprenticeships

Figure 4.12: Subjects of apprenticeship starts; CloS and England compared (2018/19); percentages

By far the biggest numbers of apprenticeship starts by age group are accounted for by the over 25s (43%), slightly below the national average (46%), but broadly the age distribution is very similar to the regional and national patterns.

	All apprenticeships (Nos.)				All apprenticeships (%)			
	Under 19	19-24	25+	All Ages	Under 19	19-24	25+	All Ages
CloS	1,100	1,300	1,840	4,240	26	31	43	100
South West	23,280	26,740	37,880	87,900	26	30	43	100
England	195,550	232,190	359,490	787,230	25	29	46	100

Source: FE Data library – Apprenticeships

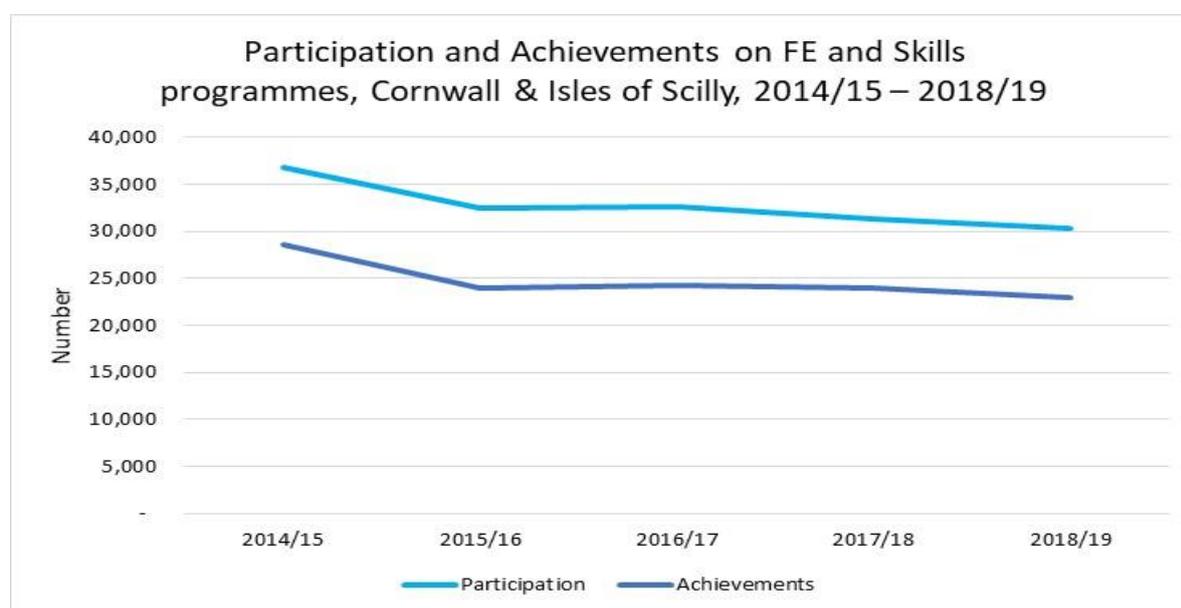
Figure 4.13: Age of apprenticeship starts; CloS, South West and England compared (2018/19)

4.12 Recent trends in adult training

Against a picture of rising need, the current system is failing to keep pace. **Adult education is in decline.** The decline is evident in terms of funding and participation, with only adult apprenticeships being the exception since 2015/16. The Social Mobility Commission²⁷ found that:

- Since 2005, there has been a 45% decline in adults (age 19+) participating in FE and skills.
- Since 2010, community learning participation has fallen by 28% and part-time adult learning has fallen by 43% in the same period.
- 49% of the poorest adults have received no training since leaving school, compared to 20% of the richest.
- Of all those low paid in 2006, only 1 in 6 made a sustained progression onto higher wages ten years later. Over half were 'stuck' on low pay for this period with no imminent prospects to progress.
- Basic skills are critical for entry level jobs but between 2010/11 and 2017/18, there was a 31% decline in adults participating in up to a Level 2 English and maths and a 30% decline in the number of those achieving up to Level 2 qualifications over the same period.

Local data on qualifications delivered through the local skills system shows that CloS has not been immune to these trends. Between 2014/15 and 2018/19 academic years the number of participants on FE and Skills programmes (all ages 16+) in the LEP area fell by 18% from 36,760 to 30,310. Achievements on these programmes saw a greater decline of 20%. The declines seen across the LEP area are broadly similar to those seen at national level for the same period, which were 18% and 23% respectively.



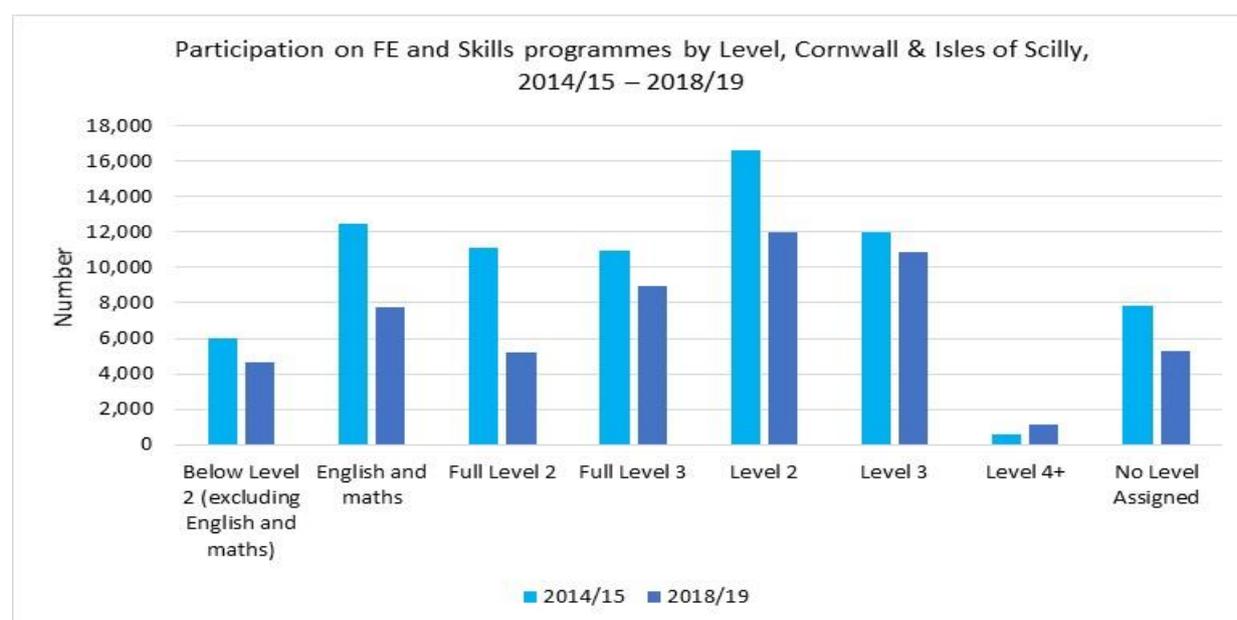
Source: Department for Education

Figure 4.14: Trends in participation and achievements in FE and Skills Programmes in CloS

²⁷ Social Mobility Commission: State of the Nation 2018-19: Social Mobility in Great Britain, April 2019. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/798404/SMC_State_of_the_Nation_Report_2018-19.pdf

In terms of qualification level, full Level 2 courses saw the most pronounced decline of 53% whilst full Level 3 courses fell by a comparatively modest 18%. English and maths provision fell by over a third whilst participation in provision below Level 2 (excluding English and maths) fell by nearly a quarter (23%). Only participation in qualifications at Level 4 and above grew, almost doubling, albeit from a small base.

Whereas participation by young people up to 19 fell by 11%, for adults it declined by almost twice as much, at 21%.



Source: Department for Education

Figure 4.15; Participation on FE and Skills programmes by level, 2014/15 to 2018/19

Provider Name	Provider Type	Learners
Cornwall College	General FE College incl Tertiary	10,110
Truro and Penwith College	General FE College incl Tertiary	7,830
Cornwall Council	Other Public Funded i.e LA's and HE	3,790
V Learning Net	Private Sector Public Funded	910
The Learning Partnership for Cornwall and the Isles of Scilly Limited	Private Sector Public Funded	360
Integer Training Limited	Private Sector Public Funded	230
Council of the Isles of Scilly	Other Public Funded i.e LA's and HE	170
Cornwall Marine Network Limited	Private Sector Public Funded	70
South West Skills Academy Limited	Private Sector Public Funded	60
AWC Training Ltd	Private Sector Public Funded	30

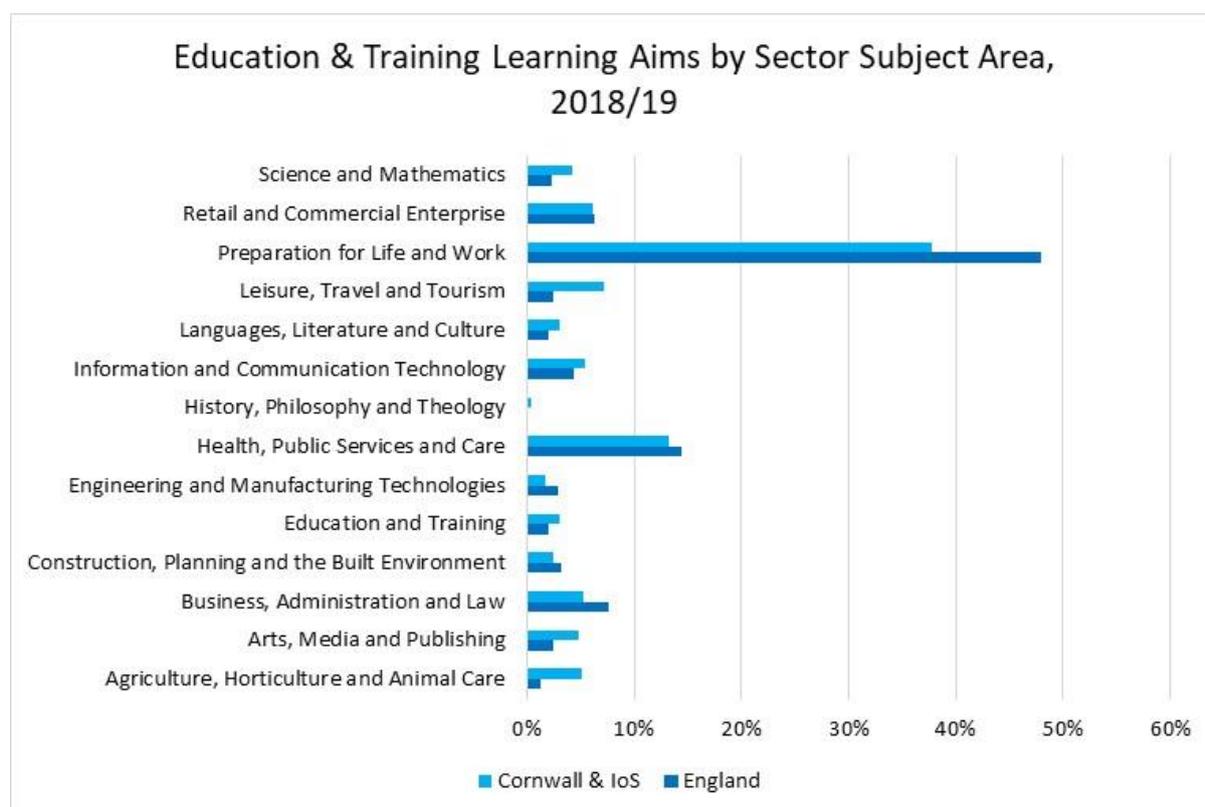
Source: Department for Education

Figure 4.16: Top FE and Skills providers in Cornwall & Isles of Scilly based on number of learners, 2018/19

In subject terms the largest category within Education and Training is Preparation for Life and Work, which contributed 38% of total provision in 2018/19 compared to 48% across England as a whole.

Health, public services and care accounts for 13% of all learning aims, and Leisure, Travel and Tourism a further 7%, three times the national average. Retail and commercial enterprise provision accounts for 6% of learning aims and its main components are Service enterprises and Hospitality and catering. These subjects align well with the local economy.

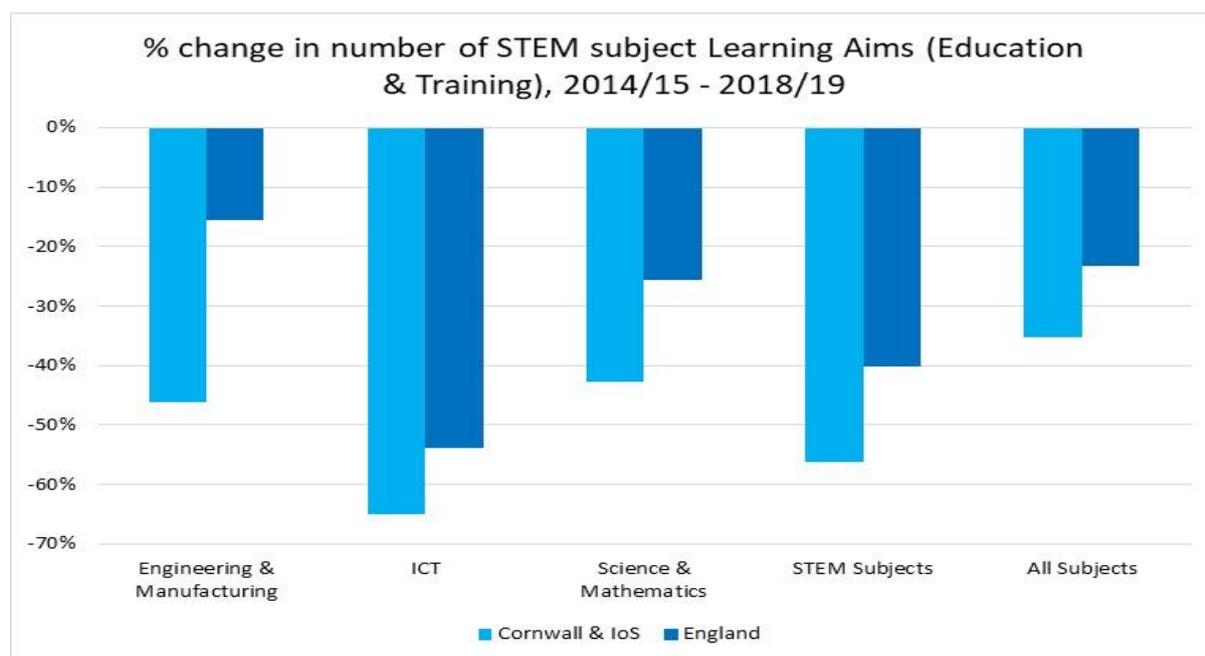
STEM subjects account for relatively low proportions of total provision, but Cornwall and IoS had a higher than average concentration of aims studied in both Science /Mathematics and ICT compared to the national average, but a lower than average proportion in Engineering and Manufacturing Technologies.



Source: Department for Education

Figure 4.17: Subjects of study: CloS and England compared

However, in recent years the numbers of learning aims undertaken in STEM subjects has fallen dramatically, as shown in the chart below. Between 2014/15 and 2018/19, the total number of STEM aims locally has fallen by 56%, compared to just 35% across all subjects. While the decline has been significant across all STEM subjects, the fall in ICT take up has been the most severe, at 65% on 2014/15 levels. This may well reflect a diminishing need for basic level ICT learning amongst young people. The chart also shows that the decline in STEM subjects locally has been more extensive than has been the case nationally.



Source: Department for Education

Figure 4.18 Trends in participation in STEM subjects; CloS and England compared

4.13 Higher education

The LEP area’s higher education institutions are a key contributor in terms of the supply of higher level skills.

With only one university located in Cornwall itself (Falmouth University) **Combined Universities in Cornwall (CUC)** is a partnership of five universities and colleges created to work together to broaden higher education delivered locally. These are:

- Camborne School of Mines (University of Exeter)
- Falmouth University
- University of Exeter
- Plymouth University
- Cornwall College (as above)
- Truro College and Penwith College

In 2018/19, a total of 12,610 people from Cornwall were enrolled on a higher education course with a UK provider. This has declined year on year from 2014/15 when 14,465 people were enrolled, a decline of 13% overall, and in contrast to nationally, where the number of UK-domiciled students increased year on year, by a total of 4% over the same period. Just over half of all HE students from Cornwall were studying at a provider based in the South West region (53%).

A range of published statistics from HESA are available at individual provider level. This means that there are limits to any conclusions that can be reached from HESA data, as the only HE provider located in Cornwall in this data is Falmouth University, and locally-delivered provision through other CUC providers cannot be disaggregated from the rest of those institutions’ provision.

HE enrolments by sector subject area

In 2018/19, there were 6,425 students enrolled at Falmouth University, a number that has grown rapidly in recent years, from 4,280 in 2014/15.

The University is heavily focused on Creative arts and design subjects, which account for over two thirds of total students. In terms of STEM subjects, the number of Computer Science students has increased from 50 in 2014/15 to 445 in 2018/19, with the University offering a number of undergraduate and postgraduate courses in Game Design and development, Virtual Reality and Artificial Intelligence for Games. This local provision will do much to foster the growth of the creative sector that the LEP seeks to encourage.

Graduate destinations

HESA data on the activities of graduates 15 months after graduation shows that for the 2017/18 academic year, 83% of graduates from Cornwall HEIs (Falmouth University, Cornwall College and Truro & Penwith College) were in employment, compared to 81% for all UK HEIs. 5% went onto further study (8% nationally), 5% were unemployed, and 6% went onto other destinations, including travelling or caring for someone.

Data is also collected on which UK region graduates are located in, 1, 3 and 5 years after graduation. For Falmouth University, in 2017/18, after 1 year, 51% of graduates were living in the South West, which fell slightly to 47-48% after 3 and 5 years. This retention rate in the South West is nevertheless relatively positive. London and the South East are the most popular locations for Falmouth University graduates, accounting for 26% of graduates after 1 year, rising to 29% after 3 and 5 years.

4.14 Employer sponsored training

Skills investment is undertaken by employers, individuals themselves and the government (in that order). By a significant margin, employers provide the highest levels of funding for adult training. This is followed by individuals themselves, mainly through higher education loans and to a lesser extent Advanced Learner Loans. Only around 7% of adult skills training is funded by the government²⁸.

Data from the government's own research, the Employer Skills Survey²⁹ provides information on training trends during the latter half of 2019. It shows that since the last survey in 2017, non-training employers increased from 34% to 39% of all employers. Boosting employer involvement in learning and working in partnership with employers to secure the training their employees need will therefore be critical in the next few years.

Headline data from the Employer Skills Survey 2019 for Cornwall and the Isles of Scilly shows that:

- In contrast with the national data, the proportion of employers who had trained their staff rose to 64%, compared with figures of 62% in 2017, although over a longer time period the level of training is down from 66% in 2013.

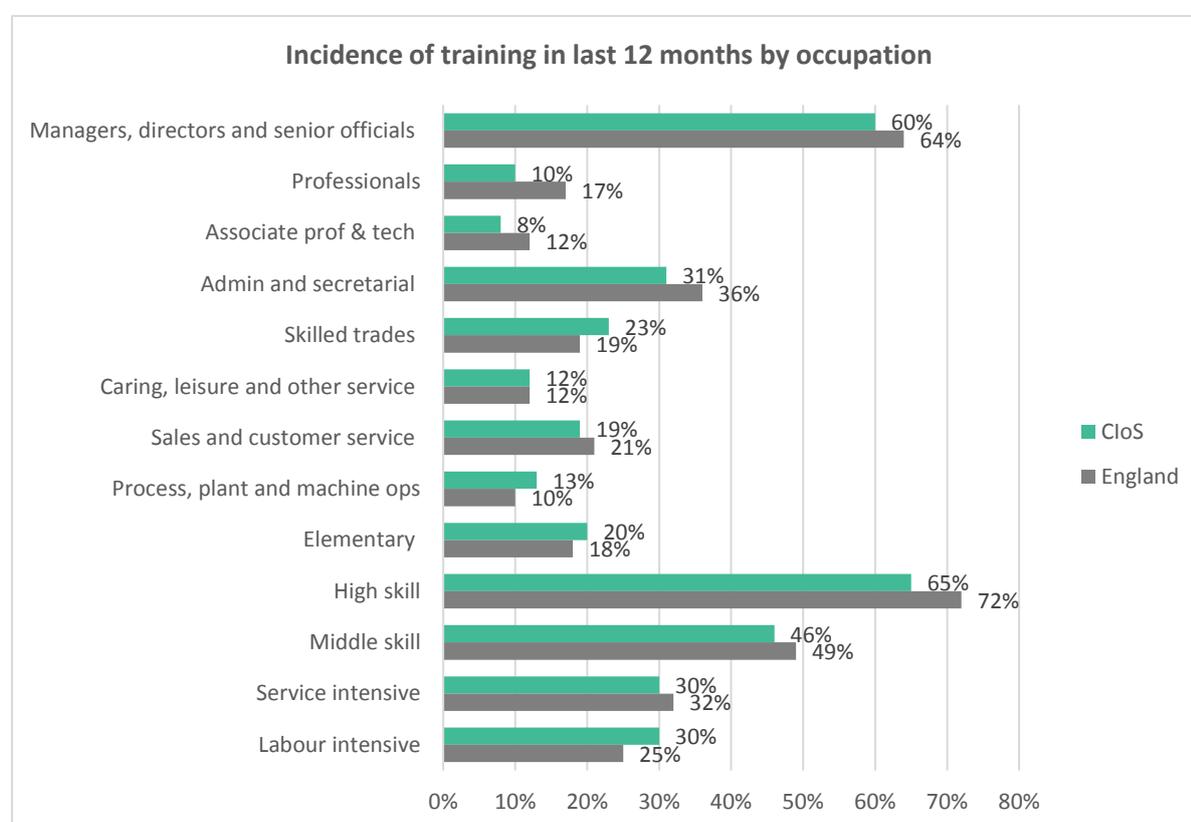
²⁸ Social Mobility Commission: The adult skills gap: is falling investment in UK adults stalling social mobility?

²⁹ Employers Skill Survey 2019 <https://www.gov.uk/government/publications/employer-skills-survey-2019-england-results>

- But employers are training fewer staff and the proportion of staff trained over the last 12 months, at 60%, is down from 2013 (64%) and 2017 (63%).
- Local employers had provided 736,723 training days over the last 12 months, equivalent to 5.5 days per annum per person trained and 3.3 days per employee. Again, these figures were lower than in 2017, when 831,418 training days were reported and trainees received an average of 6.2 days training.

The main forms of training offered were technical/job-specific training (88% of employers providing training in CloS); health and safety training (72%); induction training (56%) and training in new technology (46%).

Managers and higher skills staff were most likely to benefit from training although the proportion of higher skilled staff trained in CloS (65%) is significantly lower than in England (72%). More positively, training is higher in CloS for Skilled trades staff. As can be seen, employers in CloS are more likely than average to train staff in labour intensive positions:



Source: Employer Skills Survey 2019 (Base: All establishments providing training)

Figure 4.19: Percent of employers offering training to different occupational groups, CIOs and England compared

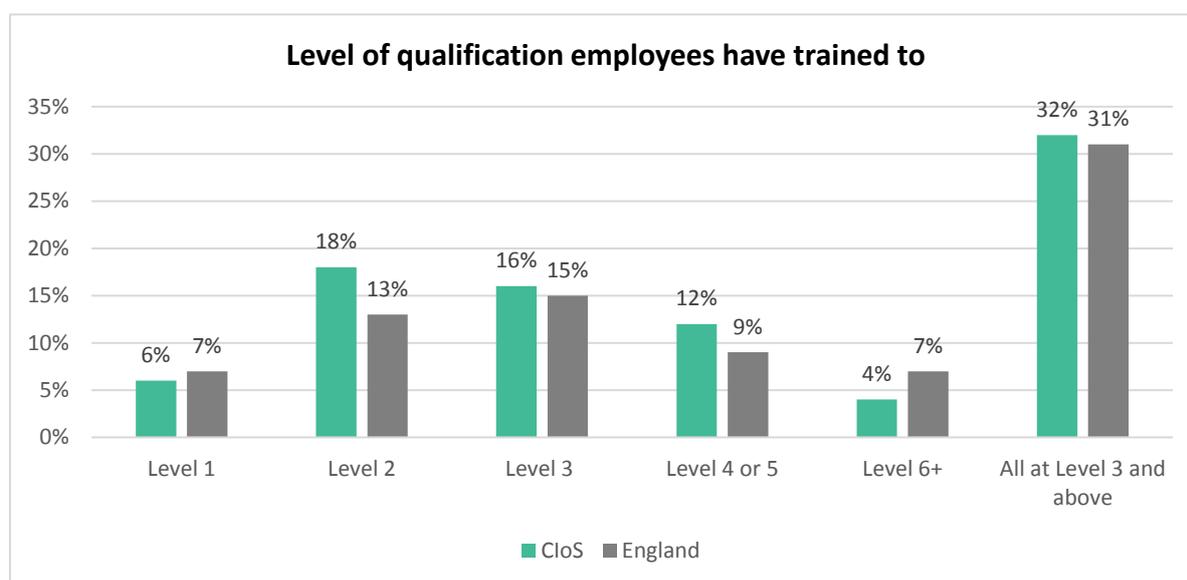
The main reasons for not training given by the 1 in 3 employers who did not provide training echoed the national data. The main reasons were that:

- Staff were thought to be fully proficient (71%) and did not need training;
- Their training had been undertaken elsewhere (12%); and
- There was no budget available for training (7%).

Those who used external suppliers to provide training were asked who they used. It is interesting to note that whilst private training companies were most likely to be used (56% of employers used them), in CloS employers were significantly more likely to use local FE colleges (23%) than nationally (17%). Locally, these were the second highest providers of training, whereas in England the FE sector was ranked fourth. Overall, employers in CloS were the fifth highest user of FE of all LEPs.

Perhaps reflecting this, local employers were more likely to train their staff to a qualification (30%) than average (26%). At 30% this puts CloS amongst the highest performing LEPs in this regard. As a result, it is estimated that 24% of trainees (15% of all staff) have been trained to a qualification locally, well above the average of 18% of trainees and 11% of all staff. Over time this above average performance will contribute to narrowing the gap between CloS and England in terms of workforce qualifications, which has already narrowed considerably in recent years.

As can be seen, 32% of employers who trained their staff provided training at Level 3 and above:



Source: Employers Skill Survey 2019 (Base: All establishments providing training)

Figure 4.20: Level of qualification to which employees have been trained

4.15 Labour market inclusion

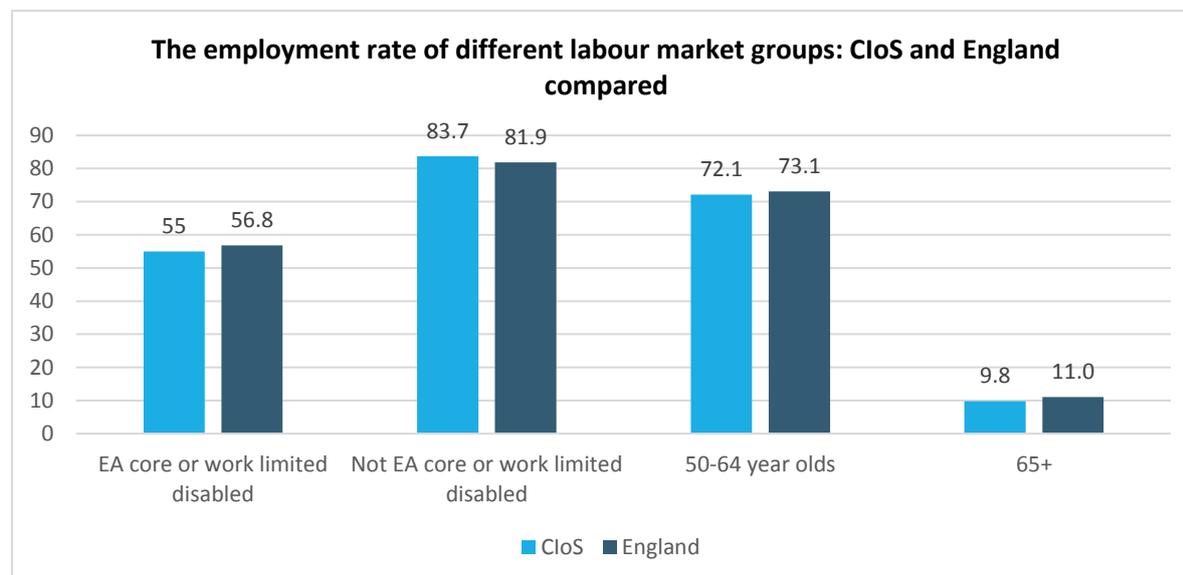
The principles underpinning the LEP’s Industrial Strategy and its Vision 2030 are for inclusive growth. Several labour market groups face employment challenges and examination of their employment rates provides an indicator of the extent to which their opportunities are limited.

The proportion of disabled people in employment is well below the rate for people who do not have a disability, at 55% and 83.7% respectively, a gap of 28.7 percentage points, far higher than the national gap of 25.1 percentage points. As can be seen from the chart below, the employment rate for disabled people is lower locally than nationally, even though the overall employment rate in CloS is higher than nationally.

Older people are also much less likely to be in employment than younger members of the workforce. The employment rate in the LEP area for people aged 50 to 64 is 72%, and again it is a little lower than the national average. With an ageing population it is vital that older workers have the opportunity to continue to participate in the workforce, not least because 50-64 year olds account

for 36% of the working age population far higher than in England (29%). Moreover, they have a lot to offer; according to the Employers Skills Survey, 97% of employers who had recruited someone over 50 in the past 12 months considered them ‘very well or quite well prepared’ for work.

The LEP area has a relatively small ethnic minority population of approximately 8,600 people of working age. The data suggests that the ethnic minority employment rate is very high at 86%, well above the national average of 68%. There is no data available at a local level to assess their occupational mix.



Source: APS June 2020

Figure 4.21: The employment rate of different labour market groups: CloS and England compared

4.16 Implications for policy

- The fall in training on the part of employers is unlikely to be reversed as the economy enters recession, but it is important that it is addressed as part of the long term ambitions for the LEP to raise productivity. The new learning entitlement to Level 3 provides an opportunity to encourage the uptake of learning.
- Competition for jobs will be fierce and those with fewer skills and/or work experience are more likely to lose out. There is a need for the creative use of ESF funds and the opportunities offered by devolution to support people to prevent them falling into long term unemployment. Over the longer term there is a need to work with employers to encourage inclusive working practices.
- Opportunities for home working and the development of the digital infrastructure and digital skills will be needed and the Local Skills Report should inform the work of the Digital Skills Partnership. Through the Town Deals there may be an opportunity to pilot remote working centres/IAG hubs/one stop shops in the towns.
- There is an opportunity to reverse the decline in adult learning by promoting the uptake of the new entitlement to learning up to Level 3. More information is needed as to what good practice exists? What is the capacity of the system to provide more flexible learning? How

much blended learning is available and do adults need new or more skills to access online learning?

- Data highlights the need for improved CEIAG – more young people are entering work with Level 3 and it is unlikely that they improve on those qualifications thereafter. The pandemic means that there will not be the ready availability of entry level jobs there have been and young people will need guidance on progression opportunities.
- The Skills Strategy will need a specific focus on young people – why is STEM declining and why is participation in HE falling

Further information needs to support the update of the Local Skills Report

- *The DfE national SAP team need to be made aware of the lack of readily accessible data on HE participation. Data based on institutions is not helpful where there is limited HE provision.*
- *The DfE national SAP team need to be made aware that the format of this report means that there is very limited coverage of the inclusion agenda – a critical omission in the current climate.*
- *There is a need to understand the linkages between the health and inclusion agendas and lines of responsibility.*

5 MAPPING OF SKILLS DEMAND AND SUPPLY

Summary points

- The Employers' Skills Survey 2019 shows that 15% of local employers had at least one vacancy. Almost half of them (45%) were having difficulty filling that vacancy, this is in line with national data.
- Reasons for the difficulties revolved mainly around factors such as the quality of applicants (49%), not enough people interested in the type of work and factors such as uncompetitive pay/ unsocial hours (43%).
- Recruitment difficulties mainly related to Skilled Trades (33% of total) and Machine operatives (20%).
- Local employers were much more likely to cite a lack of basic skills (52%) as a problem than average (36%) this included both numeracy and literacy.
- Most employers (85%) considered all of their staff to be fully proficient at their job. Of the 15% who identified skills gaps these were most likely to affect Elementary and Sales occupations. 25% of those with skills gaps reported that they related to the introduction of new technology.

5.1 Introduction

The ability to remain globally competitive and to change the strategy of a company is, to a large extent, dependent on the skills of the workforce. Conversely, skills shortages and skills gaps are a barrier to growth which can impact on a company's ability to innovate and introduce new value added products and different working practices.

Skills mismatches are often short term, as the operation of the market leads to an increase in the supply of people with the necessary skills, but in some cases they are acute and persistent, with significant implications for business performance.

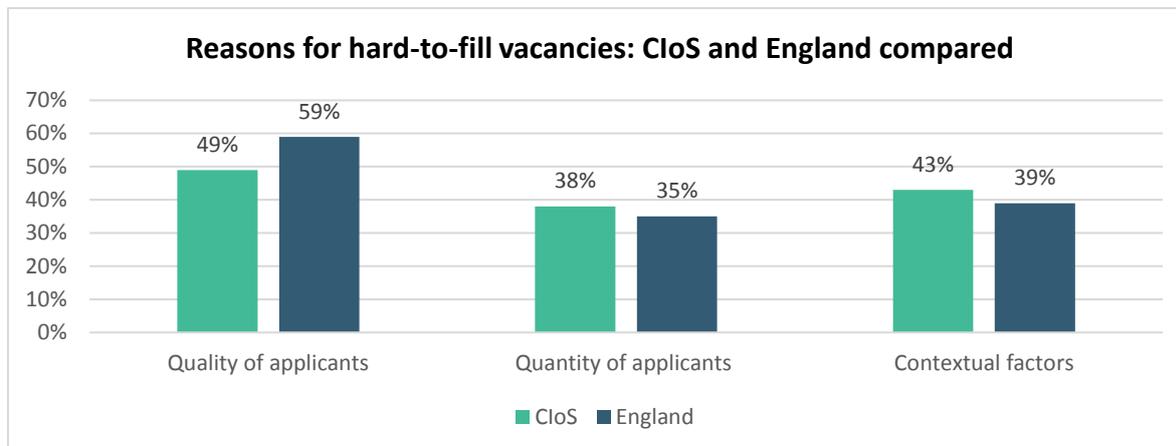
5.2 Skills shortages

The most recent local data on recruitment is available from the Employers' Skills Survey 2019 which provides an indication of the extent to which the skills and qualifications of the workforce meet employers' needs. At the time of the survey, before the pandemic, labour market conditions were very different from today and it is very unlikely that recruitment difficulties will be at the same level for some time. Nevertheless, the series of surveys undertaken every two years paint a fairly consistent picture which gives an indication of the structural issues the local economy faces.

Headline findings show:

- At the time of the survey, 15% of employers CloS had at least one vacancy, a little below the average of 17%.
- Of these employers seeking to recruit, 45% were having recruitment difficulties (equivalent to 7% of all employers), in line with the national average of 44%.
- 28% of employers with hard to fill vacancies attributed them specifically to skills shortages rather than other factors such as pay and conditions. The main reasons given for the

difficulties were more likely to relate to contextual factors such as unsocial hours, uncompetitive pay and seasonal work than average, rather than issues with the quantity or quality of applicants:



Source: Employers Skill Survey 2019 (Base: All establishments with hard to fill vacancies)

Figure 5.1: Reasons for hard to fill vacancies

Main reasons identified in CloS were:

- Low numbers of applicants with the required skills (not necessarily qualifications) (29%);
- Not enough people interested in doing this type of work (26%);
- Job entails shift work/unsociable hours (20%)

Jobs most difficult to recruit for any reason (not just skills shortages) were Skilled Trades and Care, leisure and other services.

The occupations most difficult to recruit locally because of skills shortages were Skilled Trades (25% of total) – a group which includes chefs, electrical and electronic trades, vehicle trades) and Machine operatives (25%). The difficulty in recruiting Skilled Trade workers has persisted through time with the survey in 2017 also showing this to be the hardest occupational group to recruit. As might be expected from the composition of the local economy 33% of the difficulties could be ascribed to labour intensive roles compared with 19% in England. Conversely, employers in CloS had far fewer difficulties recruiting ‘highly skilled’ people (21% compared with 35% in England).

A striking finding, with CloS recording the highest proportion of any LEP, was that 52% of those experiencing hard to fill vacancies cited a lack of basic skills compared with 36% on average. Further, 45% said that having GCSE maths and English was critical for them when looking to recruit. The sorts of skills lacking which differed most significantly from the average were:

Skills lacking.....	England	CloS	Difference (ppts)
Reading and understanding instructions, guidelines, manuals or reports	31%	39%	+8
More complex numerical or statistical skills and understanding	29%	34%	+5
Basic numerical skills and understanding	26%	42%	+16
Writing instructions, guidelines, manuals or reports	26%	32%	+6
Adapting to new equipment or materials	24%	36%	+12
Manual dexterity - for example, to mend, repair, assemble, construct or adjust things	21%	28%	+7

Source: Employers Skill Survey 2019 (Base: All establishments with hard to fill vacancies)

Figure 5.2: Skills lacking among prospective recruits where difference are significantly different from the national average

The OECD throws some light on this issue. Using Free School Meals (FSM) as a proxy for disadvantage - amongst young people, half of those who received FSM (52.2%) left school without a Level 2 in English and maths, compared to just a quarter of those who were not eligible for FSM (24.8%). Further, while rates of attainment for both groups have increased, the gap between the two has been largely static since 2005.³⁰ As a result, **England has the highest rates of school leavers without basic skills qualifications in the OECD, with consequences for social mobility and the levelling-up agenda.**³¹ A similar pattern prevails in CloS with 58% of those eligible for FSM not obtaining Level 2 in English and maths by the age of 19, twice as many as those not eligible for FSM (26%).

Perhaps reflecting the lack of applicants for their vacancies, 31% of employers with hard to fill vacancies had recruited or tried to recruit non-UK nationals to fill their vacancies (compared with 38% in England and Wales).

³⁰ Social Mobility Commission: State of the Nation 2018-19: Social Mobility in Great Britain, April 2019. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/798404/SMC_State_of_the_Nation_Report_2018-19.pdf

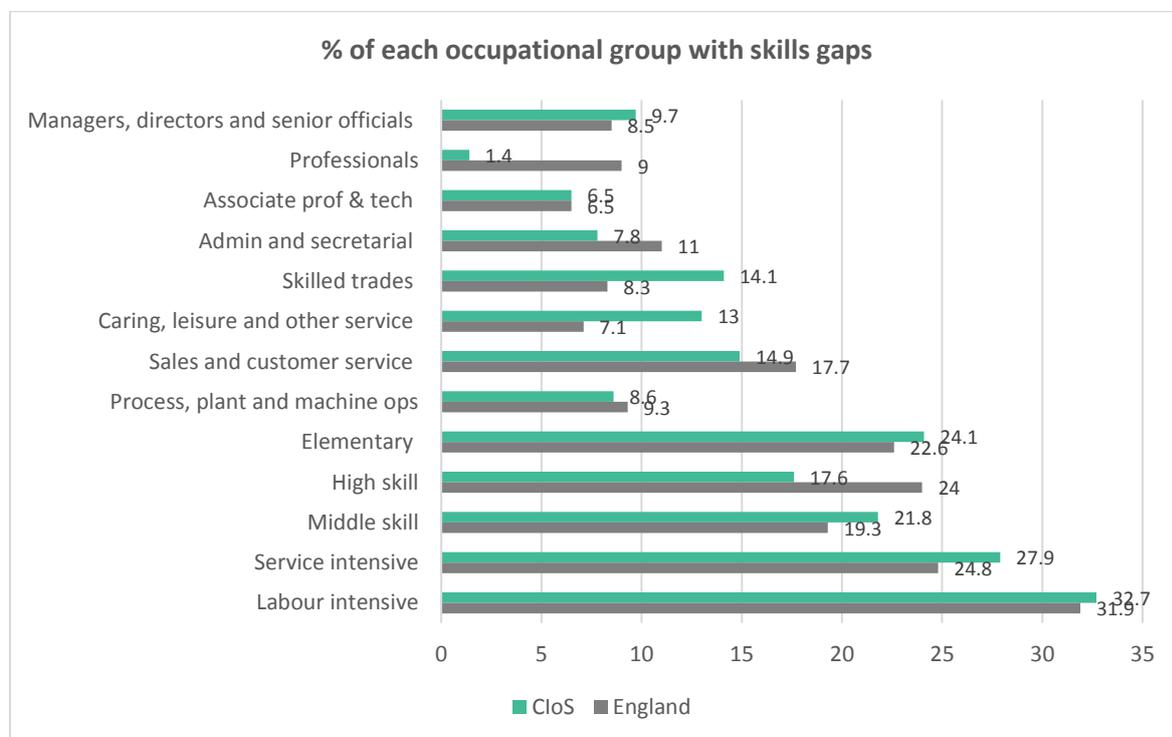
³¹ OECD. (2019). *Survey of Adult Skills (PIAAC): Full selection of indicators.*

5.3 Skills gaps

The above data explore the issues around recruitment, but employers also experience skills gaps, defined as the gap between the skills which an existing workforce might possess and those an employer requires in order to grow the business. These can arise as a result of not being able to find suitably skilled applicants, or intentionally taking on recruits who are not fully experienced in order to train them up to the organisation’s way of working, but they can also arise for a range of other reasons such as the skills needed within an organisation changing. Some skills gaps may, by their nature, be temporary, for example, where new staff have been recruited who are not yet fully trained or experienced in their new role. However, others can be more persistent and result from an under-investment in training and development, staff reluctance to develop existing skills or develop new ones, or high staff turnover. Persistent skills gaps can hinder an establishment’s ability to function effectively and harm its productivity, profitability and ability to innovate in terms of internal processes and regarding new products or services.

In Cornwall and the Isles of Scilly, **the vast majority of employers (85%) considered all of their staff to be fully proficient at their job.** This figure has remained relatively constant since the last survey. Skills gap density (the proportion of the workforce lacking full proficiency) is 4.8% equivalent to 10,500 staff.

The occupations most affected by skills gaps were labour intensive occupations and this was the case nationally as well as locally. By occupation, Elementary occupations were most likely to experience skills gaps (24.1%). Local employers were far more likely than average to have gaps in Skilled trades (14.1%) and Caring, leisure and other service occupations (13.0%) than nationally:



Source: ESS 2019 (Employer base with skills gaps)

Figure 5.3: Skills gaps in the workforce by occupation

The most common causes of skills gaps were that individuals were new to the role (61%) or that their training was only partially completed (62%). These may be classified as transient skills gaps – factors which would be expected to ease naturally over time. However, other common causes of skills gaps are more difficult to address, and these include employers being unable to recruit staff with the required skills (36%), the fact that staff had been on training but their performance had not improved sufficiently (36%) or that staff lacked motivation (26%). 25% reported that the introduction of new technology had caused the skills gaps – somewhat above the national average of 20%. 70% of those with skills gaps said that it impacted on their performance.

5.4 More than 1 in 3 employers underutilise the skills and qualifications of their staff

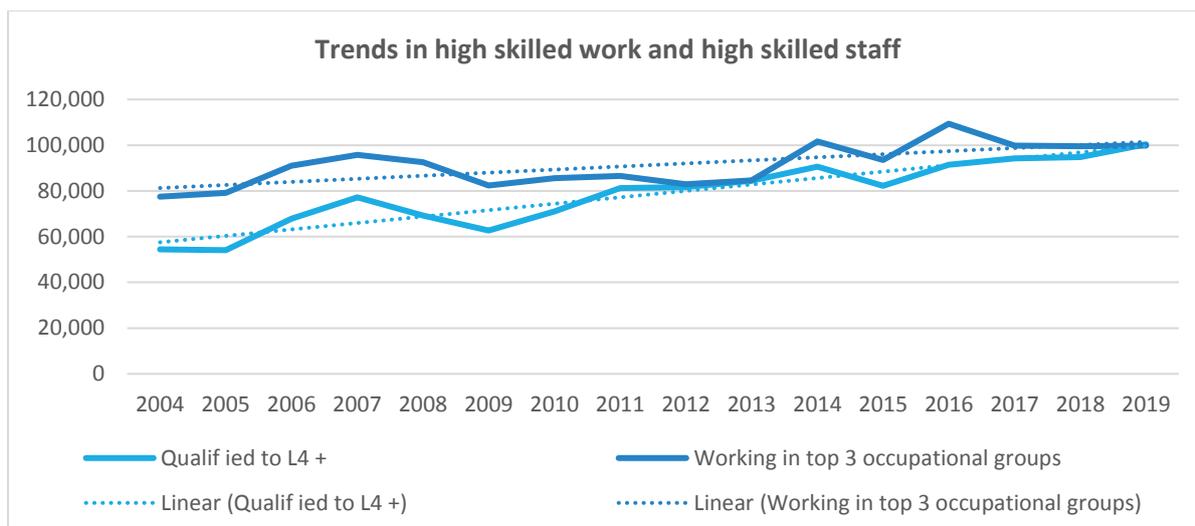
Skills mismatches are not only due to skills deficits. It is important to understand the extent and nature of skills underutilisation as this issue implies a significant mis-allocation of resources in view of the significant investment in higher education by individuals and central government. An inability to use acquired skills and knowledge has a de-motivating effect on workers and represents a missed opportunity for employers to maximise productivity.

Just over a third (36%) of employers in the LEP area say that they have workers whose skills/ qualifications are in advance of those needed for the job, broadly in line with the national average of 34%.

5.5 Demand and supply for high skilled workers

The LEP's Local Industrial Strategy (Draft) sets out ambitions to grow a number of niche, high performing sectors which include energy, mining (geo-resources) and marine sectors. These sectors have a higher proportion of business in CloS than in GB overall, and along with space, all have very high productivity and pay higher salaries but do not yet employ high numbers of people. Their growth will need to be supported by highly skilled staff.

Analysis shows that historically Cornwall and the Isles of Scilly have had an under-supply of graduate skills but through time the gap between highly skilled jobs and highly skilled residents has narrowed, principally as the number of people in high skilled occupations has plateaued. Most recent figures indicate that there is now a match between the two which suggests that any action to boost the supply of high skilled jobs in priority sectors will need to be accompanied by action to ensure that the qualification profile of the workforce continues to rise to meet demand.



Note: people qualified at level 4+ is a residence-based measure whilst people employed in SOC 1-3 jobs (manager, professional and associate professional) is a workplace-based measure. Source: Annual Population Survey
Source: APS Dec 2019

Figure 5.4: Trends in high skilled occupations and high skilled workers in CIoS

5.6 Implications for policy

- Basic skills has emerged as a key issue for employers but earlier sections show that at 16 fewer young people attain GCSEs in English and maths; post 16 participation in English and maths has declined and that more than half of disadvantaged 19 year olds do not possess these basic skills. There needs to be a strategic drive to ensure that basic skills are embedded in learning and work, the use of ESF programmes to boost provision and work with schools to improve English and maths results.
- Employer sponsored training needs to be boosted. The new initiatives announced in response to the pandemic provide an opportunity to change the training culture amongst local employers. Sector specific initiatives eg in Health and social care and Hospitality should be encouraged to ensure the development of the skills employers want.

6. CONCLUSIONS

In this concluding section we consider the main skills needs facing Cornwall and the Isles of Scilly and review the effectiveness of the local skills system in responding to these needs.

6.1 Key skills needs

The broad-based nature of replacement demand means that there are likely to be continued recruitment needs and skills development needs across the occupational spectrum, although that demand may be expected to be subdued in some of the LEP's key sectors – Hospitality and Retail in the immediate future. The impact of the pandemic means that there will be a need to support workers made redundant to re-skill and retrain.

Whilst employers will need to recruit to all occupations, skills needs are changing. Automation is changing job roles and occupations which are prevalent locally such as service sector jobs in hospitality and retail as well as routine operative occupations are most likely to see change. This is giving rise to skills gaps amongst the existing workforce.

Demand in the labour market will be greatest for those occupational areas that are expected to see strong net growth as well as replacement demands. This includes a requirement for higher level skills as well as for care skills. The fastest growing higher level occupations include professional occupations and managerial roles. The ageing of the population combined with the recruitment difficulties and skills gaps in the care sector suggests that meeting this need will be a key challenge for the future.

There are a number of key areas of current market failure where supply is not meeting demand.

1 in 10 managers were considered to not be proficient at their jobs and half of employers with skill shortage vacancies reported a lack of management and leadership skills. If the LEP is to innovate and compete effectively then high level management skills are imperative for business performance.

Perhaps surprisingly basic skills have emerged as a key issue and the supply of these skills is failing to meet employer demand. The issues begin at school and then are not developed sufficiently in the adult workforce.

A range of soft skills are in demand including customer service skills, team working and handling the feelings of others.

The need for digital skills has been underlined by the Covid-19 pandemic which has brought about a sea change in ways of working. Home working has increased dramatically and there has been a surge in the need for the skills needed both for home and for work. At the same time the take-up of ICT training has fallen considerably. Employers report that technological change is creating skills gaps among the workforce.

Skilled trades have been a persistent skills shortage in recent years, although the data is not specific enough to determine which particular skills are in short supply.

Responsiveness of the system

A key message is that raising the demand for skills as well as addressing weaknesses of skills supply will be central to addressing CloS LEP's underperformance on productivity and pay. The LEP's employment base also has a number of structural demand-side weaknesses. For example, it has few high skilled jobs and a predominance of low paid low skilled jobs. Addressing this issue means raising the demand for skills by shifting the local business base to one that is founded on higher value market strategies as proposed in the LEP's local industrial strategy.

The introduction of the apprenticeship levy has prompted a fall in demand for apprenticeships. The new incentive payment for taking on an apprentice in response to Covid-19 provides an opportunity to reverse this trend. Locally, possibly reflecting the absence of major employers with defined career pathways far more apprenticeships are at intermediate level than nationally with fewer at advanced and higher levels.

Employer sponsored training needs to be boosted. The new initiatives announced in response to the pandemic provide an opportunity to change the training culture amongst local employers. However, it must be acknowledged that training tends to follow growth patterns rising in an upswing and declining in recession so it is unlikely that any impact on training supply will be immediately apparent, but the new incentives provide a useful lever.

The supply of higher qualified people in CloS has increased through time so that the gap with the number of people employed in higher skilled occupations has virtually disappeared. However, if the LEP is to achieve its ambitions of diversifying the economy it will need to grow both the demand for and supply of higher level skills. Data on the number of people progressing to Higher Education shows a fall in numbers which contrasts with a rise in England.

There is evidence of mismatch between supply and demand in the form of skills under-utilisation and skills shortages. This demonstrates the importance of ensuring that individuals have Careers Advice Information and Guidance to develop an understanding of which skills are in demand and the career pathways that will enable them to maximise the return on their investment in higher level skills.

Further and higher education are demand led, therefore careers support in order to improve learners' understanding of the relative employment and pay prospects associated with different occupational pathways is essential. In addition, the close alignment of apprenticeship provision with labour market demand demonstrates the importance of direct employer engagement in developing a relevant curriculum offer. This suggests that an increased focus on apprenticeships and on other employer-commissioned provision are also important ways of achieving a skills equilibrium.

Forecasts suggest that the impact of coronavirus will be severe recession. It is clear that the impact of the pandemic will hit the young, the lowest skilled and self employed hardest and there is real potential for levels of deprivation to worsen. The solutions developed to respond to the pandemic will need to provide effective support within local communities and targeted interventions to minimise the barriers to work which people will face.

Forecasts indicate that employment will not recover to 2019 levels until after 2025. Those out of work will find it increasingly difficult to enter the labour market. Upskilling and reskilling will be

essential to enable workers to move into other sectors, but a lack of basic skills can make it more difficult for them to access learning programmes and apprenticeships. Adult learning in basic and digital skills should be prioritised.

The change to working patterns is likely to be long-lasting and opportunities for home working and the development of the digital infrastructure and digital skills will be needed. Local community solutions may help support the economic health of key towns.