



Monthly Labour Market Report

Welcome

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

This month's issue puts the spotlight on young people's labour market perceptions.

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

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

We currently supply monthly employment and skills data to the Greater London Authority, as well as providing labour market tools and analysis for Greater Manchester.

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Latest labour market trends

Employment

Employment data from the Labour Force Survey (LFS) – estimates obtained from a large sample quarterly rolling survey of households – show that Wales outperformed most though not all the other UK nations and regions in the rolling quarter July to September 2013.

The (seasonally adjusted) Labour Force Survey estimate of the number of people aged 16 and over in employment in Wales increased by 14,000 (+1.0%) compared to the previous quarter (April-June 2013) to a total of 1.380 million. The quarterly increase in employment in Wales is shared equally between men and women. Male employment increased by 7,000 (+0.9%) and female employment increased by 7,000 (+1.1%).

The total quarterly increase in employment in Wales compares to a corresponding increase in total UK employment of 177,000 (+0.6%). In addition to the increase in Wales employment increased by 135,000 (+0.5%) in England, by 16,000 (+0.6%) in Scotland, and by 11,000 (+1.4%) in Northern Ireland. The net increase in England comprised an increase in employment in the North East (7,000, +0.6%), Yorkshire and Humberside (+33,000, +1.3%), the East Midlands (+44,000, +2.1%), the East of England (+24,000, +0.8%), London (+20,000, +0.5%), the South East (+31,000, +0.7%) and the South West (+18,000, +0.7%) and a decrease in employment in the North West (-27,000, -0.9%) and the West Midlands (-14,000, -0.6%).

The working age employment rate for Wales (i.e. the proportion of the population aged 16-64 in employment) increased in the quarter by 0.8 percentage points to 70.2%, compared with an increase of 0.2 percentage points in England and increases of 0.7 percentage points and 0.9 percentage points in Scotland and Northern Ireland respectively. The employment rate in Wales is 1.5 percentage points lower than the UK average (71.8%) and lower than the employment rate in both England (71.9%) and Scotland (72.8%) but higher than the rate in Northern Ireland (67.2%).

The employment rate gap between the UK average and Wales narrowed in the year to Q3 2013, during which period the employment rate in Wales increased by 1.2 percentage points, double the 0.6 percentage point increase in the average UK employment rate. The ONS concludes that the increase in the employment rate in Wales appears “to be part of a general increase in the employment rate (for Wales).” Nonetheless, within the UK only Northern Ireland, North East England (67.3%), the West Midlands (68.4%) and the North West (68.5%) have a lower employment rate than Wales. The South East (76.2%) has the highest employment rate in the UK.

Unemployment and economic inactivity

The number of people in Wales who are unemployed on the International Labour Organisation (ILO) Labour Force Survey definition fell by 4,000 to 117,000 between the quarters April-June 2013 and July-September 2013. Total unemployment fell by 43,000 in England and by 1,000 in Northern Ireland but increased by 1,000 in Scotland.

The quarterly fall in unemployment in Wales was much smaller than the corresponding 14,000 increase in the number of people in employment because of an offsetting increase of 9,000 in the number of people active in the labour market. The number of unemployed men decreased by 6,000 (-8.6%) to 62,000 but because of an increase in the number of women active in the labour market the number of unemployed women increased by 1,000 (+2.6%) to 55,000.

The ILO unemployment rate in Wales fell by 0.3 percentage points in the quarter to 7.8%. The UK average rate of ILO unemployment fell by 0.2 percentage points to 7.6%. Despite the quarterly relative improvement in the ILO

unemployment rate in Wales there remains a gap between the ILO unemployment rate in Wales and that in England (7.6%), Scotland (7.2%) and Northern Ireland (7.3%). Within England, the North East (10.2%), the West Midlands (9.5%), Yorkshire and Humberside (8.9%), London (8.7%) and the North West (8.3%) had a higher unemployment rate than Wales. The East of England (5.8%) and South East England (5.9%) had the lowest unemployment rates.

The administrative count of people unemployed and claiming Jobseeker's Allowance (JSA) is somewhat lower (67,500 in Wales in October 2013, a JSA claimant count rate of 4.6%) than ILO unemployment because non-JSA claimant jobseekers are excluded. The number of JSA claimants in Wales decreased by 1,800 between September and October. However care should be taken in interpreting change in the claimant count since this can be influenced by changes to the benefit system as well as underlying change in the labour market.

The number of economically inactive people of working age in Wales fell by 13,000 (-2.8%) between April-June 2013 and July-September 2013. As the LMI scorecard shows, the working age rate of economic inactivity in Wales (23.7%) is 1.5 percentage points higher than the UK average (22.2%). However, the gap between the UK average economic inactivity rate and the economic inactivity rate in Wales narrowed in the year to Q3 2013, the inactivity rate in Wales falling by 1 percentage point and the average UK inactivity rate falling by 0.4 percentage points.

Within the UK regions and nations Northern Ireland (27.4%), the North West (25.2%), the North East (24.9%) and the West Midlands (24.2%) have higher inactivity rates. The lowest inactivity rates are in the South East (18.9%) and the East of England (19.5%).

LMI scorecard

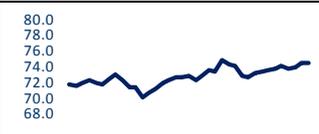
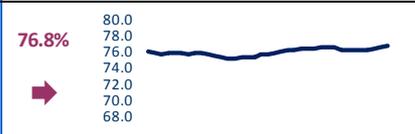
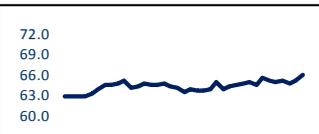
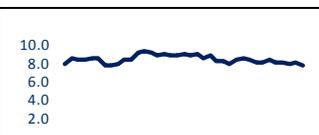
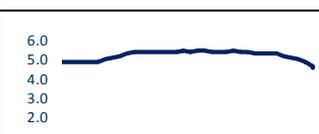
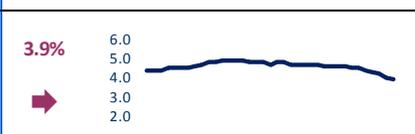
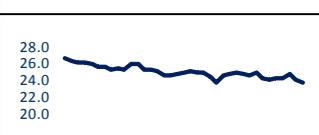
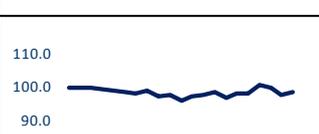
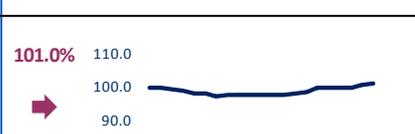
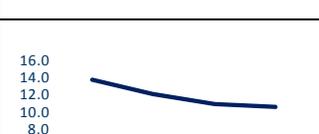
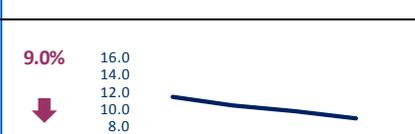
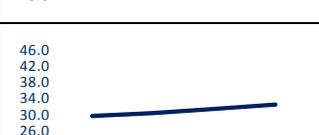
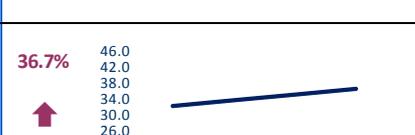
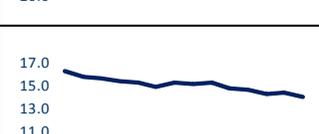
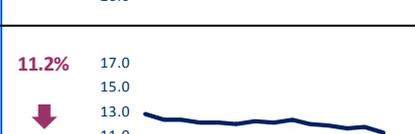
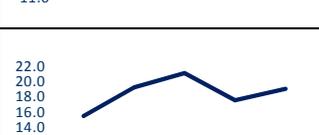
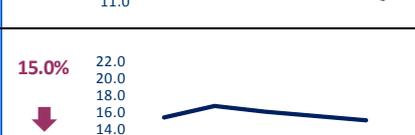
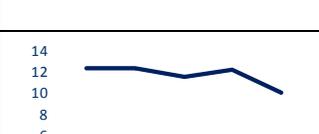
The scorecard presents recent trends and figures for a number of core labour market indicators, using a variety of different sources:

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

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

LMI Scorecard

November 2013

		Wales		Difference between Wales and National (latest figures): Better Worse	NATIONAL (UK or GB depending on indicator)	
		Trend (Three to four years)	Latest result & trend		Latest result & trend	Trend (Three to four years)
Supply of Labour	Working age employment rate (%)		70.2% ↑	-1.5 Charts cover: Jul-Sep 10 to Jul-Sep 13	71.8% ↑	
	Working age male employment rate (%)		74.5% ↑	-2.3 Charts cover: Jul-Sep 10 to Jul-Sep 13	76.8% ➡	
	Working age female employment rate (%)		66.1% ↑	-0.7 Charts cover: Jul-Sep 10 to Jul-Sep 13	66.8% ↑	
	ILO Unemployment rate 16+ (%)		7.8% ➡	0.2 Charts cover: Jul-Sep 10 to Jul-Sep 13	7.6% ➡	
	Claimant Count as a proportion of the working age population, seasonally adjusted (%)		4.6% ➡	0.7 Charts cover: Oct 10 to Oct 13	3.9% ➡	
	Working age economic inactivity (%)		23.7% ↓	1.5 Charts cover: Jul-Sep 10 to Jul-Sep 13	22.2% ↓	
Demand	Index of workforce jobs. 2008 Q2=100		98.6% ➡	-2.4 Charts cover: 2008 Q2 to 2013 Q2	101.0% ➡	
Skill gaps	Proportion of the working age population with no qualifications (%)		10.6% ↓	1.6 Charts cover: Year to Dec 09 to year to Dec 12	9.0% ↓	
	Proportion of the working age population qualified to NQF4+ (%)		32.6% ↑	-4.1 Charts cover: Year to Dec 09 to year to Dec 12	36.7% ↑	
Worklessness & NEETS	Proportion of the working age population who claim out of work benefits		14.0% ↓	2.8 Charts cover: Feb 10 to May 13	11.2% ↓	
	Children living in workless households (%)		19.1% ↑	4.1 Charts cover: Apr-Jun 2008 to 2012	15.0% ↓	
	Proportion of 16-18 year olds who are NEET (%)		10% ↓	1 Charts cover: 2008 to 2012	10% England ➡	

Young People's Labour Market Perceptions

Introduction

While youth unemployment is not a new feature of the labour market, the recent recession and ongoing limited economic recovery have had the biggest impact on young people. The employment rate of people aged 16-24 in Wales has fallen from 56% to 45% between 2008 and 2013, while the unemployment rate for this age group has risen sharply, from 14% to 22% in the same period. Furthermore, an increasing proportion of unemployed young people have never had a job.

Although by no means the only factors in this rise in unemployment, it raises questions about whether young people are able to compete in a particularly competitive labour market, and whether they are making informed career choices.

Over recent years there have been some significant pieces of research published in the UK that examine these issues, and this month's report focuses on their key findings and implications.

Young people's perceptions prior to starting work

A review of research into young people's knowledge of work and the labour market prior to starting work (ACAS, 2012) asserted that 'expectations of work - and the degree of prior knowledge of work - are not the same for all young people who are about to enter the labour market', highlighting studies of disadvantaged youth and young people in rural communities who were found to possess little knowledge of job opportunities or of how workplaces operate.

In a study looking at young people's aspirations in rural areas it was found that young people's employment expectations were driven by the circumstances in which they lived. For those in rural areas, job choices were weighed up against their desire to move or remain in their local community. The ACAS review also highlighted that local LMI was 'often lacking in schools and amongst parents'. In addition, young people's ability to go for job opportunities outside of their local area appeared to be shaped by practical issues such as access to affordable and reliable transport.

ACAS (2012) also stated that 'other studies find that young people in the UK more generally have minimal knowledge of job content and occupational pathways and that sources of knowledge, where used, vary considerably in nature'. One survey of around 3,000 students in 2006 found that young people knew very little about the details of particular jobs that they aspired to and that personal experience or discussions with family and friends were the primary sources of knowledge accessed.

This picture of little knowledge of LMI is not definitive. A number of other studies reviewed by ACAS show a contrasting view, showing high levels of understanding of labour market conditions among groups of young people contemplating work. Some studies of young people in Britain show that most are realistic about the state of the labour market and the lack of jobs available, yet remain positive about obtaining employment. Overall, 14-18 year olds are 'worried about what effect the state of the economy is going to have on their chances to get jobs and earning potential, but the majority are, individually, positive about their chances of getting a job when they leave school'. There is a general understanding of the lack of jobs in the market and that they need to make themselves stand out in order to succeed.

Employer Perspectives on Young People

In October 2013, City and Guilds published the findings of online interviews with 1,005 employers across the UK from small, medium and large organisations. Individuals with responsibility for recruiting were surveyed across a

diverse range of industry sectors including engineering, manufacturing, digital and health and social care. They key findings included.

- Employers are largely concerned that young people are less equipped for the workplace compared to five years ago. They believe that young people's employment expectations are too high (61%) and that young people do not understand what employers are looking for in their new recruits, so many don't get past the interview stage (62%). They are also concerned that youth unemployment is so high because young people are not prepared for or don't have the right attitude for the workplace (59%).
- Employers worry that young people are leaving education without the right skills because the education system is too focused on academia (49%) and does not meet the needs of businesses (47%).
- Over half of employers (58%) believe their sector is facing a skills shortage. Employers who work in IT, Digital & Information Services (74%) and Engineering & Manufacturing (72%) are most likely to perceive a skills shortage in their sector.
- Seven in ten employers (71%) agree that structured work experience should be mandatory for all 16-18 year olds, but four in ten (42%) say their company does not work with local schools or colleges to actively recruit young people. A lack of support may be stopping companies from engaging with young people as almost two thirds (60%) of employers said they would value guidelines and support to help set up work experience.
- Strong core skills (numeracy, literacy and communications skills) and previous work experience are more valued in a potential candidate than academic qualifications (49% & 37% vs. 34%).

Comparing aspirations with Labour Market Intelligence

A 2013 report 'Nothing in Common', a collaborative report between the Education and Employers Taskforce, B-Live and the UK Commission for Employment and Skills investigated whether there is any alignment between the career aspirations of young people, aged between 13 and 18, and the best estimates of actual demand within the current and future British labour market? The question is relevant to young people, employers and the UK's future prosperity. To employers, the importance of the question relates to flow of a new generation of workers with interests, skills and qualifications relevant to available jobs. The productivity of enterprises is closely linked to the quality of staff they are able to recruit and retain.

This paper addresses the question, therefore, of whether young people are aware of the range of opportunities open to them. Is the youth labour market working effectively in signalling to young people the breadth of opportunities which are available and what they need to do – the decisions they needed to take at 14, 16 and 18 – to allow them to compete successfully in recruitment competitions?

One particularly interesting feature of this report was the findings of a survey by the b-live Foundation of almost 12,000 young people aged 13 to 18 across England about their career aspirations in 2012. Respondents were presented with a list of 69 different occupations across a range of industrial sectors and invited to select up to three which represented career aspirations in which they were particularly interested. The 69 occupations were then coded against 25 national labour market SOC (standard occupational classification) codes, from which it was possible to compare young people's choices with published forecasts of total labour market demand (taken from UKCES' Working Futures 2010-2020).

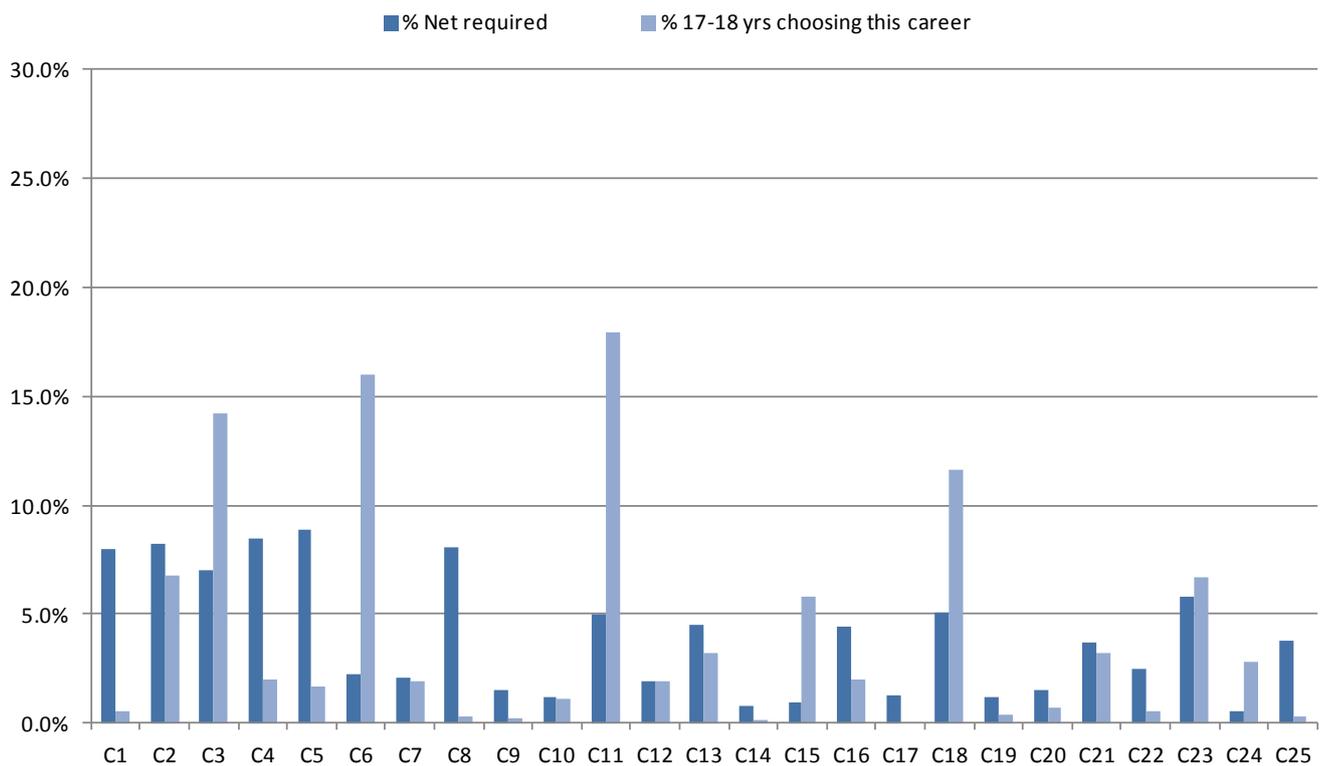
The results for 17 and 18 year olds are shown in Figure 1, and highlight several areas where the proportion of young people choosing that career is significantly higher than the proportion of employment opportunities that are likely to be generated over the coming years, i.e.

- C3 Business, media and public service professionals

- C6 Culture, media and sports occupations
- C11 Health professionals
- C15 Protective service occupations
- C18 Science, research, engineering and technology professionals

Perhaps the most striking example is in culture, media and sport, where more than 15% of 17-18 year olds wanted to work, but where just around 2.5% of future jobs are forecast to be.

Figure 1: Career aspirations of young people aged 17-18 mapped against projected labour market demand (2010-2020)



Source: Mann et al (2013) [Link](#)

Code	Occupations
C1	Administrative occupations
C2	Business and public service associate professionals
C3	Business, media and public service professionals
C4	Caring personal service occupations
C5	Corporate managers and directors
C6	Culture, media and sports occupations
C7	Customer service occupations
C8	Elementary administration and service occupations
C9	Elementary trades and related occupations
C10	Health and social care associate professionals
C11	Health professionals
C12	Leisure, travel and related personal service occupations
C13	Other managers and proprietors

C14	Process, plant and machine operatives
C15	Protective service occupations
C16	Sales occupations
C17	Science, engineering and technology associate professionals
C18	Science, research, engineering and technology professionals
C19	Secretarial and related occupations
C20	Skilled agricultural and related trades
C21	Skilled construction and building trades
C22	Skilled metal, electrical and electronic trades
C23	Teaching and educational professionals
C24	Textiles, printing and other skilled trades
C25	Transport and mobile machine drivers and operatives

The report argues that it 'does provide the single best insight into teenage aspirations and finds that they have nothing in common with the best estimate of projected labour market demand. Data presented here suggests strongly that the youth labour market is not working efficiently, that employer signalling of opportunities is not being received effectively by young people and that the need to address such information gaps is pressing'.

A clear mismatch between employers' expectations and young people's understanding

In the spring of 2013, the CIPD published 'Employers are from Mars, Young People are from Venus', a study looking into the apparent mismatch between young people's understanding of the world of work and expectations of employers when recruiting young people. This research included the use of employer case studies, focus groups with young jobseekers, a mini-survey of Jobcentre Plus advisers and interviews with career advisers and training providers. Their research found that:

- There is a real mismatch between employers' expectations of young people during the recruitment process and young people's understanding of what is expected of them, particularly when it comes to presentation and preparation.
- Employers find it difficult to assess young people with limited work experience and young people find it difficult to 'market' themselves to employers.
- Young people value more open recruitment channels, such as social media, above more traditional means of recruitment such as corporate websites and online job boards.
- The limited number of access routes into work available for young people is still a concern. This is particularly the case in highly skilled sectors, such as professional services. However, evidence from our case studies indicates that more employers are developing, or planning to develop, more diverse access routes such as school-leavers' programmes and apprenticeships.
- Most employers don't specifically target young people with their recruitment practices, although some have started to change the ways in which they recruit young people to get the best out of young candidates.
- Job search and the recruitment process are a frustrating and demotivating experience for most young people.
- Many young people lack the knowledge about job opportunities, how to apply for jobs, how to write a good CV and a good application.

- Too many young people have a scattergun approach to applying for jobs rather than researching where they want to work. This results in a high volume of applications that need to be processed by the employer and can be demotivating for young people when they are unsuccessful.
- Confidence is an issue for many young people and many find interview situations particularly stressful as they have no prior experience of the workplace and they often don't know how to talk about their skills or how to 'market' themselves to a potential employer.
- Recruitment processes are lengthy and not very transparent, often involving up to five stages; young people lack an insight of the process and what is expected from them during the different stages.
- There is a lack of support for young people during the transition from education to work, which is preceded by poor advice and guidance at school.
- Employer feedback is crucial for young people, yet this is something employers struggle to provide, especially during the first stage of the process due to the volume of applications.

(Source: CIPD, 2013)

What needs to change to better inform young people about the labour market?

Having established what the issues are around young people's perceptions of the labour market, and how these are not well aligned with employers' needs and expectations, what could be done to address the mismatch that the research identifies?

ACAS' review found that young people (who had not yet worked) felt that prior work experience was the key factor which would assist them in obtaining employment, and that a lack of work experience opportunities was the main barrier to them finding work. Research by City and Guilds in autumn of 2013, suggested that two thirds of employers would be more likely to hire a young person who had previous work experience. 'Nothing in Common' reached a similar conclusion for this group:

'Direct exposure to the labour market whilst still in education is a highly effective means of providing them with useful information to think about the breadth of career choices and routes into them. It is first-hand encounters with real-life employers/employees that pupils typically find to be of greatest value to them in deciding on careers.'

The CIPD research presents a number of recommendations to address these issues, particularly aimed at employers in the recruitment process, including:

- Make the business case for recruiting young people, highlighting benefits such as the skills and motivation of young people, the importance of workplace diversity and the cost effectiveness of developing their own staff.
- Adapt expectations of young people so as to be realistic about how work-ready they will be when they first arrive. Young people don't always know how to behave in the recruitment process.
- Consider the roles and access routes for young people into their organisation, such as graduate schemes, apprenticeship schemes or school-leaver programmes.
- Attract interest from a wider pool of young people - where and how jobs are advertised is important. Young people can be sceptical of 'corporate' communications and are more likely to respond to opportunities via social media, recruitment fairs, engagement with schools and advertising via Jobcentre Plus, as well as traditional methods such as local newspapers and websites.
- Ensure selection processes are youth-friendly and transparent, including being open about expectations at each stage of the process, developing simple, easy-to use application forms, and clarity about the selection criteria - is experience or a degree really essential?

- Conduct interviews that get the best out of young candidates. It can be a very intimidating process for young people and the more information they are provided with in advance, such as how to dress and who they will be meeting, the better. The type of interview is also important, as competency-based interviews are generally not suitable for young people as they don't have previous work experience to draw on, whereas strength-based exercises allow them to better demonstrate their potential.
- Provide feedback where possible. By giving open, honest and constructive feedback employers can directly influence young people's behaviour in the recruitment process and help ensure their success in the future. Simple things such as an email to acknowledge an application and a list of 'common reasons' why an application might not have been shortlisted can be really useful.

As well as employers, policy-makers also have a role to play in improving the prospects of young people, and CIPD make the following recommendations:

- There is a need for greater support for young people during the transition phase between education and employment. Most young people do not know where to turn when they try to enter the labour market, and we recommend that the Government commits to provide a dedicated support service for young jobseekers.
- Careers advice and guidance and work preparation should be a part of the national curriculum and schools need to be assessed in how well they are doing in this area to incentivise them to put more efforts into this. CIPD asked young people what they would do if they were Education Minister, to make improvements in this area, and this is what they said:
 - Don't rely on teachers but get external experts, including employers, into schools to talk about these issues.
 - Pay attention to those areas where greater advice is needed; address the patchiness of the current advice.
 - Career advice and guidance needs to be embedded into the education system as part of the curriculum.
 - There needs to be more information on what choices are available for those leaving school, in particular apprenticeships and other alternatives to university.
 - More support should be given to encourage employer contact and work experience opportunities.

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