



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 **Individuals' Investment in Skills**.

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 published by the Office for National Statistics (ONS) obtained from a large sample quarterly rolling survey of households – show that Wales performed less well than all the other UK nations and all of the English regions in the rolling quarter March – May 2014.

The (seasonally adjusted) Labour Force Survey estimate of the number of people aged 16 and over in employment in Wales fell by 32,000 (-2.3%) compared to the previous quarter (December 2013-February 2014) to a total of 1.358 million. The quarterly net fall in employment in Wales is comprised mainly of a fall in the number of men in employment. Male employment fell by 28,000 (-3.8%) to 700,000 while female employment fell by 4,000 to 659,000.

The total quarterly fall in employment in Wales contrasts with a corresponding increase in total UK employment of 254,000 (+0.8%). In contrast to the fall in Wales, employment increased by 267,000 (+1.0%) in England, by 12,000 (+0.5%) in Scotland and by 7,000 (+0.9%) in Northern Ireland. The net increase in England comprised an increase in employment in the North East (9,000, +0.7%), the North West (17,000, +0.5%), Yorkshire and Humberside (25,000, +1.0%), the East Midlands (61,000, +2.8%), the West Midlands (12,000, +0.5%), the East of England (11,000, +0.4%), London (76,000, +1.9%), the South East (47,000, +1.1%) and the South West (11,000, +0.4%).

The working age employment rate for Wales (i.e. the proportion of the population aged 16-64 in employment) fell by 1.9 percentage points in the quarter to 69.2%. This compares with an increase of 0.7 percentage points in England, 0.2 percentage points in Northern Ireland and an unchanged rate in Scotland. The employment rate in Wales is 3.9 percentage points lower than the UK average (73.1%) and lower than the employment rate in both England (73.5%) and Scotland (73.3%) but higher than the rate in Northern Ireland (68.1%).

The Office for National Statistics commented as follows on the quarterly fall in employment in Wales:

“The latest estimates for Wales have been below the record high levels recorded toward the end of last year and start of this year. The large decrease in employment has been accompanied by a large increase in inactivity, rather than unemployment. With the exception of Wales, all other regions of the UK are either showing general increases in employment rates over recent periods, or are fairly flat, increasing over the last year.”

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 6,000 (-6.0%) to 96,000 between the quarters December 2013-February 2014 and March-May 2014. Total unemployment also fell by 119,000 (-6.3%) in England and by 9,000 (-12.8%) in Northern Ireland but increased by 13,000 (+7.1%) in Scotland.

The quarterly fall in unemployment in Wales occurred despite the corresponding 32,000 fall in the number of people in employment because of an offsetting decrease of 38,000 (-2.6%) in the number of people active in the labour market. The number of unemployed men fell by 3,000 (-4.2%) to 62,000 while the number of unemployed women fell by 3,000 (-9.1%) to 34,000.

The ILO unemployment rate in Wales fell by 0.2 percentage points to 6.6% in the quarter. The UK average rate of ILO unemployment fell by 0.4 percentage points to 6.5%. The unemployment rate in Wales was higher than in England (6.4%) but lower than in Scotland (6.9%) and Northern Ireland (6.7%). Within England, the North East (9.6%), the North West (7.3%), Yorkshire and Humberside (7.9%), the West Midlands (7.4%), and London (7.3%) had a higher unemployment rate than Wales. South East England (4.4%), the East of England (5.4%) and South West England (5.0%) had the lowest unemployment rates.

The administrative count of people unemployed and claiming Jobseeker's Allowance (JSA) is somewhat lower (57,800 in Wales in June 2014, a JSA claimant count rate of 4.1%) than ILO unemployment because non-JSA claimant jobseekers are excluded. The number of JSA claimants in Wales decreased by 1,900 between May and June 2014. 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 increased by 40,300 (+9.1%) between the quarters December 2013-February 2014 and March-May 2014. As the LMI scorecard shows the working age rate of economic inactivity in Wales (25.7%) is 4.0 percentage points higher than the UK average (21.7%).

Within the UK nations and regions only Northern Ireland (26.8%) had a higher inactivity rate than Wales in the quarter March-May 2014. The lowest inactivity rates are in the South East (19.4%) and the East of England (19.3%).

LMI scorecard

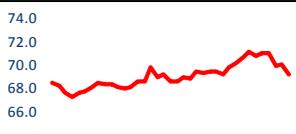
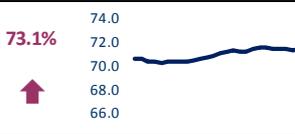
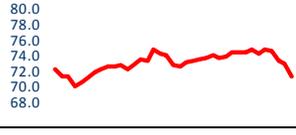
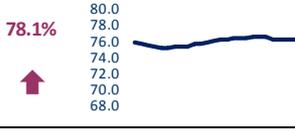
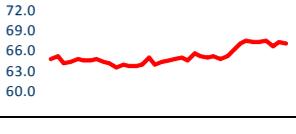
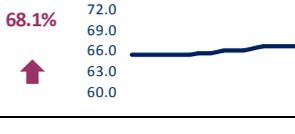
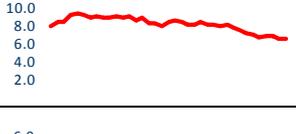
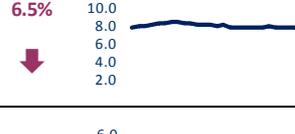
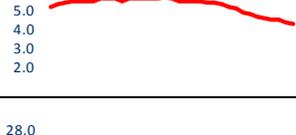
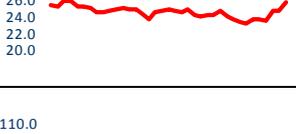
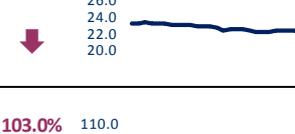
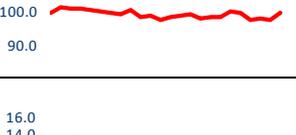
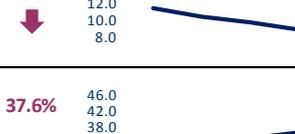
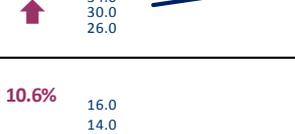
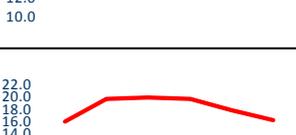
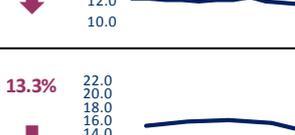
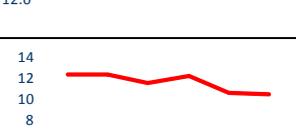
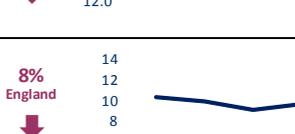
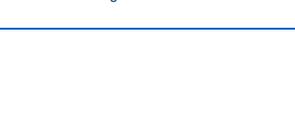
The scorecard presents recent trends and figures for a number of core labour market indicators, using a variety of different sources:

	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

July 2014

		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 (%)		69.2% ↓	-3.9 Charts cover: Mar-May 11 to Mar-May 14	73.1% ↑	
	Working age male employment rate (%)		71.4% ↓	-6.7 Charts cover: Mar-May 11 to Mar-May 14	78.1% ↑	
	Working age female employment rate (%)		67.0% →	-1.1 Charts cover: Mar-May 11 to Mar-May 14	68.1% ↑	
	ILO Unemployment rate 16+ (%)		6.6% ↓	0.1 Charts cover: Mar-May 11 to Mar-May 14	6.5% ↓	
	Claimant Count as a proportion of the workforce, seasonally adjusted (%)		4.1% ↓	1.0 Charts cover: June 11 to June 14	3.1% ↓	
	Working age economic inactivity (%)		25.7% ↑	4.0 Charts cover: Mar-May 11 to Mar-May 14	21.7% ↓	
Demand	Index of workforce jobs. 2008 Q1=100		103.0% ↑	0.0 Charts cover: 2008 Q1 to 2014 Q1	103.0% ↑	
Skill gaps	Proportion of the working age population with no qualifications (%)		9.7% ↓	1.0 Charts cover: Year to Dec 09 to year to Dec 13	8.7% ↓	
	Proportion of the working age population qualified to NQF4+ (%)		33.6% ↑	-4.0 Charts cover: Year to Dec 09 to year to Dec 13	37.6% ↑	
Worklessness & NEETS	Proportion of the working age population who claim out of work benefits		13.5% ↓	2.9 Charts cover: May 10 to Feb 14	10.6% ↓	
	Children living in workless households (%)		16.1% ↓	2.9 Charts cover: Oct-Dec 2008 to Oct-Dec 2013	13.3% ↓	
	Proportion of 16-18 year olds who are NEET (%)		10% ↓	2 Charts cover: 2008 to 2013	8% England ↓	

Individuals' Investment in Skills

Introduction

Last month's report highlighted the benefits of employers investing in developing the skills of their own employees. On a similar theme, this month's report focuses on the benefits to individuals of developing their own skills, highlighting the benefits and improved prospects of people with both higher level skills, and also those with the essential skills required for employability in the current labour market.

What skills are in demand?

In terms of how individuals can enhance their own skills and thus their employability, it is helpful to first examine what skill areas employers are currently demanding, and struggling to find within the workforce.

According to the Employer Skills Survey 2013, 4% of employers in Wales experienced skill shortage vacancies (SSVs), which are vacancies that have been difficult to fill due to a shortage of suitably skilled applicants. This amounted to 5,100 vacancies across Wales, 20% of all vacancies.

In terms of the skills lacking in the available labour market, more than two-thirds of all skill-shortage vacancies in Wales were ascribed to a lack of technical, practical or job-specific skills, shown in the list below. However, a range of generic or “softer” skills such as planning and organisation, customer handling, problem solving and team working were cited in connection with between one-third and close to a half of skill-shortage vacancies.

• Technical, practical or job specific skills	69%
• Planning and Organisation skills	44%
• Oral communication skills	42%
• Customer handling skills	38%
• Problem solving skills	37%
• Written communication skills	33%
• Numeracy skills	33%
• Team working skills	31%
• Literacy skills	28%
• Strategic Management skills	26%
• Advanced IT or software skills	18%
• Basic computer literacy / using IT	18%
• Written Welsh language skills	15%
• Oral Welsh language skills	13%
• Foreign language skills	9%

As well as skills that employers have found difficult to recruit, the survey also asked employers about skills deficiencies among their existing workforce. In Wales, 16% of employers said they had a skills gap, where at least one member of staff was not fully proficient in their job, equal to 67,400 employees (5.8% of total employees). In Wales, the most frequent skills gaps were in planning and organisation, team working and problem solving (as shown below), which play a part in more than half of all skills gaps reported.

• Planning and organisation	57% of skills gaps
• Team working	56%
• Problem solving	51%
• Technical, practical or job-specific	48%

• Written communication	43%
• Oral communication	40%
• Customer handling	38%
• Basic computer literacy / using IT	36%
• Literacy	35%
• Numeracy	33%
• Advanced IT or software	31%
• Oral Welsh language skills	28%
• Written Welsh Language Skills	27%
• Foreign language	19%
• Strategic Management	19%

Overall levels of skills gaps in Wales were higher in 2013 than in 2011, when just 4.6% of Welsh employees were deemed to not be fully proficient. With the economy slowly recovering, increased levels of recruitment and job creation mean that a significant proportion of skills gaps are caused by people being in new roles or through their job-related training only being partially complete. However, skills gaps are also frequently caused by issues such as the development of new products and services and by the introduction of new technology, which suggests that employers' skill requirements are likely to increase to meet these demands.

The 2013 employer survey also considered the notion of 'upskilling' i.e. where employers anticipate that staff will need to acquire new skills over the coming year, as a result of a variety of internal and external factors. In Wales, 72% of employers expect that at least some of their staff will need to acquire new skills or knowledge over the next twelve months, with the most common causes being as follows:

- New legislative or regulatory requirements
- The introduction of new technologies or equipment
- The development of new products and services
- The introduction of new working practices
- Increased competitive pressure.

The skills that are most likely to need improving or updating are technical, practical and job-specific skills, identified by 53% of Welsh employers who said that they needed to upskill over the next 12 months (as shown below), followed by planning and organisation skills (46%), problem solving skills (38%), advanced IT skills (36%), and team working skills (34%). Broadly speaking the order of the skills needing improving over the coming 12 months is similar to that for where employers report existing skill gaps, other than in advanced IT skills, which was one of the most commonly mentioned priorities for the coming year, but was a relatively infrequently mentioned existing skills gap.

• Technical, practical or job specific skills	53% of employers expecting to upskill
• Planning and organising skills	46%
• Problem solving skills	38%
• Advanced IT or software skills	36%
• Team working skills	34%
• Strategic management skills	33%
• Customer handling skills	32%
• Basic computer literacy / using IT	30%

- Oral communication skills 22%
- Written communication skills 18%
- Oral Welsh language skills 18%
- Written Welsh language skills 16%
- Numeracy skills 15%
- Literacy skills 14%
- Foreign language skills 7%

In summary, this section has highlighted a number of key skill areas - often in generic rather than job-specific skills - where employers frequently report having problems with their existing workforce, issues recruiting people with the required skills, skills which are also likely to increase in importance in the near future. This clearly suggests that individuals who can demonstrate skills in these areas are likely to be among the most employable.

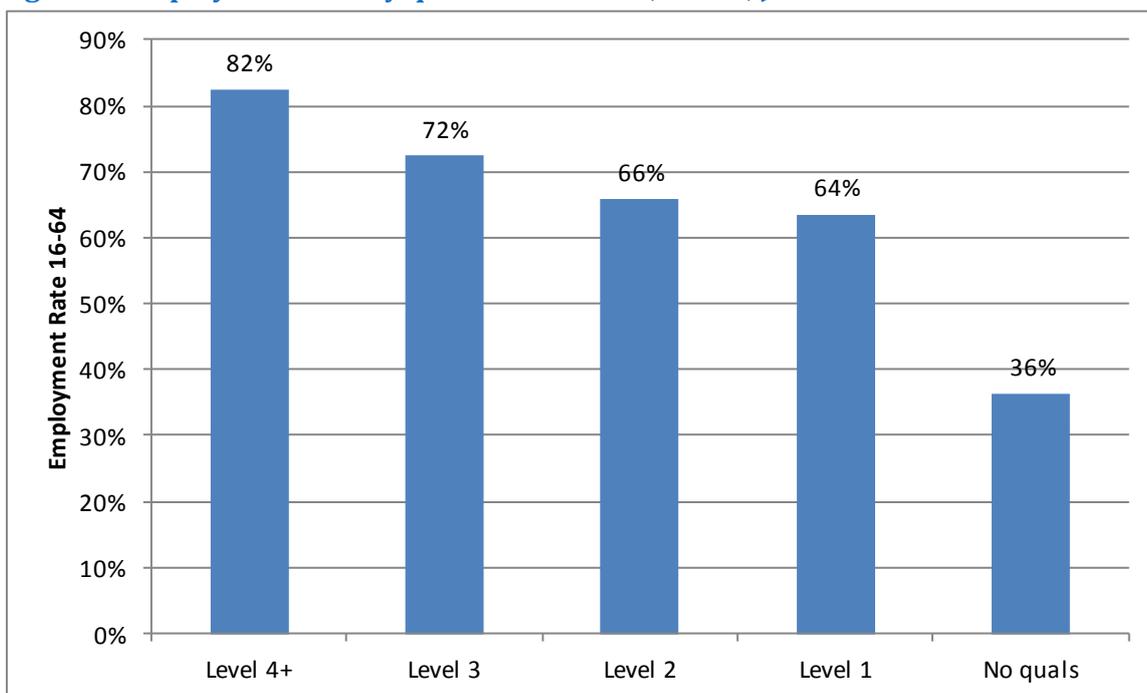
The following section focuses on the improvements to labour market prospects that are associated with improvements to skills.

Qualification levels in Wales

Using qualifications as a proxy for skills, there are clear labour market incentives for individuals to pursue improvements to the skills they can offer to employers. Figure 1 shows the clear relationship between higher levels of qualifications and the likelihood of being in employment, with those qualified to level 4 and above (degree level or higher) being more than twice as likely to be in work than those with no qualifications.

There is a particularly sharp increase in the likelihood of being employed between having no qualifications (an employment rate of 36% of 16-64 year olds) to level 1 qualifications (64%).

Figure 1: Employment rate by qualification level, Wales, Jan-Dec 2013



Source: Annual Population Survey (via Nomis)

As well as being more likely to be employed, there is also a significant wage premium attached to having higher level skills. Table 1 shows that the highest qualified people in the UK earn, on average, almost 80% more per week than people who are only qualified to GCSE level. There is also a wage premium of around 20% for those qualified to GCSE level in the UK compared to those with no qualifications.

Table 1: Earning by qualification level, UK Age 20-65, Jan - Dec 2013

Highest qualification	Gross weekly pay (median) in main job	% difference from GCSE grades or equivalent
Degree or equivalent	£577.00	79%
Higher education	£462.00	43%
GCE, A-level or equivalent	£365.00	13%
GCSE grades A*-C or equivalent	£323.00	0%
Other qualifications	£308.00	-5%
No qualification	£258.00	-20%

Source: Annual Population Survey, ONS

<http://www.ons.gov.uk/ons/about-ons/business-transparency/freedom-of-information/what-can-i-request/published-ad-hoc-data/labour/may-2014/index.html>

While the benefits of acquiring higher level skills can be clearly demonstrated through published statistics, published research has identified a number of other advantages for those who have good literacy and numeracy skills. According to the National Literacy Trust:

- Men and women with poor literacy are least likely to be in full-time employment at the age of thirty: and
- Poor literacy skills can also be a serious barrier to progressing once in employment. 63% of men and 75% of women with very low literacy skills have never received a promotion.

In terms of numeracy skills, the charity National Numeracy has reviewed published research and concludes:

Across a variety of reports it can be seen that high numeracy is particularly correlated with a higher likelihood of the following positive social outcomes - being employed, earning high wages and having good to excellent health.¹

National Numeracy highlight the following specific benefits to good numeracy:

- Improving one's numeracy contributes to a larger amount of personal and social confidence. 77% of those who took up training said it improved their quality of life.
- There is also a wage premium associated with having better numeracy. In 2008, KPMG's report on the cost of poor numeracy estimated the wage premium is on average 10%.
- Across a number of reports it is also evident that there are significantly higher rates of low numeracy amongst the unemployed.
- According to a YouGov poll, 1 in 5 (19%) of those unemployed had felt held back by maths when job-hunting, and 3 in 10 of those who rated their skills as poor said it had affected their work.

A NIACE briefing paper also highlighted a number of social and health-related benefits to engaging in basic skills learning:

¹ National Numeracy <http://www.nationalnumeracy.org.uk/what-the-research-says/index.html>

- A wide range of evidence shows that participating in adult basic skills learning leads to improved confidence and enhanced self-esteem.
- Participating in adult learning in general is associated with a number of positive effects on psychological and physical health. Moreover, individuals with good basic skills enjoy some improved health outcomes compared to those with low basic skills.
- Participating in adult learning has positive effects on some aspects of social capital, including social engagement and tolerance. Individuals with higher basic skills are also more likely to report tolerant attitudes and show higher levels of political engagement.

Summary

This month's spotlight has focused on the benefits to individuals of increasing their own skills. There is ample evidence from employer surveys that they have some problems with finding the skills they need, both within their existing workforce and when they recruit new staff. Often, these skills are those that are associated with basic employability, such as communication, problem solving and team working, as well as literacy and numeracy skills.

The evidence is similarly clear that possessing these skills and good skill or qualification levels generally, offer significant advantages in the labour market, such as being more likely to be employed, more likely to earn better wages and also benefits in terms of social and health outcomes.

The Welsh Government rightly recognises the importance of employability skills and has recently published its skills implementation plan, which aims to:

'Support individuals to enter employment through access to skills information and work experience opportunities with the aspiration that all working adults have a minimum level of literacy, numeracy and ICT skills to support their career progression.'

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