



SOLENT  
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# Solent Skills Advisory Panel

Executive Summary for the Local Skills  
and Labour Market Analysis

#solent2050



# Foreword

As we publish this analysis we are acutely aware that organisations and individuals are facing a number of challenges as a result of the global pandemic and many are looking to formulate actions or recovery plans as they seek to rise to such challenges.

We are entering a new era where global challenges, technology advancements and remote platforms are changing the way people think about work and this will influence and shape the way businesses operate as they move forward with their recovery plans and look to the future.

The work of the Solent Skills Advisory Panel (SAP), has never been more important, ensuring the Solent economy and our businesses have access to the skills and talent they need and also to ensure that our residents have the opportunities to develop skills for the future.

The Solent Skills Advisory Panel (SAP) brings together local employers and skills providers to pool knowledge on skills and labour market needs, and to work together to understand and address key local challenges. This includes both immediate needs and challenges and looking at what is required to adapt to future labour market changes and to grasp future opportunities. This will help schools, colleges, universities and

other providers deliver the skills required by employers, now and in the future.

This Local Skills and Labour Market Analysis is an important first step, providing a forensic understanding of the existing and future skills gaps and employment priorities. This analysis has already supported our wider evidence base for our new economic strategy - Solent 2050 - which will be published this summer, and will now feed into the development of a Skills Action Plan, which will be developed around identifying priorities and responding local skills needs, with each priority linked to specific actions which state how they will be addressed. The priorities this analysis points to are: the importance of the skills our world-leading maritime sector needs to remain at the vanguard of maritime innovation; the impact of autonomy on the demand for labour and the skills needed by businesses; the need to ensure a strong supply of labour to replace those that will be moving out of the labour market; and also the importance of softer skills, such as social skills and communication skills.

Of course, we are publishing this Local Skills and Labour Market Analysis at time when the economy is in the throes of an economic shock unlike any other in living memory, brought

about by the COVID-19 pandemic. This is having a devastating impact on many business and communities and moving forward it will be our people that drive this recovery through their resilience and ability to adapt, supported by major advances in the uptake of technology to afford new ways of working.

This will have a lasting legacy on the way businesses operate, the way we work, and the skills businesses need and we need to pivot our skills and training to support the transition to this new world.

This Local Skills and Labour Market Analysis acknowledges the impacts of COVID-19, but we will update our analysis in the months to come as the data emerges so that we fully understand the impact of COVID-19 on the skills ecosystem, and what this means for the skills our businesses need.

But in the immediate term, this Local Skills and Labour Market Analysis does identify the key priorities on which our Skills Action Plan will be developed, and, recognising the need to support economic recovery the SAP will develop an interim Skill Action Plan that will identify the key short-term actions to ensure the skills system plays a key role in supporting our businesses and communities to restart, restore and recover.



**Rachael Randall, Solent LEP Business Director and Chair of the Skills Advisory Panel**



# Executive Summary

From the industrial revolution to the knowledge based digital economy of the 21st century, accumulation of knowledge and technological progress have played a central part in the process of economic development. Economic development is a matter of growth and growth depends on the productivity enhancing skills of the population. In the new technologically driven age, human capital (knowledge and skills), rather than natural resources will be the main driver of regional and local competitiveness and productivity growth. As such, the long-term economic competitiveness and wellbeing of Solent will crucially depend on a steady supply of relevant skills and ability of its residents to compete in the local labour market. Therefore, investment in skills is a strategic priority for the Solent Local Enterprise Partnership (LEP).

In addition to this work and recognising the seismic impact of the COVID-19 pandemic on our economy, the Solent LEP will be preparing a recovery plan for our economy through 2020 and beyond. This will include the provision of sustained support to our business community, skills enhancements identified by our Skills Advisory Panel to support our resident workforce to be set out in a Skills Action Plan, and a renewed emphasis on our capital investment programme for the area.

## Economic & Labour Market Landscape in the Solent

The coast has shaped the economy of Solent in many ways. Solent's geography is reflected in the dominant role of its large and globally leading maritime sector, the size of its visitor economy and Solent's strategic importance as one of the UK's most important gateways to global markets. Solent's 42,000 enterprises and 587,800 residents in employment contributed £30bn in Gross Value Added (GVA) or £37bn in Gross Domestic Product (GDP) to the UK economy in 2018. The economic contribution that Solent makes to the UK economy is comparable to the Liverpool City Region and West of England economies.

Solent's maritime sector and Portsmouth Naval Base generate £12 billion in turnover and £5.8 billion in GVA annually. Total GVA contribution comprises of £2.1bn in direct contribution to the economy, followed by £2.2bn worth of GVA that is supported in the supply chains (indirect impact) and £1.4bn worth of GVA in the wider economy when direct and indirect employees spend their earnings. This sector supports 152,000 jobs and £2.5 billion in employee compensation. It is estimated that the

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Solent-based maritime sector and Portsmouth Naval Base directly employed 28,800 people in 2017.

The region is a gateway for both the export and import of goods. Whilst the Solent itself exports £5.6 billion of goods each year, the value of goods that are moved through the ports of Southampton and Portsmouth amount to over £77.5 billion per annum, with exports accounting for £42.8 billion of this trade. Of this 85% are moved through Southampton to the UK's non-EU trading partners. Fawley Oil Refinery is the largest oil refinery in the country and one of the largest and most complex refineries in Europe. The refinery is a strategically important infrastructure asset for the United Kingdom. With total capacity of 270,000 barrels per day, Fawley provides 20% of the UK's refinery capacity.

Notwithstanding the current COVID-19 pandemic, the labour market outcomes have improved across much of Solent since the 2008/9 recession. Unemployment had stood at a historically low level, but some unemployment is 'hidden' within economic inactivity. The employment rate among Solent's residents is slightly above the national average but job density in the area is below the national average. Much of the external commuting is still predominantly local and commuting between the two Solent

cities is insignificant which results from unacceptably poor transport connectivity between the cities. Given that the working age population in the Solent LEP area is expected to peak towards the end of the next decade and given the expected slowdown in migration the economically inactive population could become an important source of labour in several sectors and occupations, although many may be unable to work due to long-term ill-health or family commitments.

Economic growth has been sluggish since the 2008/9 recession, below the national and regional average but business growth has been relatively strong. However, business growth was driven by micro businesses that employ relatively few people. Faster economic growth in Solent was held back by several large industrial sectors such as manufacturing, public administration & defence and education. Output growth was on average relatively strong in construction and accommodation & food. This was followed by growth in several higher value-added services such as information & communication and professional, scientific & technical services.

Whilst the labour market outcomes are relatively strong Solent, like much of the country, is facing a substantial productivity challenge. Labour productivity in Solent is slightly above the UK average but in real (inflation adjusted) terms labour productivity in Solent decreased between 2010 and 2017.

In addition to economic challenges the Solent, like the rest of the country, also faces significant demographic challenges.

Overall, the working age population is projected to grow by just 0.5% by 2041. Solent has benefited from an influx of migrant workers but post-Brexit there could be less scope for migrant workers to boost the supply of skilled labour in future years. This will have economic consequences in terms of future supply of skilled labour and on skills provision in the area. An ageing population coupled with technological advances point to a greater need to re-skill existing workers and residents.

The spread of the coronavirus is having an unprecedented impact on the levels of economic activity in Solent, across the country and across the world not seen during peacetime. The impact is manifesting itself through several direct and indirect channels, behavioural changes, the impact on the financial markets and through fiscal and monetary responses. In its latest assessment of the UK economy the Bank of England has forecast that the pandemic will push the UK economy into its deepest recession in 300 years this year.

The Office for Budget Responsibility (OBR), Bank of England and the National Institute of Economic and Social Research (NIESR) expect GDP to fall by between 30% and 35% in the second quarter alone or the first half of the year with the Bank of England expecting GDP to fall by 14% in 2020 as a whole. If the lockdown is short and the recovery is quick the recession may

follow the classic V shape (a quarter or two of falling output followed by a sharp rebound) and the consensus seems to be on the V shaped recovery. The Bank of England expects GDP growth to increase by 15% in 2021 and 3% in 2022. The average of independent forecasts is similar, 16.6% in the year to the second quarter of 2021, 3% in 2022 and 1.9% in 2023.

The labour market is a lagging indicator of economic activity and current data does not capture the impact of the pandemic on the labour force. However, the sudden and sharp fall in economic output due to the shutdown of large parts of the economy will inevitably see a sharp rise in unemployment in the short-term. The Bank's forecast for unemployment is to rise to 9% in the second quarter which is similar to the latest estimate from NIESR (10.5% in 2020).

The unemployment rate in Solent is similar to the national average. The increase in the rate to 10% in the coming months would imply that the total number of unemployed people in Solent would increase from 23,500 in 2019 to almost 61,000. Unemployment is forecast to fall sharply in 2021 but during the 2008/9 recession unemployment in Solent increased between 2008 and 2010 but it was lower and not as long lasting as in the UK. This suggests that the labour market could constrain economic recovery for several years to come. The impact on skills demand is also likely to be significant over short-to-medium term while skills supply could also be disrupted over this period.



## The Demand for Skills in the Solent

The structure of Solent's economy has changed substantially over the past three decades, employment has continued to shift away from primary activities and the public sector to private services such as professional, scientific & technical activities. We are now at the outset of the 4th industrial revolution which is characterised by a fusion of technologies that is blurring the lines between the physical and digital worlds. Demography, globalisation, competition and technological change are also some of the most important drivers of changing the pattern of demand for employment and skills in the Solent.

Future demand for labour in Solent will come from two sources – future employment growth and the need to replace the existing workforce. Of the two, replacement demand in Solent is expected to dwarf expansion demand over the medium to long term. Employment in Solent is projected to increase over the next decade and beyond but demand for labour is expected to be weaker than in the past which is unsurprising given the strong growth in Solent and across much of the country since the 2008/9 recession.

Independent projections suggest that total net job openings over a 10-year horizon in Solent are projected at 240,000 but with 93% of job opportunities becoming available due to replacement demand.

Solent has a relatively high concentration of jobs in the upper-middle occupational categories that were acquired through post-compulsory education such as technical and trade occupations, but a lower proportion of jobs in high skilled occupations against several Local Enterprise Partnerships (LEP). Changes in job context and type of job tasks performed are expected to create a need for higher level qualifications. Over a 10-year period at least 93,600 job openings (39% of all jobs) are projected to require a Level 4+ skill. Relatively strong but slowing demand is projected for Level 3 and Level 2. The Solent is projected to require 45,400 people with first degrees and 26,800 with higher degrees but relatively strong demand is expected for other higher qualifications below degree level such as BTEC and RSA and some nursing qualifications.

There is a high degree of uncertainty around the latest set of projection of likely demand for labour and skills (proxied by qualification) over the medium to long-term. Projections are largely trend-based, and we are on the brink of another industrial revolution that is being driven by advances in technology. The 4th industrial revolution will have a significant impact on the economic and social structure of advanced economies and demand for skills. Over the past 200 years from the first to the third industrial revolutions we have witnessed rapid advances in technology which have generally boosted productivity, living standards and job opportunities, whereas the impact of the 4th

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industrial revolution on economic growth and employment is uncertain. The potential impact of automation on the Solent economy is driven by industrial and occupational structures and the relative proportion of jobs at high risk of automation in each of those sectors and occupations.

Skills and tasks that are associated with fairly routine and manual occupations are more likely to be automated, which is to be expected. In contrast, high-skill industries and occupations are less susceptible to the impact of automation on jobs. In Solent, these industries are information & communication, professional, scientific & technical, education, health & social work and the broad public administration & defence sectors. Maritime autonomy will accelerate as the sector shifts to greater digitisation and more autonomous and remotely operated vessels, as well as utilising autonomous onshore operational systems for mooring vessels to quays and docks (Smart ports). The use of new, innovative technologies will also be required to

meet new environmental targets.

Independent estimates suggest that probability of automation across Solent ranges from 41.6% in Portsmouth to 48.4% in Gosport but the proportion of jobs at a high risk of automation remains relatively low in most local authorities in the area. Automation will create new jobs and occupations but identifying skills for the future is a challenging task. Recent evidence suggests that alongside digital and broad-based knowledge, interpersonal skills and cognitive skills are going to be increasingly important.

The focus on the impact of automation often ignores other relevant trends that will affect employment and skills demand such as demographic factors (populations ageing), globalisation or climate change and the rise of the green economy. An ageing population implies that education, health care and occupations in the wider public sector are likely to grow which is good news for the Solent economy since these sectors and occupations account for a significant share of employment in Solent. These occupations tend to be labour intensive or involve tasks that are less susceptible to be automated.



CEMAST - Centre of Excellence for Engineering, Manufacturing and Advanced Skills Training

## The Supply of Skills in the Solent

A key strategic priority for the Solent LEP is investment in skills which is needed to boost competitiveness of the area and ensure sustainable rates of economic growth. Higher levels of educational attainment result in a more skilled and productive workforce that forms the bedrock of economic competitiveness and faster economic growth which leads to higher living standards. Upskilling of resident population is not only an objective of economic policy but also an objective of social policy in the area.

The pandemic is likely to have a short-term disruption on access to learning and skills through the closure of schools, colleges and universities, but possibly also longer-term impacts on the skills required as businesses adapt or accelerate investment in technology and automation.

The Solent has over 274,000 residents of working age educated to a degree or higher qualification. In relative terms Solent has a

negative gap in advanced level skills (skills proxied by qualifications) with the national average, but that gap has narrowed. Nonetheless, to place its labour market on similar footing with the national and regional average Solent needs more residents with degrees or equivalent advanced qualifications, potentially an additional 26,400 to 49,400 working age residents respectively.

Solent has a large concentration of intermediate skills needed to support several priority sectors such as tourism, transport & logistics and parts of advanced manufacturing sector. Solent has more working age residents with intermediate skills than advanced or low skilled and in relative terms this is above the national and south east averages.

Low skills are often cited as one of the main factors that affect both labour market outcomes and productivity growth. The Solent has an estimated 137,500 low skilled residents of working age, and although Solent has closed a negative low-skill

gap with the national average half of its eight local authorities have above national rates for low skilled residents.

The future supply of skills in the area will in large part depend on how well the skills system operates in the Solent. Approximately 11,000 pupils in state schools in Solent are eligible each year to take GCSE or equivalent examinations. Solent underperforms against the national average on the attainment of young people. Nonetheless most school leavers will go on to study at an education destination (6th Form/Further Education college). The Solent has 131 FE providers that act as an important bridge for those looking to progress to higher education (HE).

The most recent DfE data for FE shows approximately 130,000 further education starts and about 98,500 further education achievements in Solent in 2017/18. The number of apprenticeships starts in Solent has decreased since 2014/15 but the number of achievements has increased. In 2017/18 Solent had 10,000 apprenticeships starts and almost 7,400

achievements. The area has seen rising numbers of advanced and higher apprenticeship achievements. The top ten Solent education & training providers accounted for 76,257 starts or 71.9% of all Solent starts. The Solent is also home to thirteen sixth form and FE colleges that could potentially supply Level 3 students to the three higher education institutions.

The three universities in Solent have approximately 60,000 students. By volume, business & administration studies is the most popular subject across Solent, followed by engineering & technology the strongest of the STEM subjects. Retention rates for Portsmouth and Southampton are low although research suggests regional economies such as Solent are competing with London for graduate talent, with one-third of all graduates taking jobs in the capital. However, where Solent should have advantage over London is in offering more affordable housing that makes the Solent more attractive to graduate entrants to the labour market.



## Skills Mismatch in the Solent

Skills mismatches is an important issue for both individuals and society. From the individual point of view, skill mismatches can limit employment and earnings opportunities and thus prevent people from reaching their full potential. Mismatches can also affect business investment and productivity and thus act as a drag on economic growth. Skills mismatches typically occur because of market failures that are related to learner demand and inadequate supply of training.

Small and falling numbers of skills shortage vacancies suggest that in aggregate the skills supply and skills demand are broadly in balance according to this measure. In 2017 skills-shortage vacancies accounted for 20% of all vacancies in the Solent but just 0.8% of all employment. However, an apparent 'match' between demand and supply at the aggregate level does not hold for all industries and data suggests a mismatch between the supply and demand in construction; business services; health & social care; and hotels & restaurants. There appears to be little evidence of any significant skill-shortage vacancies in other sectors in the area including manufacturing and education. Occupational data suggests that much of the skills shortages in Solent is at an intermediate level (NVQ Levels 3 and 2), both upper-middle and lower-middle skilled occupations (notably skill-shortage vacancies in skilled trades occupations and in personal service occupations).

The case where demand exceeds supply internally within a firm or organisation is termed a 'skills gap', which is indicated when employees are perceived by their managers to lack some competencies needed to carry out their task. Some 5% of employment in the area were affected by skills gaps in 2017. Skill gaps are more prevalent in high-end private services such as information & communication but also evident in sales & customer service occupations and administrative, clerical & secretarial occupations – intermediate occupations more susceptible to automation.

In aggregate skills gaps and skill shortage vacancies suggest unmet skill demand of 25,660 or 5.8% of Solent's employment. This suggests a small mismatch between skills supply and skills demand in Solent at the aggregate level and as stated above this mismatch is more prevalent in some industries and occupations.

Traditional marine skills will still be needed but there will be a greater emphasis on new skills in digital and new technology. Developing, operating and maintaining these autonomous and technological systems will need highly qualified workers and increasing the number who have studied STEM subjects. This will be delivered in the workplace, but increasingly through specialist educational institutions. Solent University excels in providing education, training and ship management services

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while the CEMAST and CECAMM provide marine technology courses. In addition the UTC in Portsmouth provides a specialist STEM curriculum for young people aged 14-19 years old, including mechanical and electrical engineering and advanced manufacturing to meet the growing demands of employers across the region. Situations where skills and qualifications held by employees are not utilised optimally within the labour market is referred to as skills underutilisation. Overeducation or underemployment is an indirect way of measuring this. One third of all establishments in Solent reported that at least one employee had both qualifications and skills more advanced than required in their current role. This was slightly below the national average. Education, health & social work and hotels & restaurants have a much higher incidence of establishments reporting having at least one underutilised employee than other sectors in the Solent economy. Information & communication and financial services have the next highest proportions. The lowest incidence of establishments reporting staff underutilisation is found in the relatively labour-intensive manufacturing and construction sectors.

At the time of writing the Solent LEP is developing a new

Economic Strategy for the Solent, 'Solent 2050', in response to the government's requirement that all LEPs set out a clear pathway to securing more productive and prosperous communities in all parts of the UK. This skills analysis is part of the evidence base for the Solent 2050 strategy and provides the main evidence base on the existing local labour market and skills in the Solent. It identifies key areas of future skill needs relating to projected employment and occupational needs, and the challenges facing the labour market and skills provision at the outset of the 4th industrial revolution.

Skills Advisory Panels have been set up with the aim of bringing together employers and skills providers to pool knowledge on skills and labour market needs, and to work together to understand and address key local challenges. Solent's Skills Advisory Panel is expected to provide a strong leadership role on skills in the Solent and to engage with local employers and training providers.

This Local Skills and Labour Market Analysis identifies the priorities around which our Skills Action Plan will be developed, to respond to the local skills needs, with each priority linked to specific actions which state how they will be addressed. An interim action plan will be published this summer as part of the wider economic recovery plan the LEP is developing in response to COVID-19.

## Solent LEP Skills Advisory Panel (continued overleaf)



Rachael Randall  
Chair, and Chief Executive and  
Principal HTP Apprenticeship  
College



Lester Biddle, Technology  
Director, HIT Training Ltd &  
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Debby Clement  
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Blue Davies  
Head of Training British Marine



James Fitzgerald  
Finance Manager - Corporate  
Finance Specialist, Portsmouth  
City Council (accountable  
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Mike Gaston  
Principal & CEO,  
Havant & South Downs  
College



Amelia Gould  
Naval Ships Combat Systems  
Director, BAE



Julie Hall  
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Boyd Hatwood  
Smaller Employer Engagement  
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## Solent LEP Skills Advisory Panel



Roy Haworth  
Engineering Senior Manager,  
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Harry Kutty  
Headteacher,  
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Anna Marshall  
District Operations Leader  
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Carey Moore  
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Anne-Marie Mountifield  
Chief Executive  
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Cllr Darren Paffey  
Cabinet Member for Children  
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Cllr Barry Rickman  
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