SOUTH EAST
HEALTHY LABOUR MARKET REVIEW
2005

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South East Healthy Labour Market Review 2005

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Contents

Executive Summary

This report provides a review of the 'health' of the South East labour market against a series of measures, designed to capture three dimensions of labour market performance:

- **Demand side of the labour market**, related to the volume and quality of employment.
- **Supply side of the labour market,** including the supply of labour and the quality of supply.
- **Functioning of the labour market,** such as labour market efficiency and equity.

Across each dimension, the report examines the performance of the South East against other regions and over the last decade. The main findings of the review are summarised below.

Demand-side (job) indicators

- **Overall employment levels:** the South East has one of the highest employment rates and levels of job density in Great Britain. Following high levels of job growth in late 1990s, rates have stabilised at slightly lower levels in the 2000s.
- **Balance and quality of employment:** the region offers high quality employment opportunities. It has a higher proportion of employees engaged in high-level occupations, and a higher proportion working in high technology or knowledge sector jobs, than any region outside London.
- **Business generation, business dynamics and survival:** the South East has among the highest levels of self-employment, employment in small businesses, and VAT registrations. However, in recent years, there has been a convergence between the South East and neighbouring regions.
- **Labour market flexibility:** the region has the second highest proportion of employed people working part time, and most are doing so through choice. It has a low proportion of people in temporary employment, as those who would rather have permanent work are generally able to find it.
- **Productivity and performance measures:** the South East is one of the most productive regions in the UK, scoring above all other regions, except London, on all indicators used.

Supply-side indicators

- **Adequacy of labour supply:** economic activity rates in the region are among the highest in the UK, but are now currently below that of the Eastern region and the South West. Rates had increased during the late 1990s before peaking in the early 2000s.
- **Quality of labour supply:** the region has the second highest proportion of people qualified to NVQ Level 4 or equivalent and above, and the lowest proportion of people with no formal qualifications.
- **Indicators of workforce development:** the South East has the second highest proportion of 16-19 year olds within full-time education in Great Britain, and the highest proportion of adults engaged in learning in England.
- **Measures of workforce well-being:** the region has one of the lowest rates of days lost due to industrial disputes, but is marginally above the national average, in terms of sickness absence.

Functioning of the labour market

- **Labour market efficiency:** unemployment has declined substantially over the decade, largely due to improvements in the long-term unemployment rate. The other side of this coin is that the labour market has continued to tighten, causing difficulties for many employers: the South East has the third highest level of establishments reporting vacancies in England, and is mid-table on the issue of hard-to-fill and skills shortage vacancies.
- **Labour market equity:** There are two aspects to this dimension: at a geographical level, several local areas in the South East, particularly those near the south coast, have performed less well than the average for the region in terms of unemployment, economic activity and other measures, and there remains a concern about the extent to which the overall success of the region is shared between its different parts. Turning to the question of equity between the different groups in the population, the region does better than any other on the indicators relating to employment among minority ethnic and disabled people; however, it performs less well in terms of female employment rates (relative to male rates), although its position has improved over the last five years.

Comparisons with the first *South East Healthy Labour Market Report* findings (1999-2000)

Comparing these results with those of the first report produced in 2002 (using 1999-2000 data). the following picture emerges.

- **Since the first review, labour demand remains robust**: employment rates remain high and measures of labour market activity (*eg* business registration and self-employment) show improvements relative to other regions. However, dynamic indicators, *eg* employment growth measures, suggest a relative worsening of the region's position since 1999-2000, as other regions have begun to catch up.
- **On the supply side, the region has maintained its strong position in terms of the quantity and quality of labour supply.** With regard to economic activity rates the performance of the South East remains positive, and it has further strengthened its position in terms of the proportions of the workforce with higher level qualifications. It continues to be the region with the lowest proportion of people with no formal qualifications, while its relative position in terms of work-related training has improved since 1999-2000.
- **The functioning of the labour market has improved but issues of tightness and equity remain.** Overall unemployment rates (and the share of long-term unemployment) have fallen since the first review, and the region still lower rates than any other UK region. However, as in the earlier evaluation, questions concerning the region's ability to meet the demand for skilled labour remain, with high levels of hard-to-fill and skills-shortage-vacancies. Finally, in terms of individual equity, the South East's position with regards to minority ethnic and disabled people's employment rates have improved, now making the region the highest performer in the UK. However, there has been less change in the region's performance in terms of the proportion of females in employment (relative to male rates).

Although the labour market performance of the South East remains positive, there is some evidence of a slowdown in the rate of growth of economic and labour market activity. The labour market remains tight, with many employers facing difficulty in meeting their labour needs, although pockets of inequity, both sub-regionally and (to a lesser extent) in terms of individual groups, remain. On a number of indicators of labour market health, the South East's advantage (noted in our previous report of 2002) has begun to erode as other regions have caught up.

1. Background and Introduction

The South East England Development Agency commissioned the Institute for Employment Studies to undertake a second evaluation of the health of the labour market in the South East. The report presents the findings of the analysis of the South East's position on a wide range of labour market themes, and considers the performance of the region across these themes over the last decade.

1.1 Background

Meager and Papworth (2002)[1] developed a series of indicators that aimed to identify and measure the key characteristics of a healthy labour market in the South East. The paper created a framework for understanding the functioning of the South East labour market based on three dimensions:

- **Demand Side of the labour market (jobs and employment)** *eg* covering elements such as the volume and quality of employment.
- **Supply side of the labour market** eg the supply of labour and the quality of supply.
- **Functioning of the labour market** *eg* labour market efficiency and equity.

Within each dimension a series of economic and labour market indicators were considered, which aimed to capture the various elements of a healthy labour market.

1.2 Aims and objectives

This report provides an update of the South East's position against the three dimensions outlined above. The report considers the performance of the region relative to other regions and over the last decade (in particular, pre and post 1999). The performance

1 Meager N and Papworth R (2002) A 'healthy labour market' for the South East?, paper prepared for the South East England Development Agency, 16 May 2002, Institute for Employment Studies.

of the region at a sub-regional (Local Authority Council) and local (Local Authority District) level is also examined.

To this end, we review the original *South East Healthy Labour Market Report* indicators, and to consider new ones where possible. In selecting the indicators for this report, it was necessary to balance suitability (the extent to which the measure was an appropriate indicator of the phenomenon of interest), availability (whether the measure was publicly accessible) and reproducibility (the extent to which the measure could be used for longer term comparisons). A summary of all the indicators adopted in this report, their advantages and disadvantages is reported in Appendix 3.

1.3 Defining a healthy labour market

1.3.1 What is a 'healthy' labour market?

The question as to what defines 'a healthy labour market' was raised in the first *South East Healthy Labour Market Report*, which noted that:

> *'There is no single accepted definition of a 'healthy labour market' in the existing literature and research. Indeed, the term 'healthy' is not widely used to describe labour markets. Far more common are words such as 'successful' 'efficient', 'effective', 'flexible' on the one hand, or 'rigid', 'tight', 'depressed' 'overheated'* etc. *on the other, which are used to describe different labour markets in different times and places.' (Meager and Papworth, 2002 p. 6)*

Although there may be different views as to how one might define a 'healthy labour market', the authors posit that it would not only involve measuring 'success', defined according to traditional measures of employment and economic growth, but would also include:

- **Balance:** in that regions or groups should not be disproportionately excluded from success.
- **Internal coherence and harmony:** in the sense that the different parts of the labour market function complement one another, *eg* that education and training supports the needs of employers.
- **Sustainability:** so that any short-term labour market successes can be sustained over the medium and longer term.

1.3.2 Defining a framework for a healthy labour market

On the basis of the above, the authors develop a framework for assessing a healthy labour market based on three elements (see Figure 1):

- employers and employment (on the demand side);
- members of the workforce (on the supply side); and
- the various institutions of the labour market (which influence both demand and supply sides, and the way in which the two sides interact).

Within this framework, a healthy labour market can be described as one that:

- has a **strong demand-side**: this is about the quantity and quality of jobs which the labour market generates;
- has a **strong supply side**: this is the other side of the equation, and relates to the number and characteristics of the people available to take the jobs;
- functions both **efficiently** and **equitably** to bring the demand and supply sides of the labour market together.

A fourth (external) element to a healthy labour market, which is not explored within the model, relates to having **appropriate supporting conditions** (*eg* tax and welfare provisions that encourage labour market engagement, appropriate childcare, transport and housing provisions).

Healthy Labour Market – Outline Framework

DEMAND SIDE OF THE LABOUR MARKET	**FUNCTIONING OF THE LABOUR MARKET**	**SUPPLY SIDE OF THE LABOUR MARKET**
Adequate volume of jobs	**Labour market efficiency** ● effectively matches jobs to people (advice, guidance, placement services) ● flexibility – enables career progression and work-life balance	**Adequate volume of supply** ● workforce size and location ● economic activity rates
Balance/quality of jobs ● range of industries ● range of skill requirements ● range of pay levels ● range of working arrangements (full-time/part-time; employee/self-employed)	**Labour market equity** ● even and fair distribution of opportunities for individuals ● even and fair distribution of opportunities for localities	**Adequate quality of supply** ● basic skills ● vocational skills ● higher level skills ● attitude/motivation ● workforce health/well-being ● voluntary/unpaid labour?
Dynamism of the labour market ● entrepreneurship/innovation ● new firm generation	**Effective and balanced interaction with other labour markets** ● in adjacent regions ● nationally/internationally	**Responsiveness of supply** ● renewal of skills ● lifelong learning

1.4 Data source used

The key data sources used in the review included:

- Regional Trends 38: the latest edition of Regional Trends, for 2003, produced by the Office for National Statistics.
- The Labour Force Survey: the Spring 1995, 1999 and 2005 quarters, covering March to May in those years, was used to provide detailed information on some indicators. Time series data from the LFS were also collected through the National Online Manpower Information System (NOMIS). These data provided annualised averages from June-1994/May-1995 to June-2004/May-2005.
- The Local Area Labour Force Survey (England): covering the period year March 2003 to February 2004, were used to provide detailed sub-regional information and were accessed via NOMIS.
- The Annual Business Inquiry (1998 to 2003): The ABI provided information on enterprises and employees in employment. The data were accessed via NOMIS.
- The New Earnings Survey: data from the NES 2003 were accessed via NOMIS.
- The Office for National Statistics: additional data was collected from the ONS website or ONS articles, for example on output and productivity measures, and inter-regional migration.
- The Skills Needs in England report was used to access summary information from the National Employer Skills Survey 2004: provided regional and sub-regional information on vacancies, hard-to-fill vacancies, skills shortages vacancies.

A range of other relevant reports and publications, including Labour Market Trends, were used to provide additional information.

1.5 Comparisons with the first evaluation and over time

Since the original *South East Healthy Labour Market Review* there have been several changes to the availability of data, and the recording of those data, making comparisons over time more difficult.

One of the key changes relates to the Labour Force Survey. Following the results of the census 2001, the data from the Labour Force Survey have been re-grossed to take into account the more accurate population estimates that have become available. In consequence, many of the estimates in the original report are not compatible with those presented here.

As a general rule we report upon changes in the South East's labour market over the full period 1994/5 to 2004/5, or over shorter periods, where data are inconsistent over the longer term. We include measures adopted in the first *South East Healthy Labour Market* report, as well as some additional ones that have emerged since that time. In many cases, these additional measures are the result of irregular/*ad hoc* national surveys and so, although they provide an indicator of the region's performance at the time of the survey, it is not always possible to take an historic overview.

1.6 Structure of the report

The report is structured as follows:

- In Chapter 2 we consider the South East's position across a range of broad demand-side indicators, which cover:
  - issues of aggregate labour demand
  - the characteristics of employment in the region
  - measures of output and productivity
  - business generation and development
  - labour market flexibility, and
  - employment well-being.
- Chapter 3 examines the supply-side (labour force) indicators, including the adequacy of the labour supply, labour quality (in terms of educational attainment and skills) and workforce development issues.
- Chapter 4 reports on the overall functioning of the labour market, covering
  - Efficiency *ie* in terms of unemployment indicators, long-term unemployment, and issues related to vacancies.
  - Equity *ie* the performance of sub-regions and individual groups, such as women, minority ethnic groups and disabled people.
- Finally, in Chapter 5, we summarise the South East's position against other regions and the national averages on the key indicators, and review some key issues that have been identified in the review.

2. Demand-side (jobs) Indicators

In this section we examine the demand-side (job) indicators related to the South East labour market. The majority of these indicators had been identified in the original *South East Healthy Labour Market Review*, however, where some additional indicators have been created, or changed (*eg* as a consequence of changes in data availability) the variation has been reported in brackets below.

For the purposes of this report, we have grouped the demand-side indicators into six broad categories covering the overall employment position of the region; the quality of that employment; indicators of the degree of economic activity; flexibility; productivity; and well-being. These indicators can be summarised as follows:

- **Adequacy of employment volume indicators** (*eg* employment rate, job density).
- **Balance and quality of employment indicators** (*eg* employment in high skilled occupations or high technology sectors).
- **Business activity and generation indicators** (self-employment activity, business generation and survival).
- **Labour market flexibility indicators** (*eg* part-time and temporary working).
- **Business productivity indicators** (*eg* GVA per filled job / hour worked).
- **Workforce well-being indicators** (*eg* working days lost due to industrial disputes, sickness absence).

The information is presented in either graphical and table formats in the chapter, and the data tables upon which the figures are based are presented in Appendix 1 for both regions, sub-regional and (where appropriate) local authority districts.

2.1 Adequacy of employment volume indicators

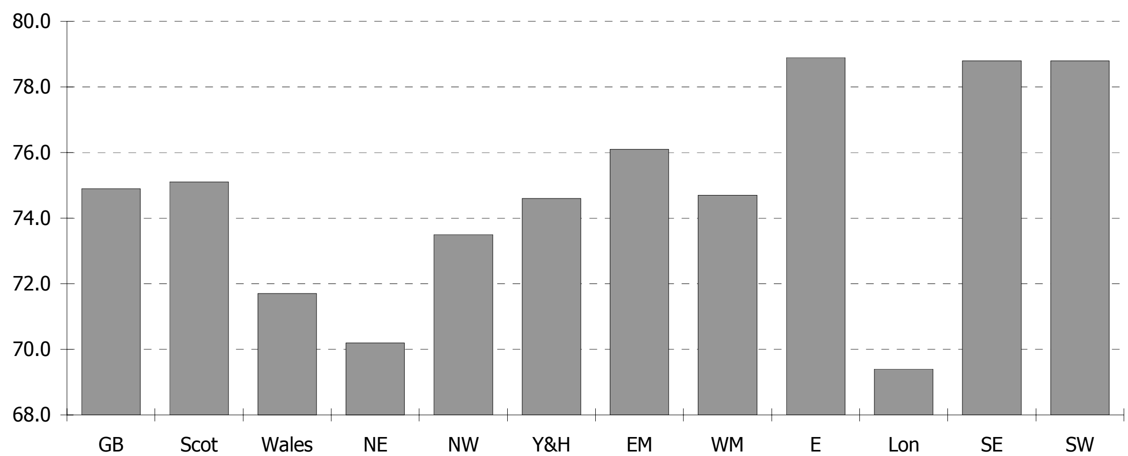
2.1.1 Employment rate

We begin by considering one of the most basic indicators of the strength of labour demand in a region: the employment rate. This is defined as the proportion of the working age population[1] who are in employment, and is derived from Labour Force Survey data on the resident population and the employed labour force.

In the most recent period for which data are available (2004-5) the working-age employment rate in the South East stood at 78.8 per cent, compared with 74.9 per cent in Great Britain. This was the second highest employment rate in Great Britain, joint with the South West and marginally below that of the Eastern region, 78.9 per cent (Figure 2.1; A.1).

There were marked variations in employment rates within the sub-regions, with Wokingham reporting the highest rate (86.0 per cent), while the Isle of Wight and Southampton had the lowest rates, 71.4 per cent and 70.2 per cent respectively (A.2).

Figure 2.1: Employment rates of working age population by GOR, 2005



Source: NOMIS / LFS

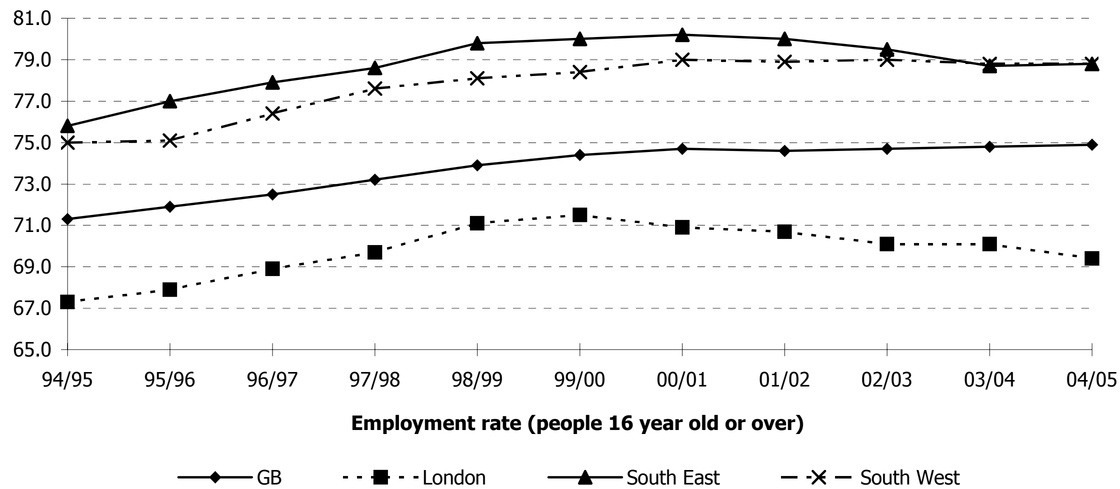
Trends

The employment rate in the South East has consistently been above that of most other regions (Figure 2.1), and competes favourably with the Eastern region and the South West. Over the last decade, it has increased by 5.1 per, with most of the increase occurring during the late 1990s. Between 1994-5 and 1998-9, the South East employment rate increased by 5.3 per cent (the second

1 Men aged 16 to 64 and women aged 16 to 59.

highest regional increase over this period, after London), while in the period 1999-2000 to 2004-5 the employment rate actually declined by 1.5 per cent, the second highest regional decrease over the period (once again after London).

Figure 2.2: Employment rate of people of working age, selected regions



Source: NOMIS Labour Force Survey: Summer annualised averages 1994/5 to 2004/5

Interpreting these findings

A high employment rate is indicative of high labour demand in the region, but it should also be borne in mind that it also reflects at least two other factors:

- Supply-side influences, such as the willingness and ability of people of working age to participation in the employment.
- The strength of labour demand in adjacent regions, *eg* if significant numbers of the South East's working population commute outside the region (*eg* to London).

A decline in the employment rate can thus partly reflect changes to the supply of labour, as well as changes to demand.

In the South East the employment rates of 80 per cent and above, which were witnessed between 1999 and 2002, were greater than that observed in any other region (before or since). It is questionable whether these rates could be maintained in the long term, given other supply-side pressures such as the expansion of participation within the education and the ageing profile of the region's population.

2.1.2 Growth in total employee jobs in the regions

The employment rate is essentially a static indicator of performance (although we have considered it in a dynamic sense by reviewing growth over time). An alternative 'dynamic' indicator of a labour market's performance (produced in the first *South East Healthy Labour Market Review*) relates to the annual growth rate in the number of employee jobs in a region. To consider this indicator, we have used employee job estimates taken from the ABI 2003 employees dataset.

The annual growth in employee jobs in the regions is reported in Table 2.1. The South East experienced positive annual growth in the two periods 1998-1999 and 1999-2000, but virtually no growth between 2000-2001 and 2001-2002, and a decline in employee jobs in 2002-3. The decline in employee jobs in 2002-3 was higher than that experienced in any other region. This trend contrasts with Great Britain overall, which had experienced more stable annual employee growth rates, of between one and two per cent, in the period 1998-1999 to 2000-2001, before slowing down from 2001. These patterns are, however, consistent with the trends in the region's employment rate indicator.

Table 2.1: Annual growth in employee jobs 1998-9 to 2002-3

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
North East	2.42	-0.75	1.74	2.28	1.17
North West	1.88	0.18	1.71	2.55	0.77
Yorkshire and The Humber	0.38	1.00	1.72	1.73	1.64
East Midlands	-2.12	1.53	1.11	-0.48	0.92
West Midlands	0.95	-1.12	0.95	0.71	-0.04
Eastern	-1.74	4.26	1.11	0.77	1.95
London	5.13	2.62	-1.09	-2.10	-0.64
South East	5.05	1.82	0.01	0.37	-1.21
South West	2.07	2.06	3.27	1.18	1.37
Wales	3.03	1.01	0.86	0.72	1.62
Scotland	0.24	3.10	2.93	-0.88	0.85
Great Britain	1.94	1.60	1.05	0.39	0.49

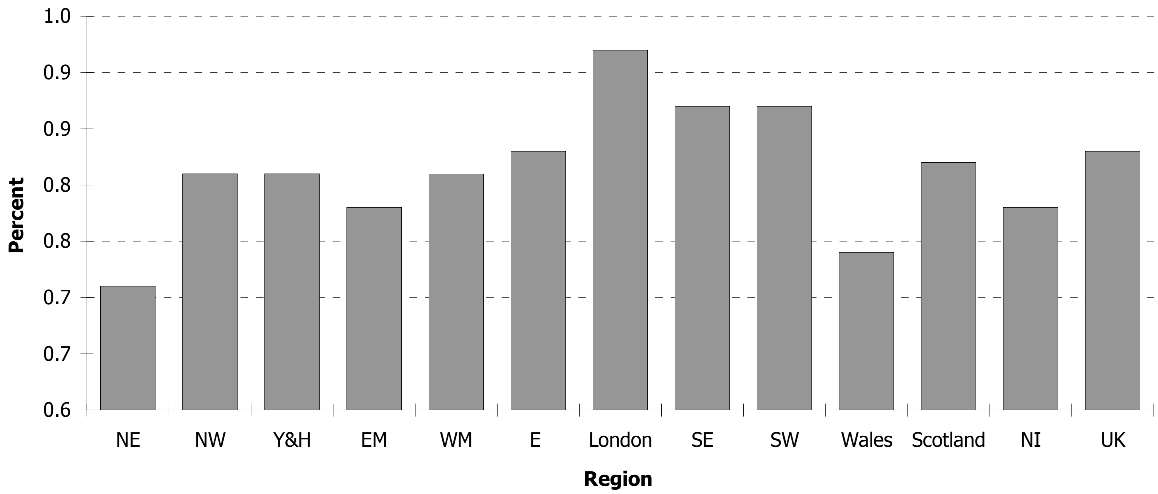
Source:: NOMIS / ABI (employee analysis 1998 to 2003)

2.1.3 Proportion of employee jobs per working age resident

The final indicator reviewed in this sub-section relates to 'job density'. Jobs density was defined in the first *South East Healthy Labour Market* report as the number of filled employee jobs in an area divided by the working-age population resident in that area. As such, the indicator shows the extent to which an area could theoretically generate enough employment for its working age population, *ie* if there was no commuting between regions. A healthy labour market is one that has sufficient job opportunities for the resident working-age population.

The job density rates across the UK regions for 2003 are reported in Figure 2.3. The South East had a job-density rate of 0.87 jobs per working age resident, compared to the UK average of 0.83 jobs per working age resident, and higher than that of any other region except London (0.92).

Figure 2.3: Job density 2003



Source: ONS

Trends

The data suggest that the level of job density in the South East has remained relatively stable (*ie* between 0.87 and 0.88) in the years 2000 and 2003, the period for which we have comparable figures. The stability of job density in the South East rests in contrast to most other regions, which have seen a slight increase in job density, and London which has experienced a decline (Table 2.2).

As in the case of the employment rate, it is likely that the reason job density has not increased over the last few years is that the South East labour market it is already close to full employment, and there is less scope in the South East for further expansion, when compared to other regions.

Table 2.2: Job density

	2000	2001	2002	2003
United Kingdom	0.82	0.83	0.83	0.83
Wales	0.72	0.73	0.73	0.74
North East	0.69	0.69	0.71	0.71
North West	0.78	0.79	0.80	0.81
Yorkshire and The Humber	0.78	0.79	0.80	0.81
East Midlands	0.78	0.78	0.78	0.78
West Midlands	0.81	0.81	0.81	0.81
Eastern	0.80	0.81	0.82	0.83
London	0.98	0.95	0.92	0.92
South East	0.88	0.87	0.88	0.87
South West	0.84	0.86	0.87	0.87
Wales	0.72	0.73	0.73	0.74
Scotland	0.79	0.82	0.82	0.82
Northern Ireland	0.75	0.76	0.77	0.78

Source: ONS

2.2 Balance and quality of employment indicators

This sub-section reviews measures of the *balance and quality* of the region's employment. The three sets of indicators we consider relate to the industrial spread of employment, its occupational distribution and earnings. Issues of part-time and temporary working, which are also aspects of labour market balance, are considered separately in sub-section on labour market flexibility.

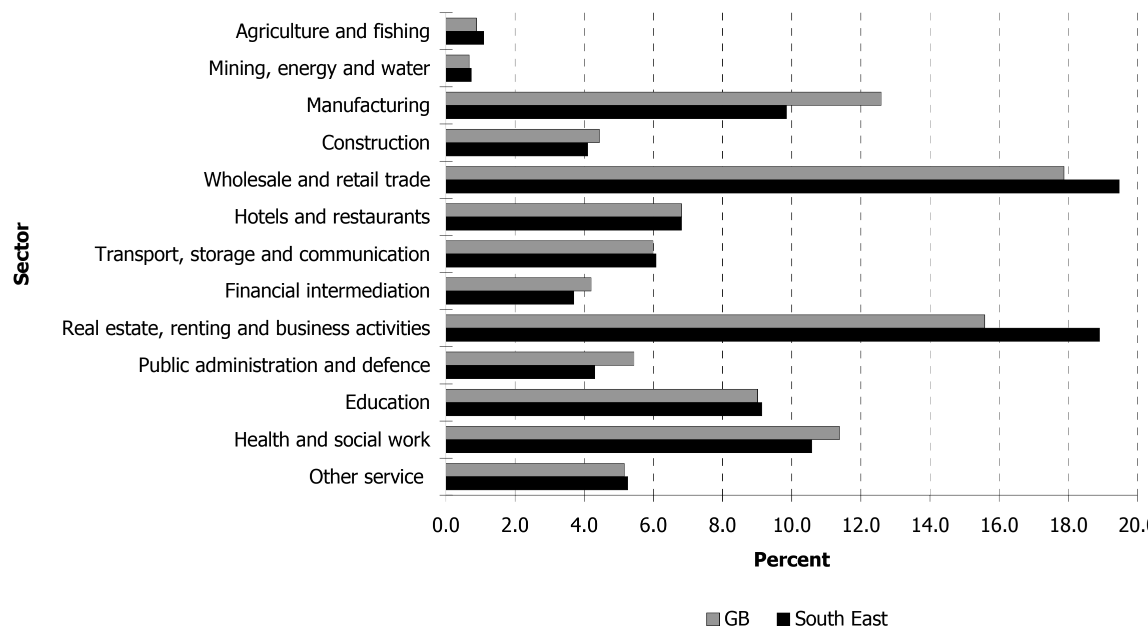
2.2.1 Indicators of employment by sector

There are two factors to consider when selecting indicators related to industrial distribution. Firstly, a healthy labour market requires a degree of **industrial balance**, *ie* there is need for a spread of employment across all sectors, providing a range of working opportunities to its residents, and insuring the region against external shocks or slowdowns in any one particular sector. Secondly, there is a need for **high value added**, *ie* a concentration in employment within high technology and knowledge-intensive sectors, which would be a key element of regional competitive advantage. These two elements are reviewed in this section by examining data on the industrial distribution of employment in the region across broad sectoral groups, and by considering the extent to which employment is focused on higher technology or knowledge-intensive sectors.

Industrial Balance: employee jobs by broad industry classifications (SIC 92)

Looking at the spread of employee jobs across all sectors, the South East has a similar structure to that of Great Britain (Figure 2.4; A3). There are, however, some variations, in that the South East has a greater focus of employment in the service sector industries than Great Britain overall. The region has a higher than average concentration of employment in the private sector services, such as the wholesale and retail sectors, and real estate renting and business services, while it has a relatively lower employee base in manufacturing, and public administration and defence.

Figure 2.4: Employees by sector, 2003



Source: ABI

Trends

Data on the changes to the industrial distribution of the region are available on a consistent basis for the years 2000 to 2003 (reported in Table 2.3). The data suggest that the relative proportion of employment in manufacturing saw the greatest decline over this period (16.6 per cent fall, compared to 16.1 per cent in Great Britain); while other sectors that witnessed a greater than average fall in their contribution to employment included the construction sector, transport, storage and communication and financial intermediation.

Public administration and defence also saw a small relative decline in its employment contribution between 2000 and 2003, despite increasing its contribution to employment in Great Britain as a whole. The sectors that out-performed the national average were mainly service industries, such as hotels and restaurants, education, health and social work and other services.

Table 2.3: Employees by industrial sector

	South East			Great Britain		
Sector	**2000**	**2003**	**% change**	**2000**	**2003**	**% change**
Agriculture and fishing	1.1	1.1	-1.3	1.0	0.9	-9.1
Mining, energy and water	0.5	0.7	40.4	0.8	0.7	-16.0
Manufacturing	11.8	9.8	-16.6	15.0	12.6	-16.1
Construction	4.3	4.1	-4.1	4.5	4.4	-1.0
Wholesale and retail trade	19.4	19.5	0.2	17.7	17.9	1.1
Hotels and restaurants	6.3	6.8	7.6	6.4	6.8	6.6
Transport, storage and communication	6.6	6.1	-8.3	6.1	6.0	-1.5
Financial intermediation	3.9	3.7	-5.4	4.2	4.2	-0.3
Real estate, renting and business activities	18.9	18.9	0.0	15.4	15.6	1.1
Public administration and defence	4.6	4.3	-5.4	5.3	5.4	2.2
Education	8.2	9.1	11.5	8.2	9.0	9.6
Health and social work	9.4	10.6	12.6	10.4	11.4	9.0
Other service	4.9	5.3	6.4	5.0	5.2	3.0
Total	100	100	0.0	100	100	0.0

Source: ABI

High Value Added industries / high-technology and knowledge-intensive sectors

To examine the extent to which the South East has been successful in generating employment in 'high value added' sectors, we adopt a definition of high-technology and knowledge-intensive sectors developed by Eurostat and the OECD (Eurostat, 2002)[1]. The categorisation is based on four groups of sectors, defined[2] as:

- **High-technology manufacturing** *eg* the manufacture of office machinery and computers, communications equipment, and medical and precision instruments.

[1] It should be noted that this designation of industrial sectors as 'knowledge-intensive' is necessarily crude, and assumes that all workplaces and all workers within these sectors will be operating in a 'knowledge-intensive' fashion. This will not be the case in the real world. However, in the absence of any better indicators of knowledge intensivity available on a regional basis, we adopt this approach, but the limitations of this approach should be borne in mind when considering the analyses.

[2] The definitions of these sectors according to the Standard Industrial Classification is given in Appendix 2.

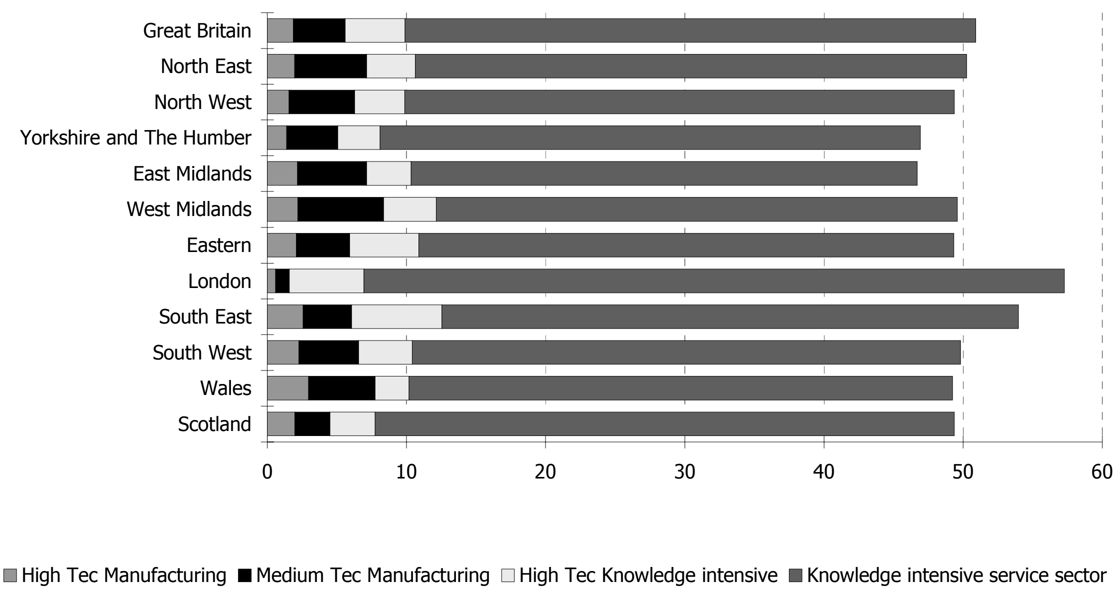
- **Medium high-technology manufacturing** *eg* the manufacture of chemicals, machinery, electrical apparatus, motor vehicles and other vehicles.
- **High-technology knowledge-intensive services sectors** *eg* telecommunications, computing activities and research and development.
- **Knowledge-intensive service sectors** *eg* water and air transport, financial services, other business services, education, health and recreational services.

Despite the fact that the South East has a relatively low manufacturing base (compared to the Great Britain average) it has a disproportionately high level of manufacturing employment within high technology manufacturing industries. The proportion of employees in high-technology manufacturing in the South East stood at 2.6 per cent in 2003, higher than any other region except Wales (three per cent). In terms of medium technology manufacturing industries, however, the region does less well, and only 3.5 per cent of employee jobs relate to these sectors, compared with the Great Britain average of 3.8 per cent and the 'best' region the West Midlands (6.2 per cent).

With regards to the other knowledge-based industries, the South East region has the highest proportion of employees in high-technology knowledge-intensive services sectors than any other region *ie* 6.5 per cent compared to a 4.3 per cent Great Britain average. It also has the third highest proportion of employees in knowledge-intensive service sectors, 41.4 per cent compared both to a Great Britain average of 41.0 per cent and the best region, London, which has 50.3 per cent employment in that sector.

Looking at the picture overall (Figure 2.5; A4), the South East region has the second highest proportion of employees working in high technology sectors (54.0 per cent), compared to a Great Britain average of 50.9 per cent and the 'best' region, London, with 57.3 per cent.

Figure 2.5: Proportion of employees working in high-technology and knowledge-intensive sectors



Source: IES / ABI

2.2.2 Occupation indicators

A second element of employment balance and quality relates to its occupational spread. As in the case of sectoral employment, a healthy labour market requires a balance across occupational groups, as well as a high share of employment in higher level occupations (*ie* managers, professionals and associate professionals/technical occupations).

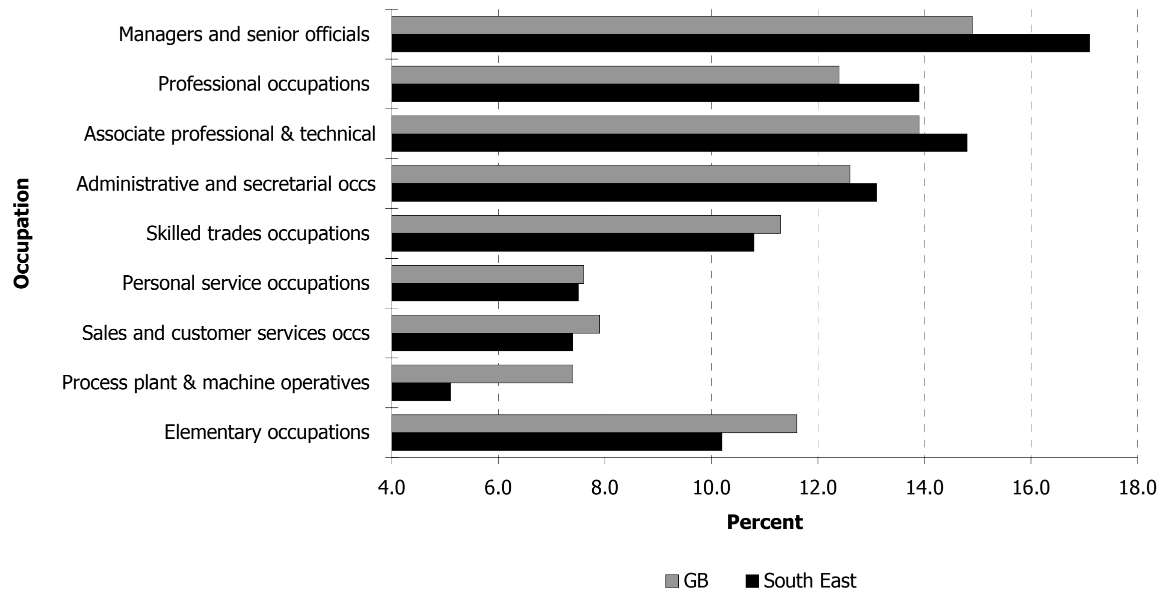
However, in reviewing this analysis we should note a word of caution. There may not be a clear relationship between overall employment in higher level occupations and some other measures, such as productivity, which we may associate with them. Indeed, a recent study by Jagger, Nesta, Gerova and Patel[1] suggests that the relationship between productivity and occupational spread is in part determined by the industrial sector in question.

The occupational spread of employment in the South East is similar to that of Great Britain overall, although it has a higher proportions of managers and senior officials, professionals, associate professionals and administrative and secretarial occupations (Figure 2.6; A5). Conversely, the region is less well represented in elementary occupations, skilled trades and process plant and machinery occupations. The under-representation of

1 Jagger N, Nesta L, Gerova V, Patel P (forthcoming), *Sectors Matter: The Skills Determinants of International Sectoral Productivity,* an IES and SPRU report for the SSDA.

employment within these occupations reflects the sectoral spread of jobs reported in the previous section.

Figure 2.6: Employment by occupation, 2004-5



Source: LFS 2004-5

Turning now to higher level occupations, we have noted that the South East has a greater proportion of people in employment working in higher level occupations, 45.8 per cent, than any other region in the UK outside London, 51.8 per cent.

There were marked variations in the proportion of employees in higher level occupations at sub-regional level (A6). Windsor and Maidenhead had the highest proportion of employee jobs in higher level occupations (61.7 per cent), while in Surrey, Brighton and Hove, Reading and Buckinghamshire the proportions of employees working in higher level jobs were each over 50 per cent. Employment within higher level groups was lowest, however, in Slough, Medway and Southampton, all of which reported proportions of below 40 per cent.

Trends

Due to changes in the way data on occupations are reported (the shift from the SOC 90 to SOC 2000 categorisations), it is not possible for us to compare accurately the performance of the South East over any period prior to 2001. However, looking at the period 2001-2 to 2004-5 (Table 2.4) the South East has witnessed one of the lowest rates of increase in higher-level occupations (4.8 per cent) of any region, with only the West Midlands (3.1 per cent) and London (2.8 per cent) showing lower rates of growth. It should be stressed, however, that these are relative rates of growth, and the reason for the South East's position is that many of the regions that had the lowest proportion of people working in higher level occupations have experience higher than average rates of increase in the relative employment within these groups.

Table 2.4: Percentage change in occupational distributions by region, 2001-2 and 2004-5

	North East	North West	Y&H	East Midlands	West Midlands	Eastern	London	South East
Managers & senior officials	16.5	10.2	12.3	20.8	-5.1	8.8	7.2	1.8
Professional occupations	0.0	7.5	12.1	11.3	11.9	12.5	6.7	9.4
Associate professional & technical	4.1	0.0	5.0	1.7	5.1	0.0	-4.3	4.2
All higher level occupations	**6.8**	**5.8**	**9.7**	**11.5**	**3.1**	**6.8**	**2.8**	**4.8**
Administrative & secretarial	-6.0	-3.6	-5.0	-10.5	-4.6	-10.7	-12.4	-3.0
Skilled trade	4.2	-3.5	-8.5	-8.8	-4.5	-4.9	9.5	0.0
Personal services	14.1	2.5	-1.3	9.7	20.0	-2.6	5.0	8.7
Sales and customer services	-1.0	2.4	-1.2	2.6	-1.3	2.9	-8.8	-1.3
Process, plant & machine ops	-11.1	-7.7	-4.1	-16.8	-13.4	-10.4	4.4	-17.7
Elementary occupations	-10.6	-6.5	-6.3	-3.6	3.3	0.0	-6.3	-9.7

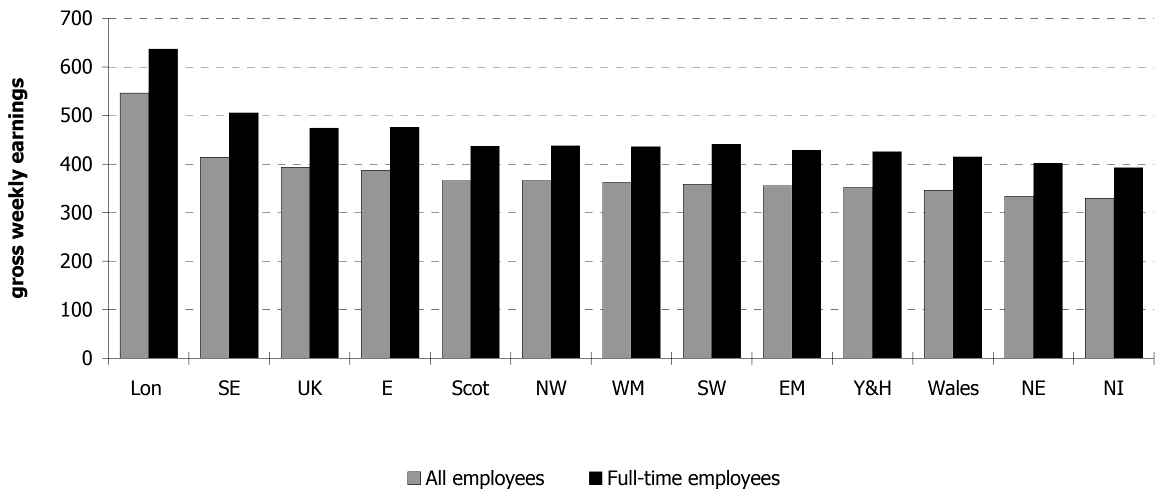
Source: NOMIS / LFS

2.2.3 Gross earnings

Another measure of job quality used in the *South East Healthy Labour Market Review* relates to the level of pay and earnings in the labour market. Data on earnings are collected through employees (*eg* from the Labour Force Survey); and through employers (the New Earnings Survey / forthcoming Annual Survey of Hours and Earnings survey). We focus in this section on data from the New Earnings Survey 2003, which since this analysis was conducted, has been withdrawn from NOMIS in preparation for the switch to the new Annual Survey of Hours and Earnings survey.

The South East is the only region outside London in which average gross weekly income is higher than the national (UK) average. In 2003, the average gross weekly earnings for full-time employees in the South East stood at £505, second only to the London average of £637 (Figure 2.7; A.7 and A.41). Similarly, the figure for all workers in the region was £414, compared to £546 in London. This reconfirm the picture outlined in *South East Healthy Labour Market Review*, and are consistent with what might be expected, given industrial and occupational distribution of employment reviewed in this paper, which suggest that the South East continues to be a relatively highly paid, high value added, region.

Figure 2.7: Gross weekly earning in 2003



Source: NOMIS / NES 2003

2.3 Business generation, business dynamics and survival indicators

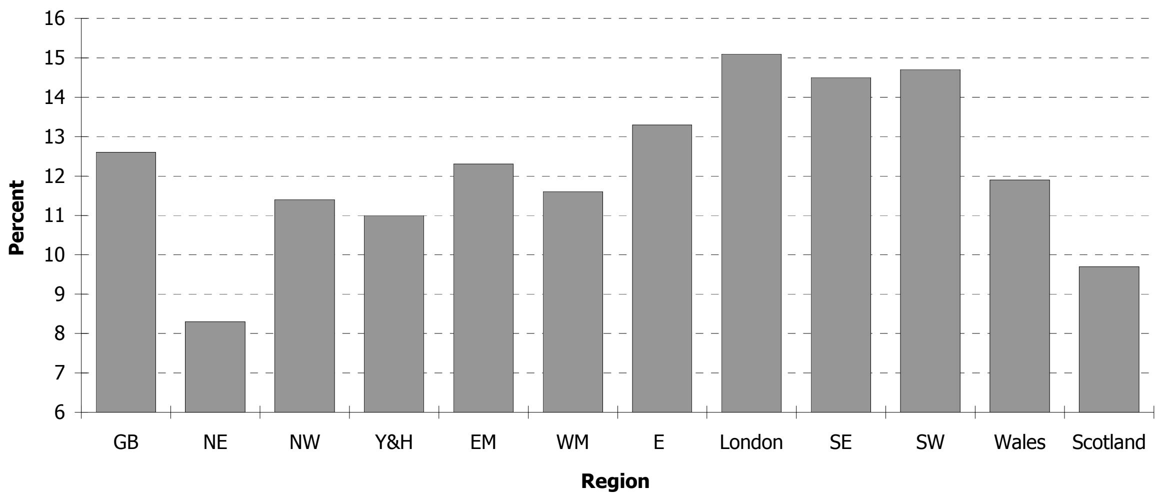
In this section we consider a range of indicators broadly related to business generation, business dynamics and survival. A healthy labour market requires a sufficient rate of new job and new organisation generation and survival. This may be reflected through a number of indicators of labour market dynamism, such as measures business start-ups, self-employment and employment within SMEs, and research and expenditure activity.

2.3.1 Share of self-employment to total employment

A high proportion of self-employment in the labour market is a potential indicator of a dynamic labour market, entrepreneurial culture, and a high rate of new firm generation.

In 2004-5, 14.5 percent of those employed in the South East were employed on a self-employed basis, compared to a figure of 12.6 per cent in Great Britain as a whole (Figure 2.8; A.8). This is the third highest self-employment rates of any region, and only marginally below that of the South West (14.7 per cent) and London (15.1 per cent).

Figure 2.8: Self-employment as % of all employed 2005

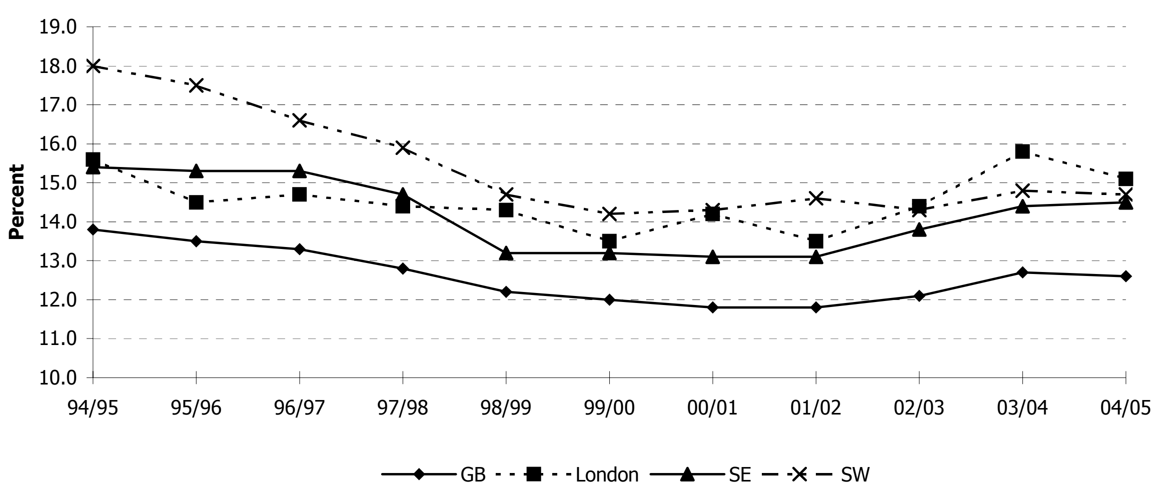


Source: LFS

Trends

The trend in the proportion of self-employment for the South East, its regional neighbours, and Great Britain is reported in Figure 2.9 (A.8). The pattern of self-employment in the South East has followed that of its regional neighbours and Great Britain overall. Broadly speaking, self-employment rates across Great Britain and the South East fell between 1994-5 and 1997-8, before stabilising over the period 1998-9 to 2001-2; and increasing over the last three years. Current self-employment rates for London, the South West and South East have experienced some convergence (at around 15 per) cent of total employment.

Figure 2.9: Self-employment as % of all employed 1994-5 to 2004-5



Source: LFS/NOMIS

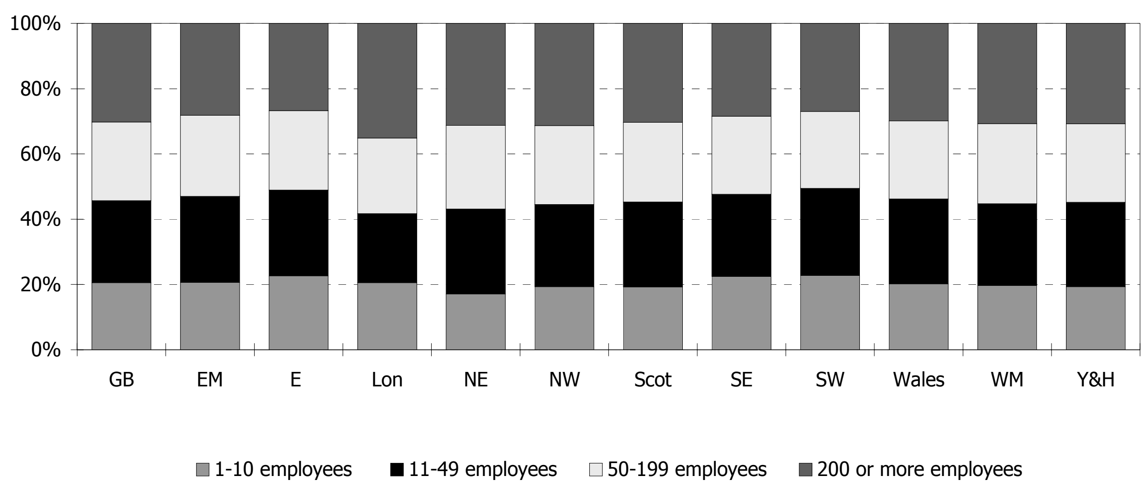
2.3.2 Establishment size

Another indicator of a dynamic labour market is enterprise size. A high proportion of employment in small enterprises can be indicative of a high rate of employment and new enterprise generation. However, there are at least two caveats that need to be made. A lack of larger enterprises, who are more likely to engage in education and training, and research and development expenditure, might also have adverse consequences for a region, while, a dearth of medium sized enterprises might reflect difficulties in the expansion of smaller establishments, *eg* due to labour or skills shortages.

As Figure 2.10 (A.9) shows, in 2003 the South East has the third highest proportion of employment in small enterprises with ten or fewer employees (22.4 per cent). This is marginally behind the South West and Eastern regions, which both had 22.7 per cent employed in small enterprises. The South East also has the third lowest level of employment within larger organisations, employing 200 or more people (28.4 per cent), compared to the Great Britain average of 30.2 per cent. It is likely that the focus of employment within smaller organisations is partly a reflection of the region's industrial composition, and the buoyancy of the service sector economy in the region.

High levels of employment in smaller establishment may, however, merely reflect the failure of a region to attract larger public or private sector employers. Sub-regionally, areas with the highest levels of employment in large organisations included Bracknell Forest (48.8 per cent) and Portsmouth (43.3 percent), while employment in smaller establishments was highest in East Sussex (28.5 per cent) and the Isle of Wight (28.1 per cent).

Figure 2.10: Percentage of employees, by size of organisation, 2003

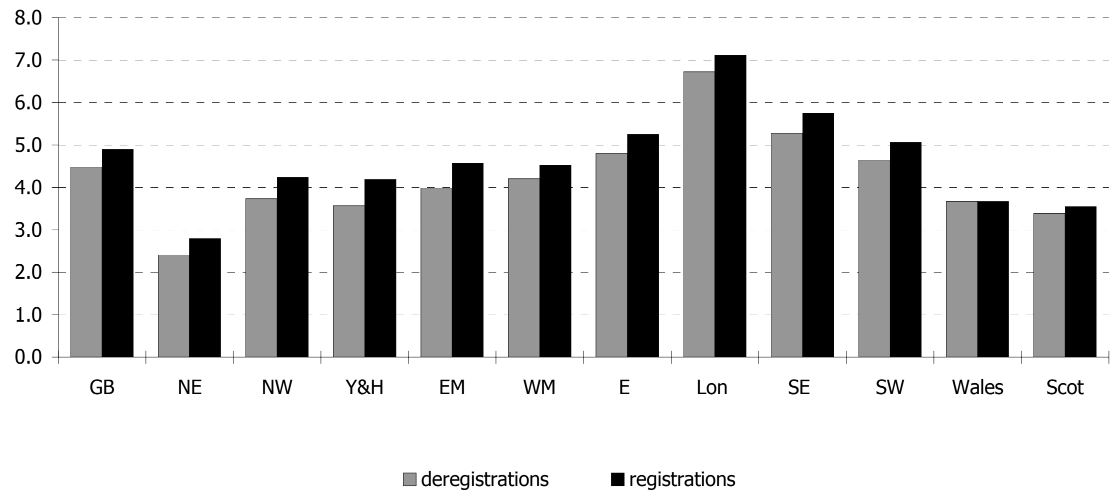


Source: :ABI

2.3.3 VAT registration and de-registration

In the original *South East Healthy Labour Market Review* the creation of new businesses, measured by the rate of VAT registrations, was seen as a key ingredient of a healthy labour market. In 2003, the South East had one of the highest levels of VAT registration per 1,000 working age people in the UK (5.8 per cent); second only to London's rate of at 7.1 per cent (Figure 2.11; A.11). However, in the same year, there were 5.3 de-registrations per 1,000 people of working age (second to London's 6.7 per cent). This means that the net increase in registrations was 0.49 per 1,000 people of working age, compared to a Great Britain average of 0.41 and the rate in the 'best' region Yorkshire and Humber of 0.63.

Figure 2.11: VAT registration and de-registration per 1,000 people of working age



Source: ONS

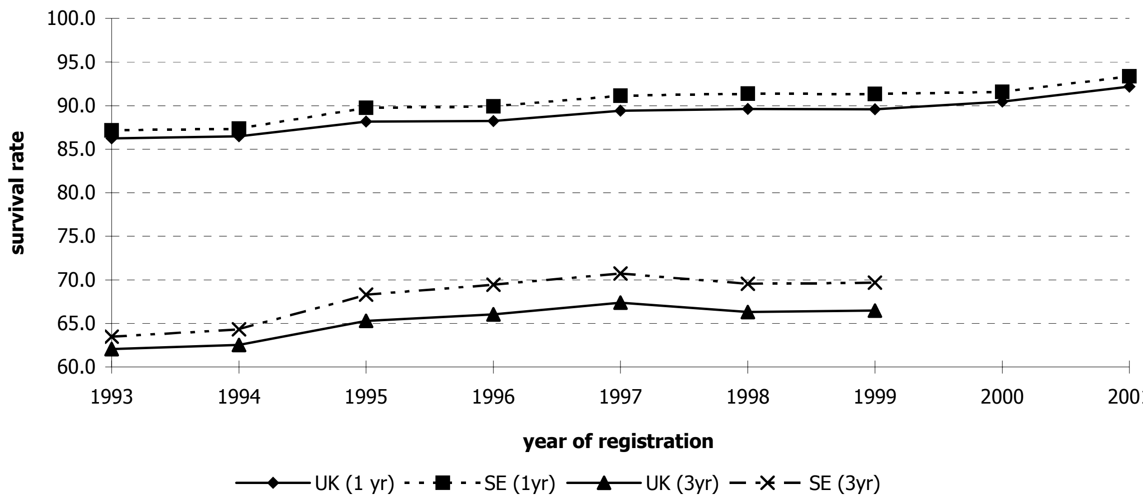
2.3.4 Business survival

The final indicator of business success we have considered is business survival rates one and three years after VAT registration. These survival rates produced by the Small Business Service and suggest that the South East out performed the UK average throughout the period 1993-2001.

Among the businesses in the region that registered in 1993, 87.2 per cent were still registered one year on, while among those registered in 2001, the rate was 93.4 per cent, a rise of 6.2 per cent (A.12). Similarly, the three year survival rate in the South East had also increased 6.2, from 63.5 per cent in 1993 to 69.7 per cent in 1999 (A.13).

Compared to the UK, the one year survival rate of South East businesses registered in 2001 was 1.3 per cent above the national average, while the three year survival rate of those registered in 1999 was 4.8 per cent higher.

Figure 2.12: One and three year business survival rates, 1993 to 1999/2001



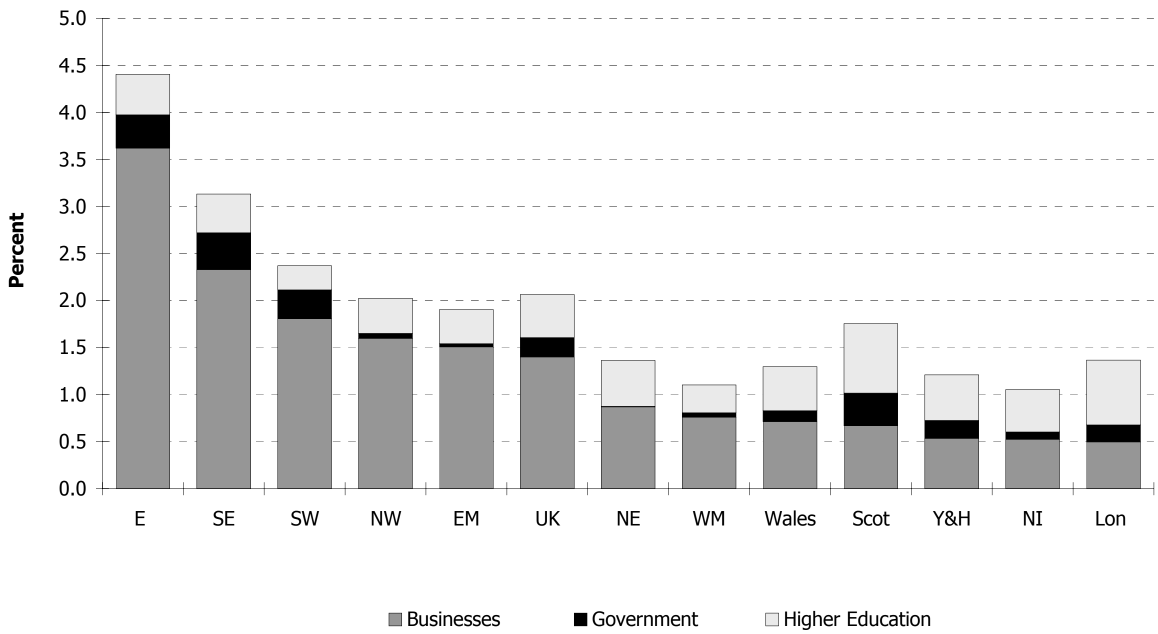
Source: DTI/ Small Business Service

2.4 Research and development

The continued and sustainable health of the regional economy depends on its research and development activity. The total research and development expenditure by businesses, government and higher education in 2003 for the South East was £4.6 billion, a figure higher than that of any other region, and comparable with the 'second best', Eastern region's expenditure of £4.2 billion.

In order to develop an indicator of research and development activity, however, it is necessary to take into account the overall size of the economy. To do this, it is common to consider research and development expenditure in as a proportion of gross value added (GVA). In 2003, the rate of research and development expenditure across the three sectors in the South East was 3.1 per cent of total regional GVA (Figure 2.13; A.14), higher than any other region except the Eastern region (4.4 per cent) and above that of the UK (2.1 per cent).

Figure 2.13: Expenditure on R & D as a percentage of regional GVA, 2003 (%)



Source: IES / ONS

2.5 Labour market flexibility indicators

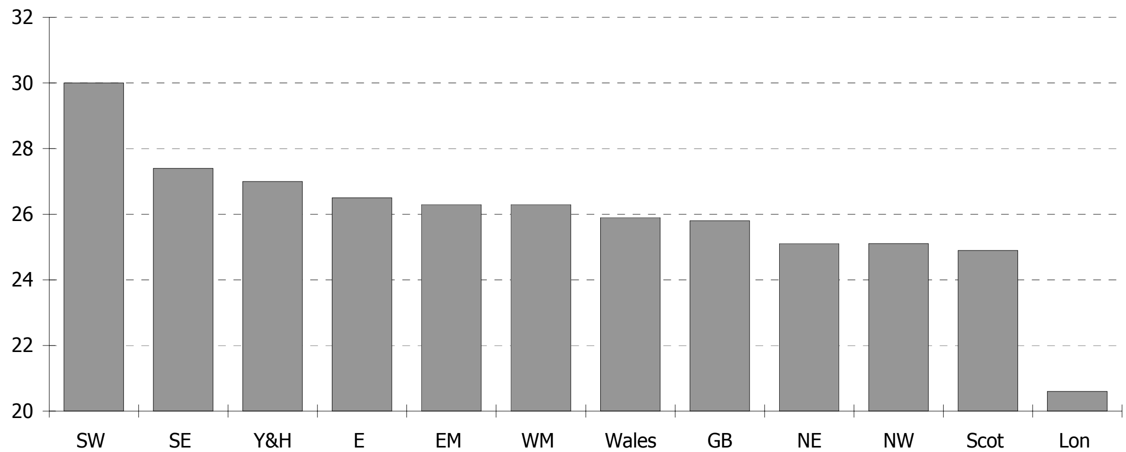
A healthy labour market requires a certain degree of flexibility. In order to engage fully in the labour market, individuals need to be able to find employment that conforms to their personal preferences and circumstances, while employers need to be able to recruit staff according to their business needs. We review in sub-section three indicators of labour market flexibility: part-time working, temporary working and job-shift/churning.

2.5.1 Part-time working

The extent to which part-time working represents a positive or negative labour market indicator is open to a degree of interpretation. At one level, part-time working enables individuals to enter the workforce who might not have done so, were such an option not available. These individuals may be termed voluntary part-time workers, and a high proportion of voluntary part-time workers can be seen as a reflection of a flexible, healthy, labour market. However, if people are working part-time due to an inability to find full-time work, this may be regarded as involuntary part-time working and indicative of a less well performing labour market. These points are explored in more detail at the end of this sub-section.

The South East has the second highest proportion of part-time workers (as a percentage of total employment) in Great Britain (Figure 2.14). Over one-quarter (27.4 per cent) of those employed in the South East suggested that they were working on a part-time basis in 2004-5, compared to a Great Britain average of 25.8 per cent, and 30.0 per cent in the 'best' region, the South West.

Figure 2.14: Part-time working as a percentage of all in employment aged 16+, 2004-5



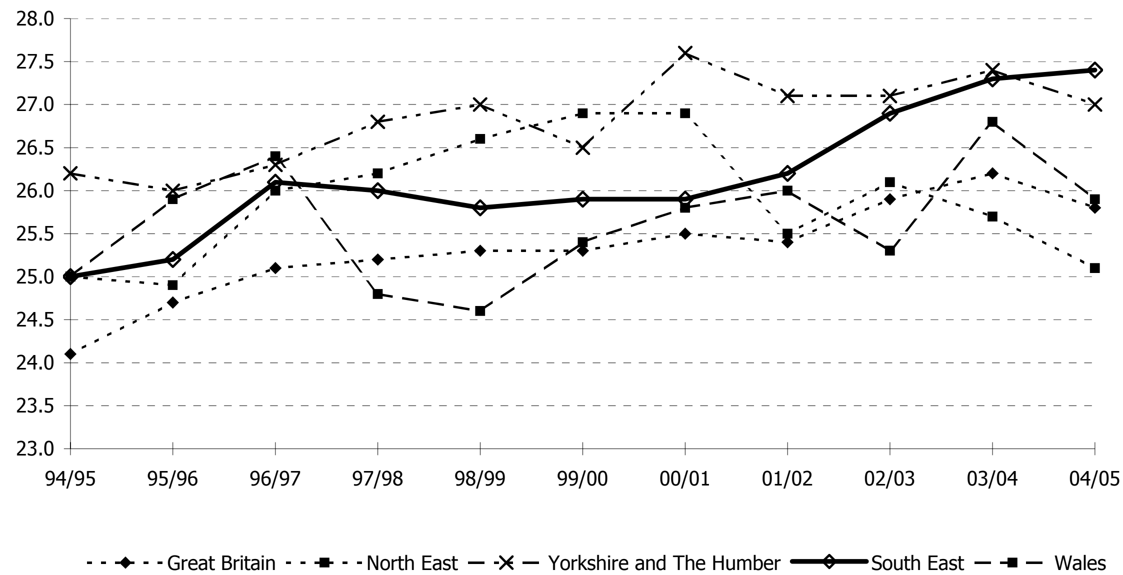
Source: LFS

Trends

In terms of regional rankings, the South East has consistently had rates of part-time working that are above the national average, and there was a steady increase in the proportions of part time workers in the regions over the periods 1994-1997 and 2000-5. The differences between many regions, however, have been slight, and the ranking of one region over another has been somewhat erratic over the last decade (Figure 2.15; A.15). We would, therefore, suggest that the interpretation of any ranking in this indicator should be treated with some caution.

The reasons for the expansion of part-time working are likely to reflect both supply and demand-related factors. In 1999, 6.7 per cent of part-time workers in the South East were involuntary part-time workers, *i.e.* working part time due to a lack of suitable full-time options. By 2005, however, the proportion of involuntary part-time workers had marginally fallen to 6.1 per cent, compared to a Great Britain average of 8.5 per cent and lower than any other region except the South West, 5.8 per cent (Figure 2.16).

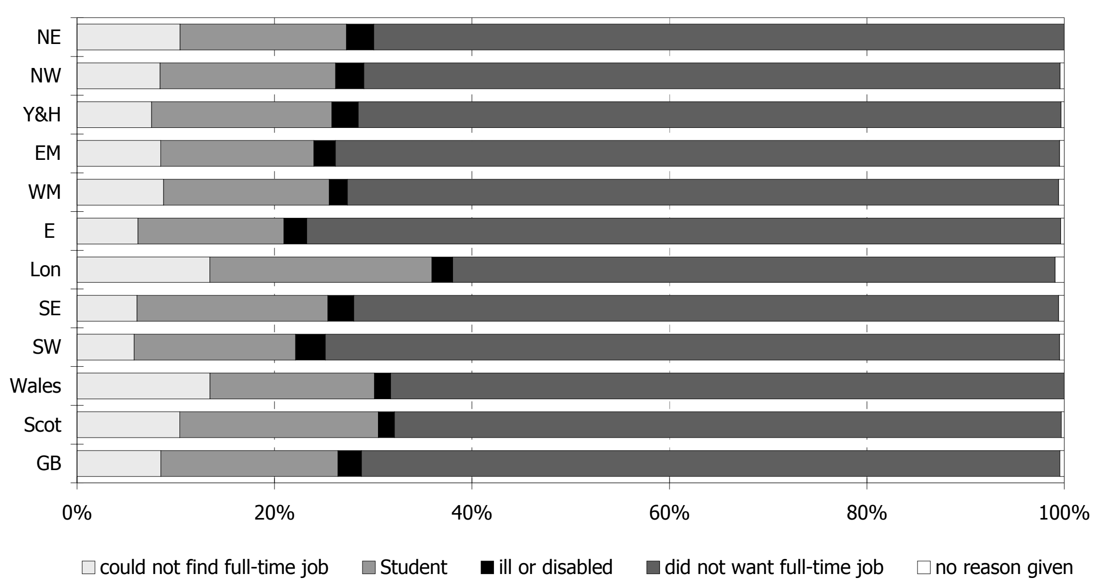
Figure 2.15: Part-time workers, selected regions



Source: LFS

The growth in part-time working has been partially driven by supply–side factors, namely the expansion of post-16 education over this period. The proportion of part-time workers in the South East claiming to do so because they 'are a student' had increased from 15.1 per cent in 1999 to 19.3 per cent in 2003.

Figure 2.16: Reasons for working part-time, 2005



Source: LFS Spring 2005

2.5.2 Proportion of employees in temporary employment

Temporary employment, like part-time working can be taken as a positive or negative indicator of a labour market's 'healthiness'. From an employee's perspective, the ability to engage in temporary work on a voluntary basis can be seen as a positive sign of labour market flexibility. However, engagement in such work as a result of not being able to find a permanent job, would suggest a deficiency in labour demand.

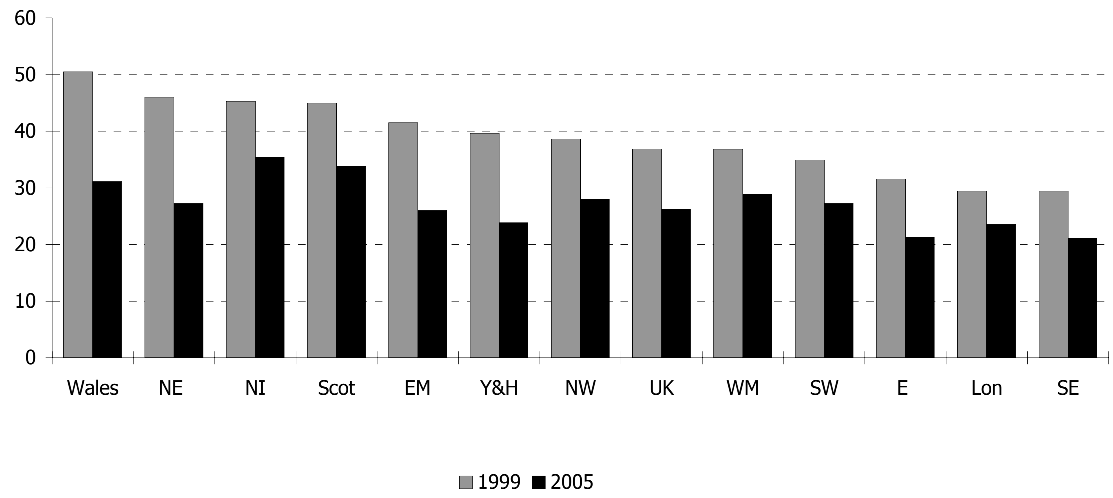
In most of the UK regions the proportion of employment that is based on temporary work is between five and six per cent, with the UK average being 5.4. The proportion of temporary workers in the South East (5.2 per cent) is slightly below that of the UK average, with only the East Midlands, Eastern region and the North West having lower rates (Figure 2.17; A.16).

Figure 2.17: Proportion of employees working in temporary employment

Source: LFS Spring 2005

As suggested at the start of this sub-section, however, another factor that we should consider is the extent to which those who are engaged in temporary work are doing so because they are unable to find work on a permanent basis. Figure 2.18 (A.17) reports the proportion of involuntary temporary workers in 1999 and 2005. In both periods, the South East had the lowest proportion of temporary workers claiming to be doing so on an involuntary basis, 29.5 per cent in 1999 and 21.2 per cent in 2005; comparing favourably to UK averages over those periods of 36.9 and 26.3 per cent, respectively.

Figure 2.18: Proportion of temporary workers in temporary work because the are unable to find permanent work, 1999 and 2005



Source: LFS Spring 1999 and 2005

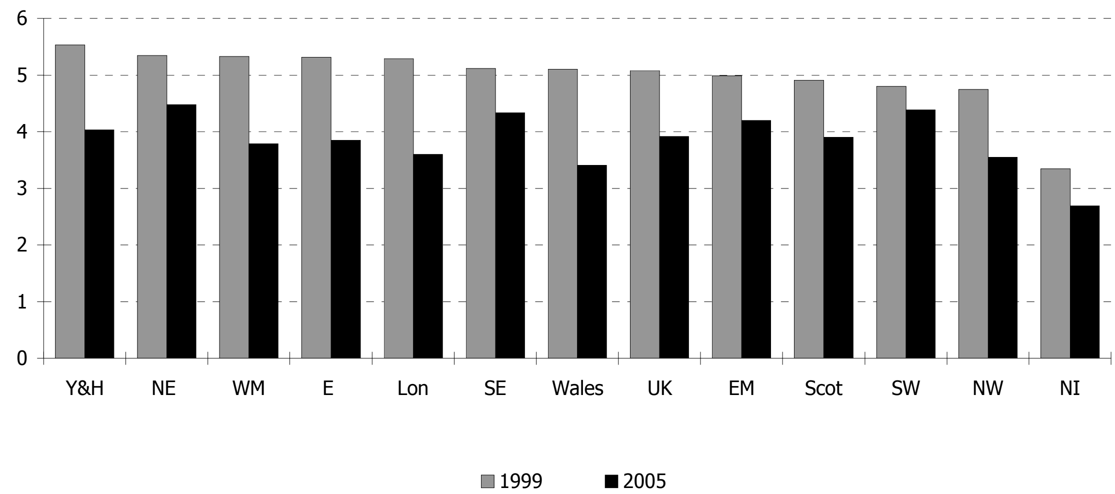
2.5.3 Job starting in the last three months

Finally, we review labour market flexibility in terms of recruitment, *ie* the proportion of employees who have recently entered into new employment. A healthy labour market is one that has the flexibility to allow people to progress in their careers through new employment, or to enter and leave the labour market according to their wider needs. An indicator of such flexibility is the proportion of employees who began their employment within the previous three months.

Between 1999 and 2005, the proportion of employees in the UK who began their job in the previous three months has fallen across all regions. This suggests that labour market activity in the UK is slowing down and is consistent with the employment quantity indicators observed in chapter 2.

In terms of the South East's ranking, it has moved from the national average in 1999 to having the third highest level of activity (4.3 per cent) in 2005; behind the North East, 4.5 per cent and the South West 4.4 per cent (Figure 2.19; A.18).

Figure 2.19: Proportion of employees starting their job in the previous three months



Source LFS Spring 1999 and 2005

2.6 Productivity measures

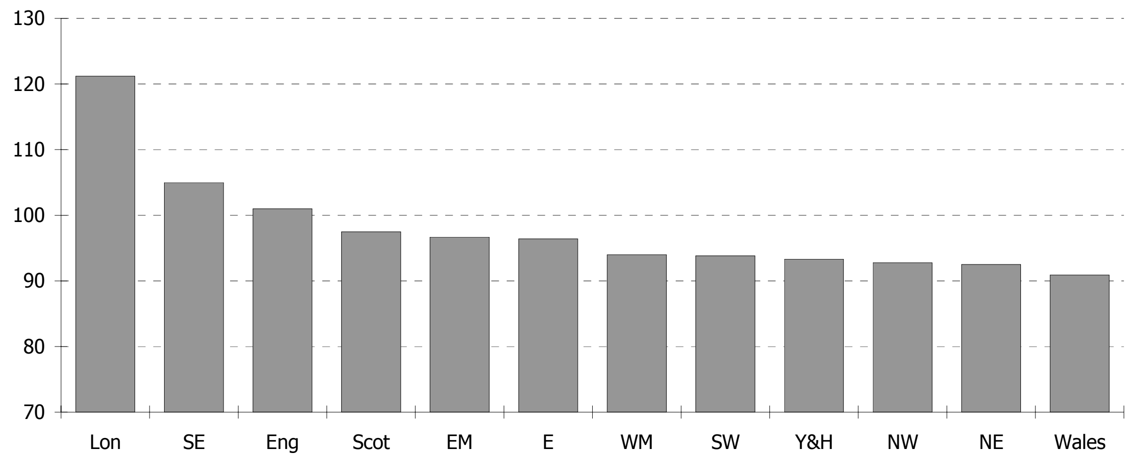
Regional success in attracting new employers will depend upon a number of factors, not least among these factors is workforce productivity. A range of indicators exist that provide an insight into regional productivity. This section explores a number of them including: gross value added per filled job; gross value added per person employed in manufacturing; and gross value added per hour worked.

2.6.1 Gross value added per filled job

There are a number of different methods of defining productivity. The standard ONS definitions of productivity are based either on 'gross value added per filled job' or 'gross value added per worker'. Gross value added per filled job is a work-based estimate, which also includes estimates of self-employment productivity and productivity associated with government supported trainees and the armed forces; it covers all jobs in the economy and is used by ONS for regional UK comparisons. Gross value added per worker is an experimental individual based measure, which the ONS has been developed for international comparisons. The two measures are not directly compatible, and our focus is, therefore, on the measure most commonly used for UK regional analysis, gross value added per filled job.

In 2003, the South East's gross value added per filled job was 5.0 per cent above the national average, representing the highest gross value added per filled job outside London (Figure 2.20; A.19).

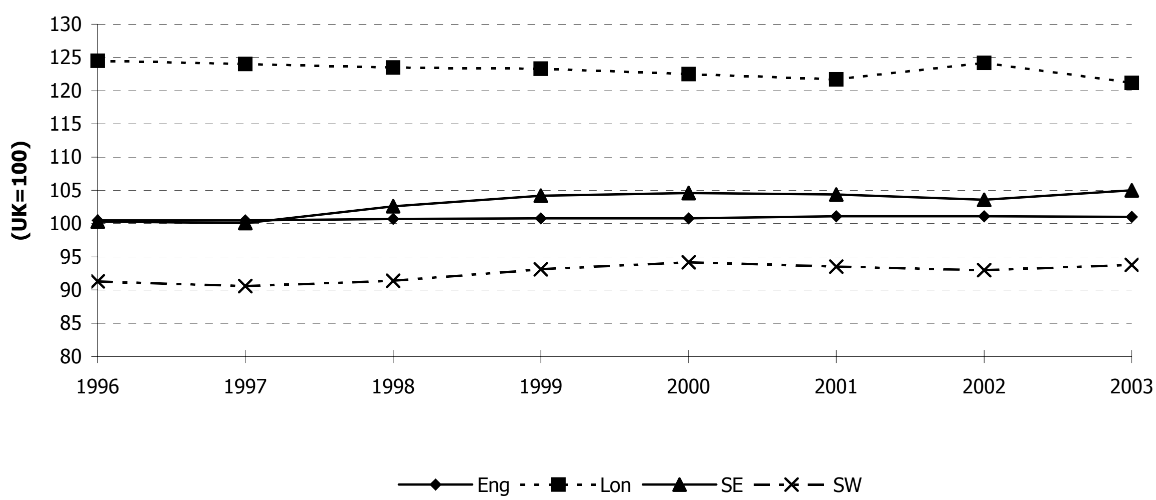
Figure 2.20 Gross value added per filled job in 2003, UK=100



Source: ONS

Looking at performance over the last decade, the South East has consistently had productivity levels higher than the UK average (Figure 2.21). Although the performance of the South East was only marginally above the UK average in 1996-1997, the region saw substantial productivity improvements over the following three years, and has broadly maintained its position against the UK average since that time.

Figure 2.21 Gross value added per filled job 1996 to 2003, UK=100



Source: ONS

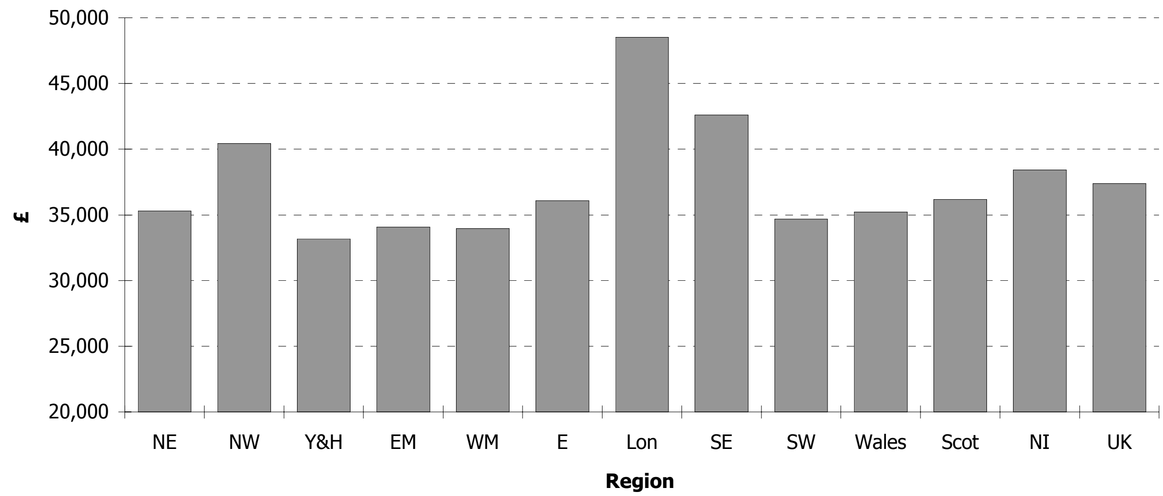
2.6.2 GVA per person employed in manufacturing

Productivity for the manufacturing sector can be calculated in terms of gross value added per person employed in manufacturing. In 2001 manufacturing workers in the South East each produced £42,596 of the sector's Gross Value Added (Figure

2.22; A.20). This was substantially above the UK average of £37,396, and second only to London (£48,512).

The rate of growth in GVA per person employed in manufacturing in the South East has not, however, kept up with the UK average. Since 1997 the GVA per person employed in manufacturing has increased in the South East by 5.6 per cent (from £40,338), while across the UK manufacturing productivity (calculated using the same measure) has risen by 11.2 per cent.

Figure 2.22: GVA per capita in manufacturing, 2001 (£)

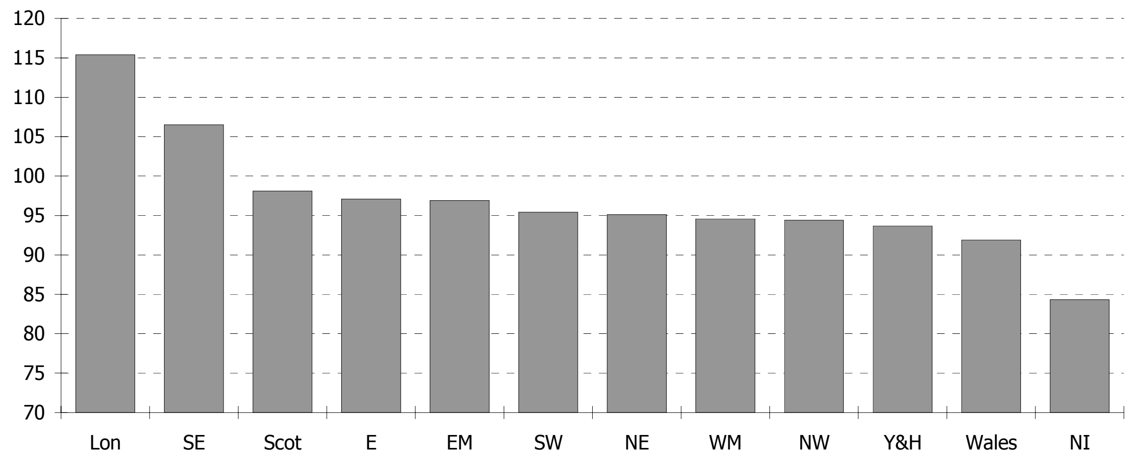


Source: Office for National Statistics, Regional Trends 38, Table 13.5

2.6.3 Output per hour worked

Another measure of productivity and efficiency, which yields similar results to output per job, is output per hour worked (Figure 2.23; A.21). Based on this measure, the South East has the one of the highest level of productivity of any region 6.5 per cent above the UK average, and second only to London (15.4 per cent above the UK average).

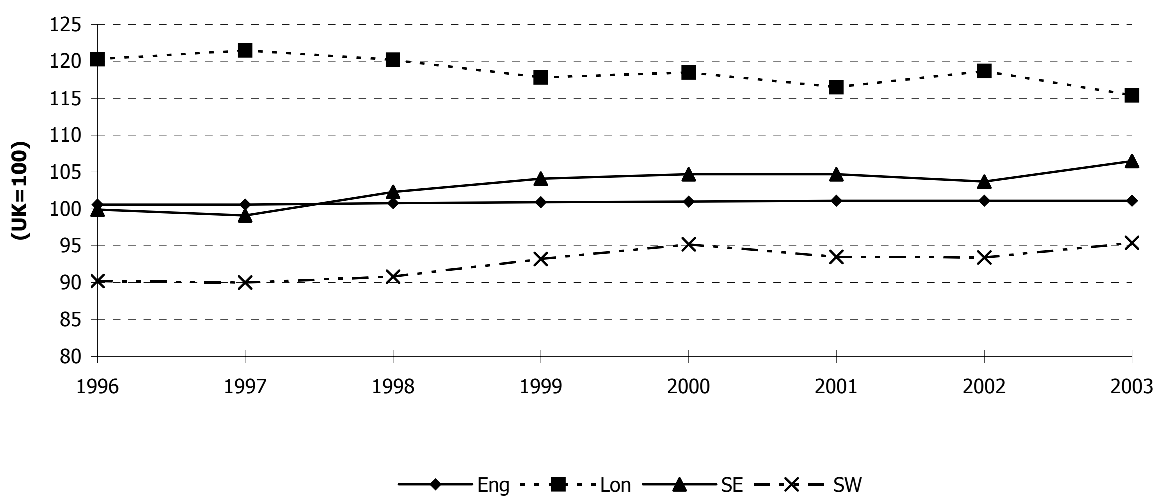
Figure 2.23: Output per hour worked



Source: ONS

Looking at the period since 1996, the relative position of the South East has increased steadily from just under the UK productivity average in 1996 and 1997, to a rate that has been above the UK average since 1998. Outside London, the South East is the only region in the UK to consistently have had productivity rates that are above the national average (see Figure 2.24 for selected regions).

Figure 2.24: Output per hour worked, 1996 to 2003, selected regions



Source: ONS

3. Supply-side (workforce) Indicators

The demand for labour cannot be reviewed in isolation of its supply. A healthy labour market not only requires the adequate provision of jobs but it also requires a workforce capable of filling those jobs. This section explores four sets of supply-side labour market indicators for the region:

- **Indicators of the adequacy of labour supply** (*ie* in terms of the levels of economic activity in the region).
- **Indicators of the quality of labour supply** (in terms of qualifications and skills).
- **Indicators of workforce development** (*eg* participation rates in education and training).
- **(Indirect) indicators of workforce attitudes, health and wellbeing**

As in the case of the previous chapter, we review the performance of the South East against these supply side indicators, both relative to the performance other regions, as well as over the last decade.

3.1 Adequacy of labour supply

3.1.1 Economic activity rate

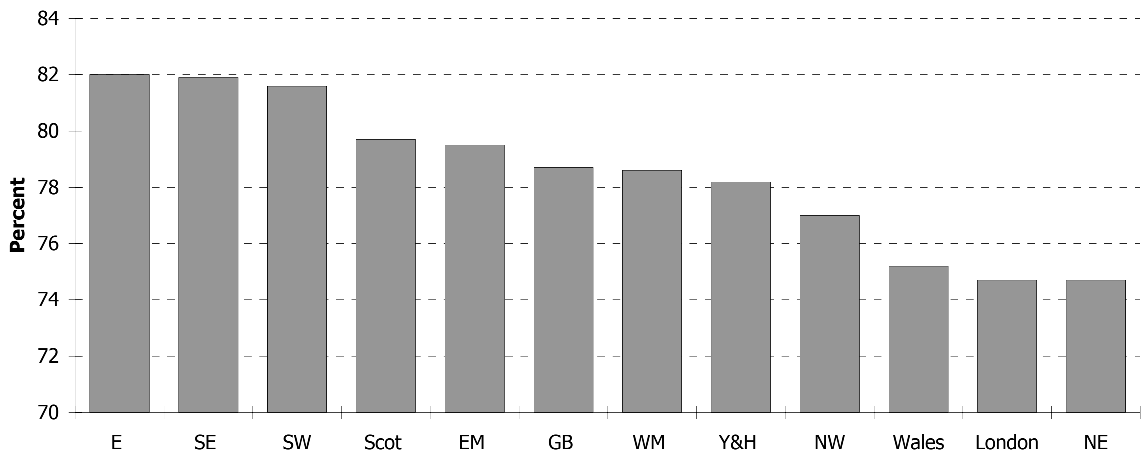
The size of the available labour supply is determined by two factors:

- the size of the working age population
- the proportion of that population that are actively engaged in work, or unemployed but looking for work.

An indicator of the adequacy of labour supply in a region is the economic activity rate. This is based upon the number of people in a region who are either in paid employment or unemployed and looking for work (ILO unemployed) divided by the size of the region's population. As this measure is strongly influenced by the proportion of the population who are inactive because they are under the age of 16, or over the state retirement age, it is usual to focus on the economic activity rate of the working age population.

The 2004-5 economic activity rate for the South East stood at 81.9 per cent, compared with 78.7 per cent in Great Britain. The South East had the second highest economic activity rate in Great Britain, after the Eastern region, which had an economic activity rate of 82.0 (Figure 3.1).

Figure 3.1: Economic activity rate 2004-5



Source: LFS/NOMIS

There were wide sub-regional variations, with Wokingham reporting the highest economic activity rate (88.3 per cent) and Southampton having the lowest (72.8 per cent).

Trends

Looking at changes between 1998-99 and 2004-05, the South East has seen a relative decline in its economic activity rate of 1.6 per cent (from 83.2 to 81.9 per cent). This fall in the economic activity rate was the second highest in Great Britain, after London which showed a decline of 3.2 per cent (Table 3.1). This is consistent with the employment rate patterns reported in chapter 2.

At a sub-regional level, the two local authority county areas that have shown the highest increase in their economic activity rates have been Slough, 5.4 percent and Portsmouth 3.8 percent; while others have seen a marked decline (Isle of Wight, 7.3; Southampton 6.4).

Table 3.1: Economic activity rates

Region	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Great Britain	78.8	79.0	78.9	78.7	78.8	78.8	78.7
East Midlands	80.6	80.9	79.8	80.0	79.9	79.7	79.5
Eastern	81.4	81.4	82.4	82.3	81.8	82.0	82.0
London	77.2	77.2	76.0	76.0	75.4	75.5	74.7
North East	72.7	73.9	74.4	73.7	73.1	73.7	74.7
North West	75.9	76.8	76.6	76.1	76.9	77.3	77.0
Scotland	77.3	77.5	78.5	78.4	79.0	79.0	79.7
South East	83.2	83.2	82.9	83.0	82.7	81.9	81.9
South West	82.1	81.9	82.3	81.9	82.2	81.5	81.6
Wales	73.8	74.4	73.4	72.9	75.0	76.2	75.2
West Midlands	79.3	78.7	78.1	78.6	78.8	78.1	78.6
Yorkshire and The Humber	78.0	78.1	78.4	77.2	77.8	78.2	78.2

Source: NOMIS LFS

3.1.2 Intra-regional variations in the ratio of jobs to working age population

In addition to the size of the labour supply, it is also important to review the extent to which the working age population is resident in areas that also have a high demand for labour. One measure of adequacy (reviewed earlier) is the ratio of employee jobs to working age population. In this section we consider the extent to which the South East region exhibits a sub-regional or local disparity between jobs and working age population.

The working age population to employee jobs ratio for the sub-region and local areas is reported in the Appendix tables. At the sub-regional level the jobs to working age employment ratio is nearly twice as high in the areas such as Reading (0.98) and Slough (0.92), when compared to East Sussex (0.53) and the Isle of Medway (0.5). Looking at local level data, Crawley has more employee jobs than working age people (1.24), while in Gosport there are around 1.3 working age people per employee job (0.38).

3.2 Quality of labour supply

Following the first *South East Healthy Labour Market Review*, we define the quality of the labour supply in the South East according to its skills base (in this case measured through the recent DfES survey of literacy and numeracy ability) and the level of qualifications attainment within the population.

3.2.1 Overall qualifications profile

A key indicator of the overall quality of labour supply is the level of educational attainment or the highest qualifications obtained by the working age population. A healthy labour market is one with a large proportion of the workforce qualified to a high level, and fewer people who have lower level qualifications or no qualifications at all. The measures adopted in the first *South East Healthy Labour Market Review* were the proportion of working age people:

- qualified to NVQ Level 4 or equivalent and above
- qualified to NVQ Level 3 or equivalent and above
- with no qualifications.

These measures, and how they have changed over the last decade, are explored below.

NVQ Level 4 and higher

We begin by considering the proportion of the working age population with qualifications at NVQ Level 4 or equivalent and above (*ie* degree level qualifications and higher education qualifications below degree level).

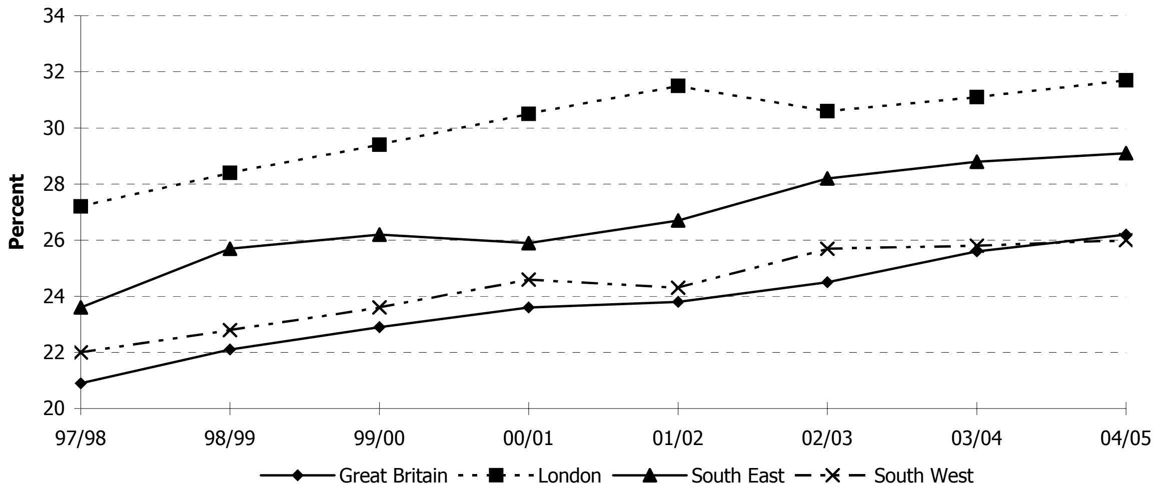
The South East region has the third highest proportion of adults with a degree or other higher qualification (equivalent to NVQ Level 4 or above) in the Great Britain (Figure 3.2; A.22). Nearly three in ten working age adults in the South East (29.1 per cent) are qualified to this level, a higher proportion than the Great Britain average of 26.2 percent, and slightly below the 'best' performing region, London (31.7 per cent) and Scotland (30.6 per cent).

There are marked sub-regional variations (A.23), with Brighton and Hove having the highest proportion of its working age population qualified to level 4 or above (41.9 per cent) in the South East and the Isle of Wight having among the lowest (16.9 per cent).

Trends

The expansion of further and higher education over the last decades is reflected in a positive trend in the proportions qualified to NVQ level 4 and above in both Great Britain and its regions. The proportion of adults qualified to NVQ Level 4 and above in the South East has grown by approximately three per cent a year since 1997-8, compared to 3.3 per cent in Great Britain overall.

Figure 3.2: Proportion of the working age population with NVQ Level 4 or equivalent, 1997-8 to 2004-5, South East and selected regions



Source: LFS/NOMIS 2005

NVQ Level 3 and higher

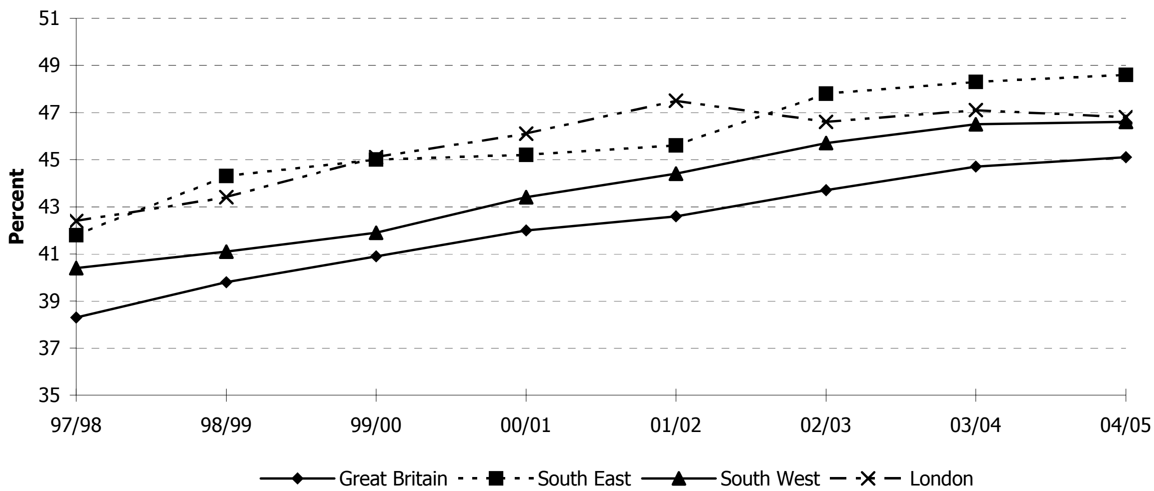
Nearly one-half (48.6 per cent) of the South East region working age population held qualifications at the level of NVQ 3 or above (equivalent to two A' levels). This compares with the Great Britain average of 45.1 and the 51.5 per cent in the highest ranking region, Scotland.

Trends

As in the case of the proportions of qualified to NVQ level 4 and above, over the last decade the trend line for the South East and all other regions has been positive (Figure 3.2; A.24).The proportion of people with NVQ level 3 and above in the South East increased by 16.2 per cent between 1997-8 and 2004-5, compared to a Great Britain average of 17.7 per cent.

Sub-regionally, the area that witnessed the greatest improvement in the proportions qualified to Level 3 over the decade was Southampton (39.5 per cent), while the areas showing the least improvement were the Isle of Wight and Bracknell Forest, 3.1 and 3.2 per cent respectively (A.25). In Southampton's case much of this increase relates in to improvements in the proportion gaining NVQ level 4 and above qualifications.

Figure 3.3: Proportion of the working age population with NVQ Level 3 or equivalent, 1997-8 to 2004-5, South East and selected regions

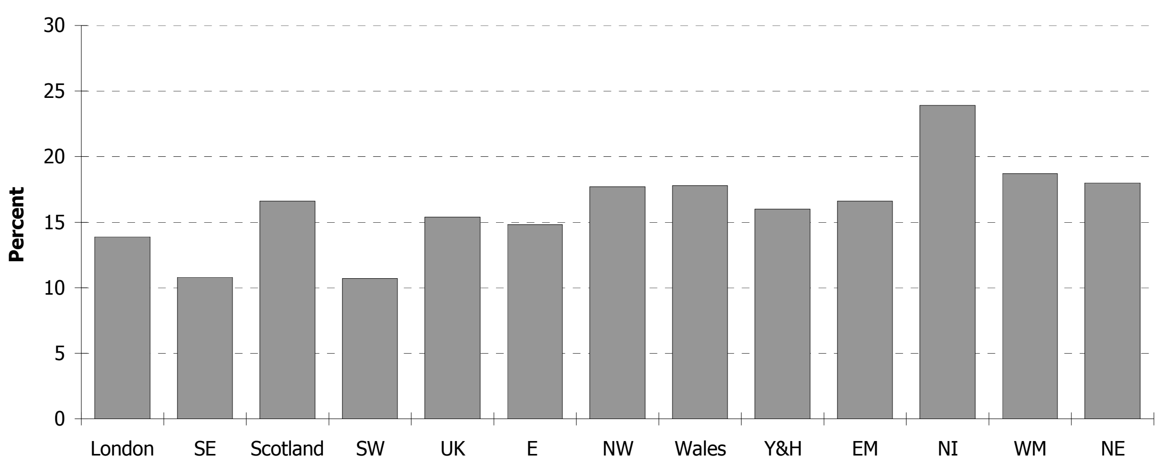


Source: LFS/NOMIS 2005

No qualifications

Turning to the other end of the educational spectrum, we would expect a healthy labour market to have few people with lower level qualification or with no qualification at all. The proportion of people with no qualifications in the South East in 2003-4 stood at 10.8 per cent, and was lower than that of any other regions except the South West (10.7 per cent) (Figure 3.4; A.26).

Figure 3.4: Proportion of working age population with no qualifications, 2003-4



Source: NOMIS Local Labour Force Survey

Sub-regionally, however, there are some marked variations, and the proportion of the working age population with no qualifications ranged from 5.6 per cent in Wokingham to 17.4 per cent in Slough (A.27).

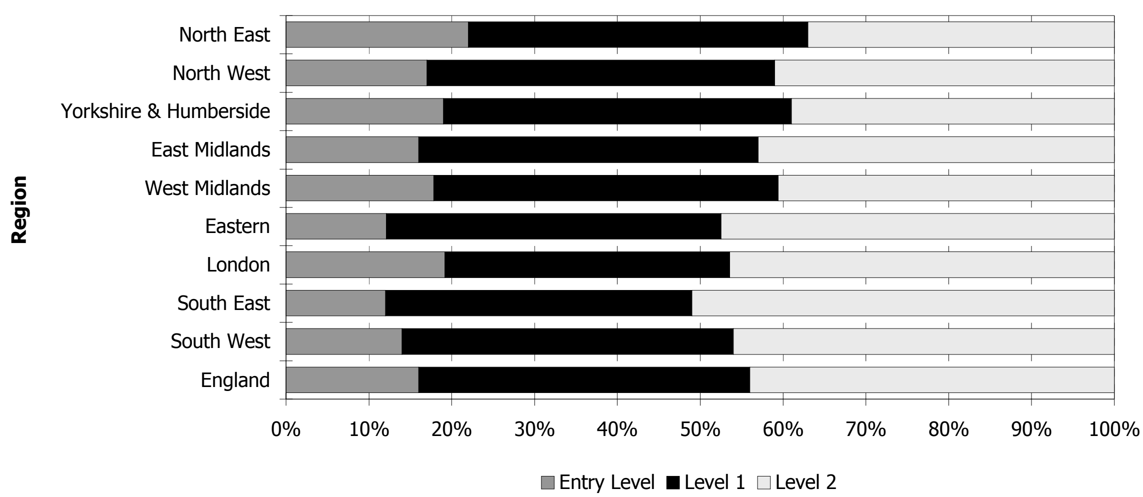
3.2.2 Literacy and numeracy skills

An *ad hoc* measure of skills performance relates to levels of literacy and numeracy. Data on this topic are available at a regional level through a large-scale survey of literacy and numeracy, conducted on behalf of the DfES in England[1]. For both literacy and numeracy skills, the survey reported on the numbers who had these skills at Entry Level, at Level 1, and at Level 2 and above (described in more detail in the Appendix).

Literacy

Literacy skills in the region compare very favourably with that of the rest of England. In 2003, the South East adult population had highest rate of literacy skills at Level 2 or above (51 per cent), compared to the England average of 44 per cent. Conversely, the regional has the lowest rates of people who registered as having Entry Level skills, (11 per cent), compared with 16 per cent in England overall (Figure 3.5; A.28).

Figure 3.5: Literacy skills by region, 2002-03 (%)



Source: Skills for Life Survey, DfES

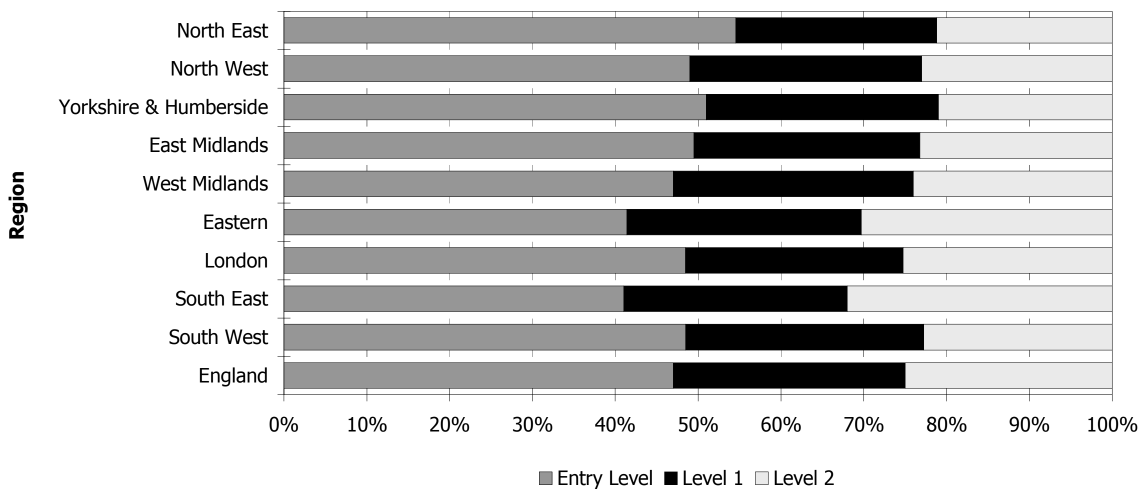
Numeracy

When compared to England overall, the picture for numeracy is also very positive. Nearly one-third (32 per cent) of the population had Level 2 skills or above, higher than any other region and comparing favourably with the figure for England of 25 per cent.

[1] *The Skills for Life Survey: a National Needs and Impact Survey of Literacy, Numeracy and ICT Skills*, DfES Research Report 490.

However, although lower than any other region, around four in ten of the South East population had numeracy abilities that ranked at Entry Level (Figure 3.6; A.29).

Figure 3.6: Numeracy skills by region, 2002-03 (%)



Source: Skills for Life Survey, DfES

3.3 Indicators of workforce development

A final set of supply-side measures relate to workforce development. Workforce development indicators measure the degree to which the region's population is actively engaged in personal development and work-based education or training. These indicators include the:

- proportion of young people participating in education
- extent of lifelong learning among the adult population
- degree of participation in work-based education and training among the working age population.

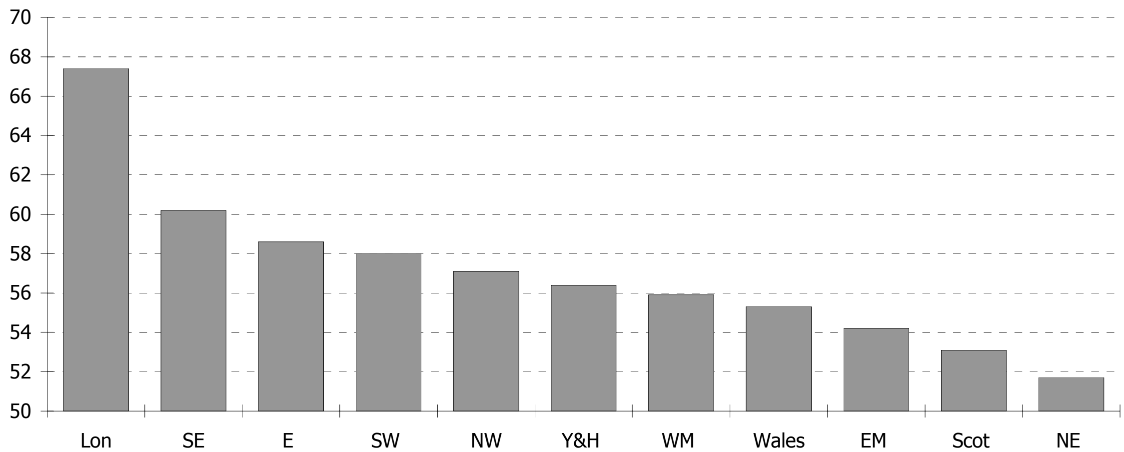
3.3.1 Proportions of 16 to 19 year olds in education

Raising participation rates in post-16 education among 16 to 19 year olds continues to be a key government priority, and its success can be measured in terms of the proportion of 16 to 19 year olds engaged in full-time education, as a proportion of all young people in the age group.

Data from the *Labour Force Survey*, 2004-5 suggests that the South East has the second highest participation rates of any region (at 60.2 per cent), compared to 57.9 per cent in Great Britain and 67.4 per cent in London (Figure 3.7). The proportion of 16 to 19 year olds in education in the South East appears to have grown from around 56 to 57 per cent, in the years 1994-5 to 1997-8, to around

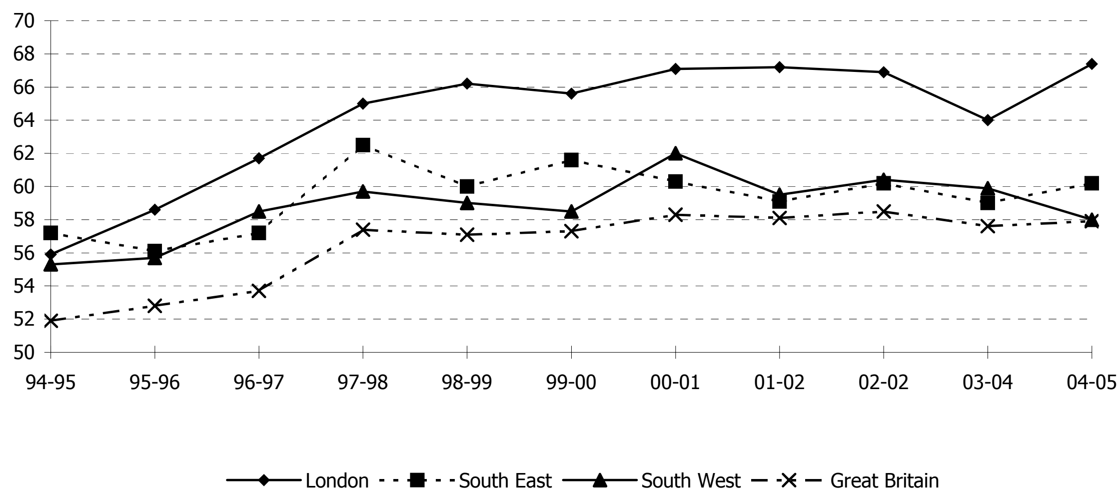
60 per cent (where it has stabilised) since 1998-9. This trend is consistent with the picture observed in most other regions (see Appendix A.30, and figure 3.8 for selected regions).

Figure 3.7: Proportion of 16 to 19 year olds participating in full-time education, 2004-5



Source: LFS

Figure 3.8: Proportion of 16-19 year olds in full-time education, selected regions, 1994-5 to 2004-5



Source: LFS

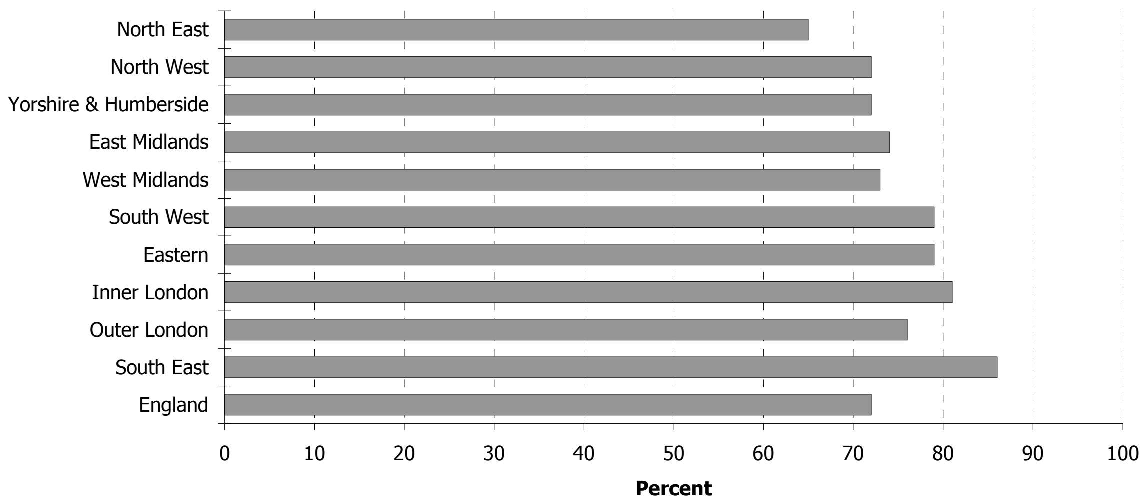
3.3.2 Adult engagement in learning in the last three years

In terms of lifelong learning, and engagement in wider learning activities, the *National Adult Learning Survey* (NALS) provides information on participation taught and self-directed learning. The NALS survey makes a distinction between taught learning and self-directed learning, where:

- Taught learning is taken to include: courses designed to lead to a qualification or improve skills, instructions or tuition.
- Self-directed learning involves activities such as supervised training while doing a job, time spent keeping up to date with developments in the learner's work or profession, deliberately trying to improve knowledge about anything or teaching oneself a skill without taking part in a taught course (Fitzgerald *et al* , 2003).

The most recent NAL survey (2002) suggests that the South East has a higher proportion of adults engaged in learning than any other region, 86 per cent compared to 72 per cent in England overall (Figure 3.9; A.31).

Figure 3.9: Proportion of adults aged under 70 engaged in learning in last three years, NALS 2002, (%)

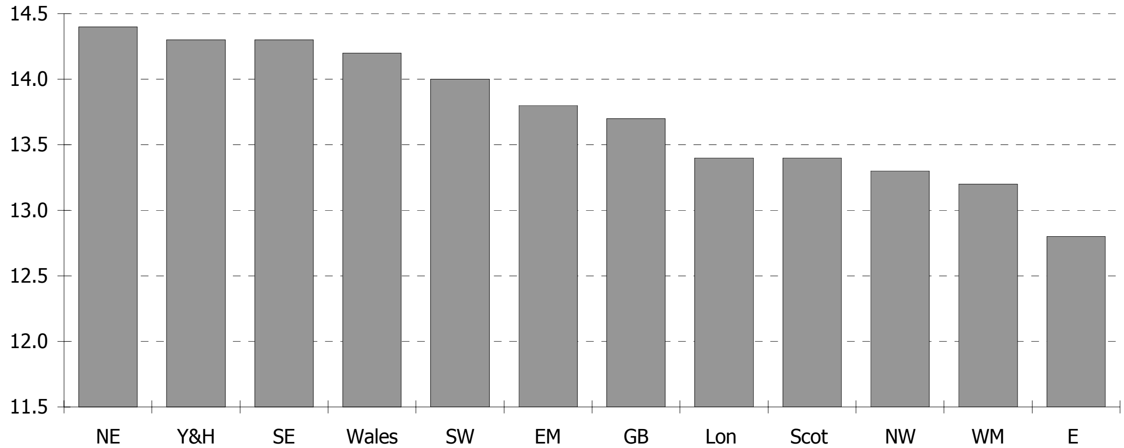


Source: NALS, 2002

3.3.3 Work-related training in the last four weeks

The Labour Force Survey contains information on whether people of working age have engaged in education or training in the four weeks prior to interview. There is very little regional variation in the proportion of the working age population engaged in work-based education or training (Figure 3.10). In 2004-5 the South East had the joint second highest proportion (with Yorkshire and Humber) of working age people engaged in work-based education or training (14.3 per cent), marginally behind the rate in the 'best' region which was the North East with 14.4 per cent.

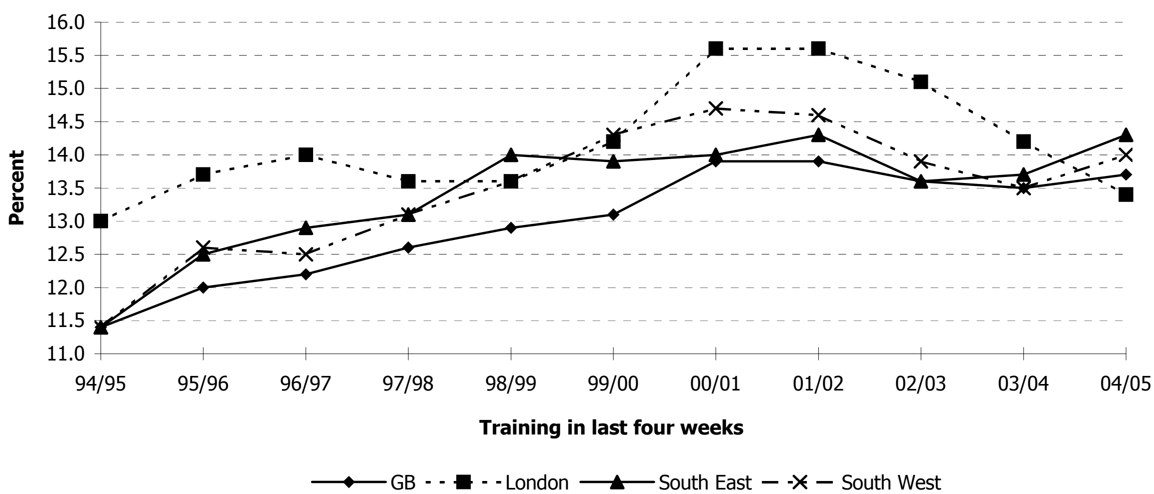
Figure 3.10: Proportion in employment engaged in work-related training in the last four weeks, 2004-5



Source: LFS

In general, there has been an upward trend in the work-base education and training participation rates over the last decade, with variations in the positional ranking of the South East against other regions from year to year (see Figure 3.11 for selected regions and Appendix A.32).

Figure 3.11: Proportion in employment engaged in work-related training in the last four weeks, 1994-5 to 2004-5, selected regions



Source: LFS

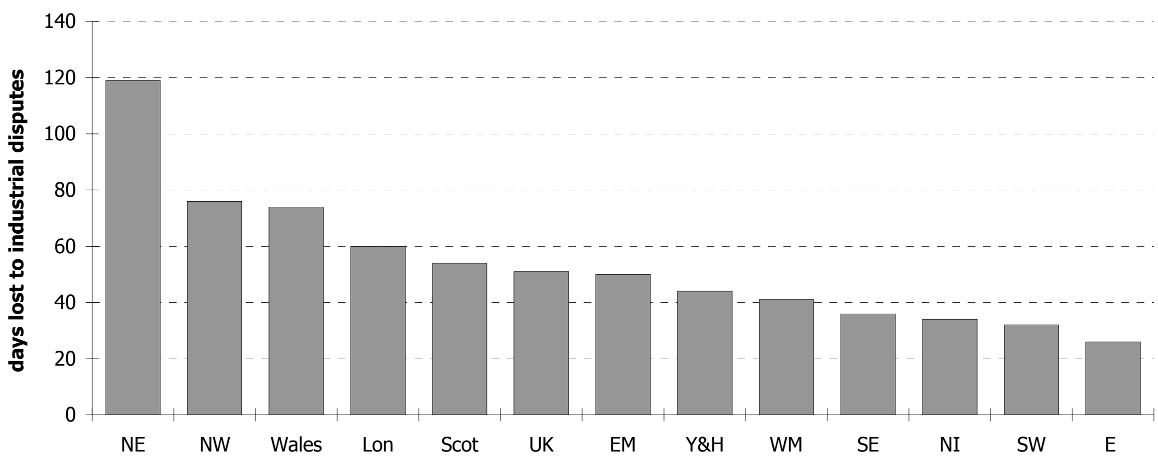
3.4 Measures of workforce well-being

As in the case of the first *South East Healthy Labour Market Review* there are few indicators of workforce well-being, and workforce attitude that can only be gauged indirectly, *eg* by considering measures of workforce absence, and the reasons for absence. Two indicators examined in the first review, and reconsidered here, are working days lost to industrial disputes and proportion of days lost to sickness, injury and ill-health.

3.4.1 Working days lost to industrial disputes

The most recent data we have on this measure are taken from *Regional Trends 38* and relates to 2002 (Figure 3.12; A.33). In that year, the South East, lost 36 days per 1,000 employees, compared to 51 days in the UK as a whole. This represents the fourth lowest proportion of days lost to industrial disputes rate across the regions; and was behind the Eastern region (26 days) South West (32 days) and Northern Ireland (34 days). It should be noted, however, that the figures for 2002 were an exception for the region and in each of the three years 1999 to 2001 the days per 1,000 employees lost to industrial disputes in the South East averaged at four (compared to the UK figure of 20); while in 2001 only one day was lost in the region for this reason (compared to 11 in the UK).

Figure 3.12: Days lost due to industrial disputes, 2002



Source: ONS, Regional Trends 38, Table 5.13

3.4.2 Workforce sickness absence

A second indicator of workforce well-being is sickness absence. The Labour Force Survey reports the proportion of people in employment taking one or more days off sick in the week prior to interview.

In 2005, sickness absence rates were broadly consistent across many of the UK regions (just over 2.5 per cent). The South East rate (2.6 per cent) made it part of a cluster of regions that had very similar rates, *ie* North West, Scotland, Eastern and Wales (Figure 3.13; A.34). These rates were marginally higher than the 'best' region, North East (at two per cent); and compares favourably with the rates of around four per cent experienced in 1995 and 1999.

Figure 3.13: Percentage of workforce reporting sickness absence, 2005

Source: Labour Force Survey, Spring 2005

4. Functioning of the Labour Market

The final dimension to consider is the extent to which the interaction of supply and demand in the regional labour market produces outcomes that are efficient and equitable. An efficient labour market is one in which people who seek work can find it (*ie* unemployment is low), while an equitable labour market is one in which there are few differences based where people live, or their individual characteristics. It is to these two themes that we now turn.

4.1 Labour market efficiency

4.1.1 Unemployment rate

The unemployment rate can be measured in two ways:

- **Claimant count**, which measures people claiming job-seeking benefits and is provided via the Department for Work and Pensions.
- **ILO unemployment rate**, which is based on individuals not currently working, who have looked for work in the last four weeks, and are able to start a job in the next two weeks.

Since the first *South East Healthy Labour Market Review* there has been a shift towards adopting the ILO definition of unemployment as the official measure of unemployment. However, as the ILO definition is derived from the survey data, it is often less reliable at a sub-regional level. Consequently, in this section we propose to quote both measures.

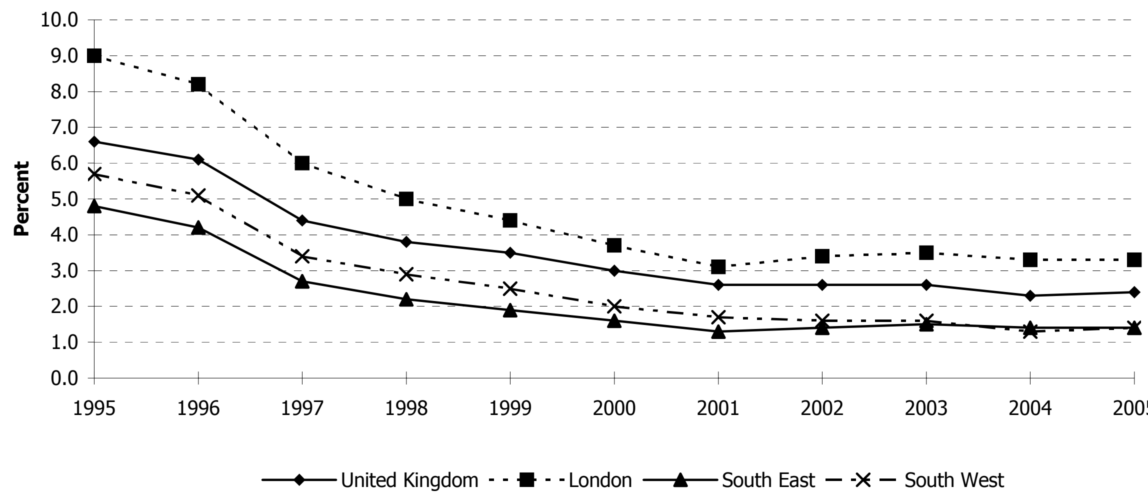
Claimant count

In July 2005, unemployment rate as measured by the claimant count for the South East was 1.4 per cent[1] (based on the numbers claiming benefit over the working age population), compared with the UK rate of 2.4 per cent, and joint lowest across all regions with the South West.

1 The rate based on economically active people was 1.6 per cent.

The claimant count in the South East has fallen from 4.8 per cent in 1995, but has remained stable since 2001. Although it continued to be lower than that of any other region throughout the last decade, the gap between the UK average and the South East has narrowed slightly over the last five years as the region approaches 'full-employment' (Figure 4.1; A.35).

Figure 4.1: Claimant count based on all those of working age



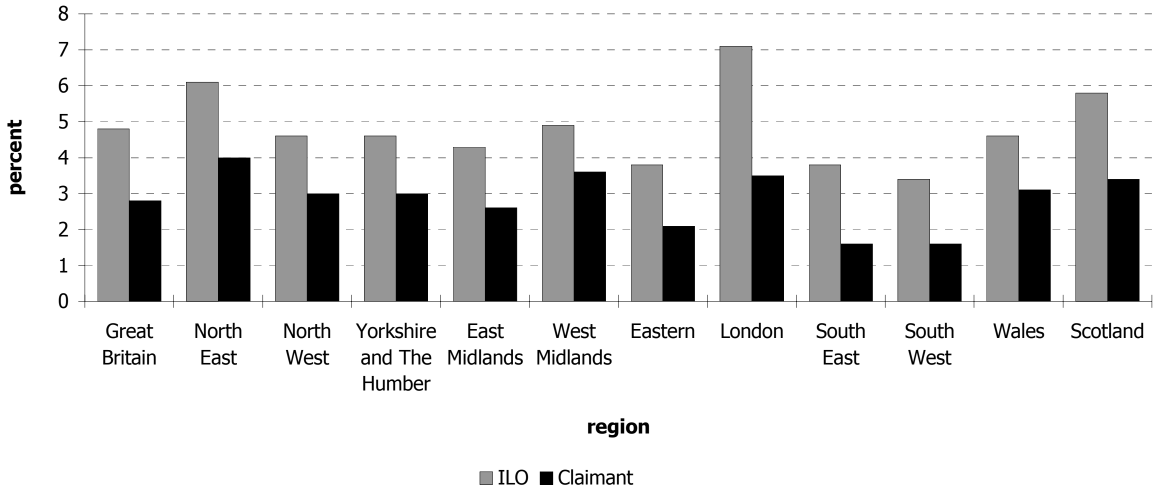
Source: ONS via NOMIS

Although the rates are relatively low, the claimant count varies significantly across LAD. Among the LADs with the highest claimant unemployment rates in July 2005 were Thanet (3.4 per cent), Brighton and Hove (three per cent) and Hastings (three per cent). At the other end of the spectrum, however, over one-third of the LAD areas in the South East had unemployment rates of less than one per cent. In July 2005, the ratio of the highest and lowest unemployment rates in the region at LAD level stood at five per cent.

ILO unemployment rate

The pattern of unemployment as measured by the ILO definition is similar to that of the claimant count. The ILO unemployment rate for the South East in 2004-5 stood at 3.8 per cent, joint highest with the Eastern region; and in comparison with the Great Britain average of 4.8 per cent (Figure 4.2; A36).

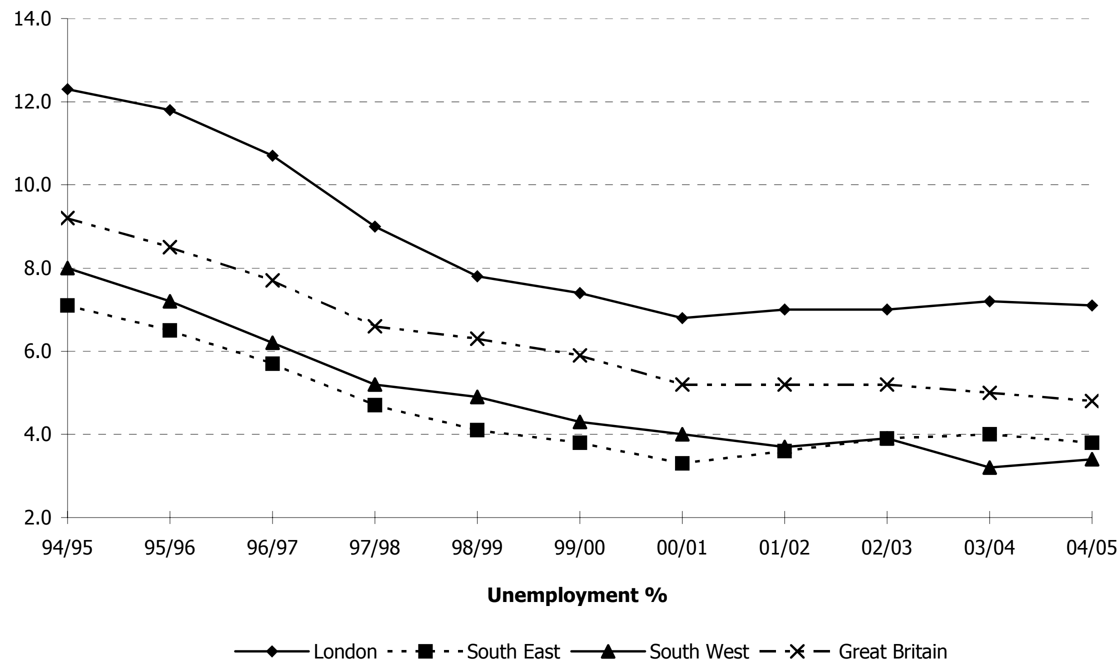
Figure 4.2: ILO and claimant unemployment rates (based on economically active population)



Source: ONS (July 2005) / LFS (2004-5)

The trend in ILO unemployment rates since 1995 has also matched the trend in claimant count. The main period of falling unemployment, however, occurred between the mid 1990s and late 1990s, while in the period since 1999, its decline has been more modest. Over the period 1994-5 to 1998-9 the ILO unemployment rate in the South East fell by 42.3 per cent, compared with 31.5 per cent in Great Britain as a whole. Since 1999-2000, the unemployment rate in the South East has remained steady, while unemployment in Great Britain as a whole has fallen by another 18.6 per cent.

Figure 4.3: ILO unemployment rate, selected regions



Source: LFS

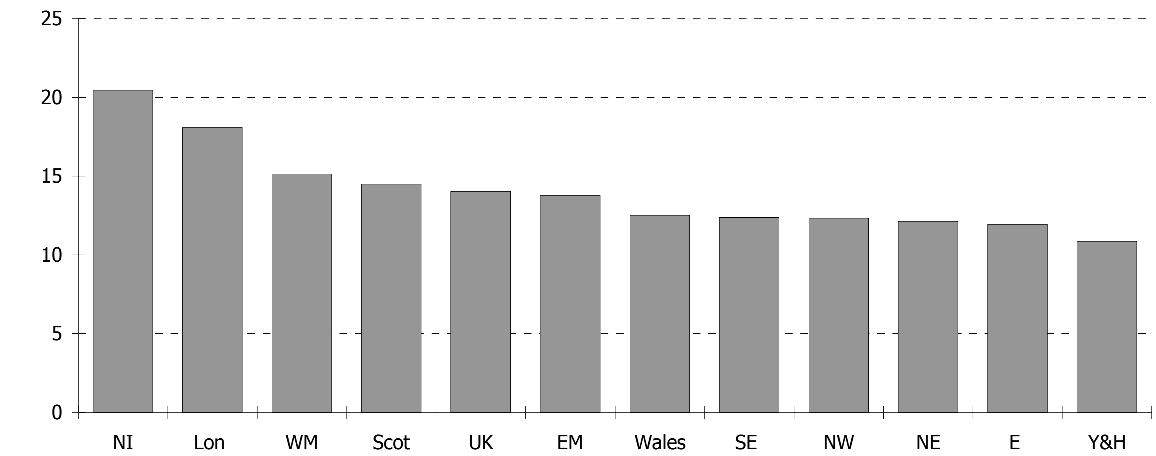
4.1.2 Long term unemployment

A high proportion of the unemployment rate is a measure of 'frictional unemployment', *ie* related to people moving between jobs or periods of labour market inactivity (*eg* due to full-time study). A healthy labour market will, therefore, always have some degree of unemployment when operating at 'full-capacity'.

Another consideration when reviewing the unemployment is not just the level of unemployment but its duration. People who have been out of employment the longest, are often the least likely to possess the skills and experience necessary to gain employment, and are therefore often in the greatest need of support, either in terms of workplace experience and training, or job search.

To consider long-term unemployment we have focused on the proportion of claimants who have been receiving job-related benefits for more than 12 months. In July 2005, 12.4 per cent of the claimant unemployed had been unemployed for at least 12 months, compared with 14 per cent in the UK overall. In terms of regional ranking, the South East was just below mid-table (Figure 4.4; A.37).

Figure 4.4 Proportion of claimant count unemployed for at least 12 months

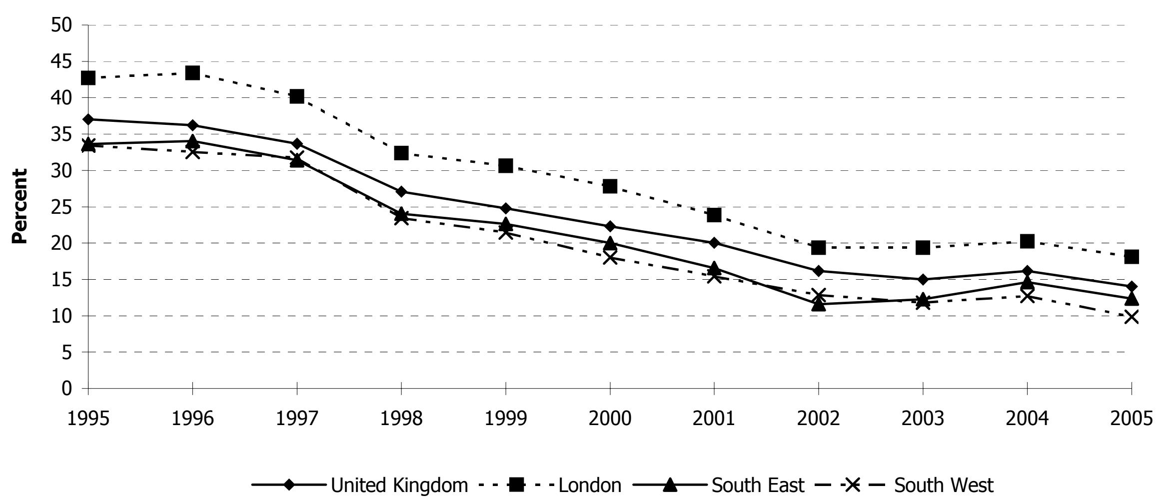


Source: ONS

Trends

Over the last decade the proportion of long-term unemployed in the South East has fallen from a high of around one-third (33.6 per cent) of all claimants in July 1995, before stabilising at around 12 per cent from 2002. The pattern of long-term unemployment experienced in the South East is similar to that of the other regions and the UK more generally (Figure 4.5).

Figure 4.5: Proportion of claimant unemployed who are unemployed for more than 12 months, selected regions

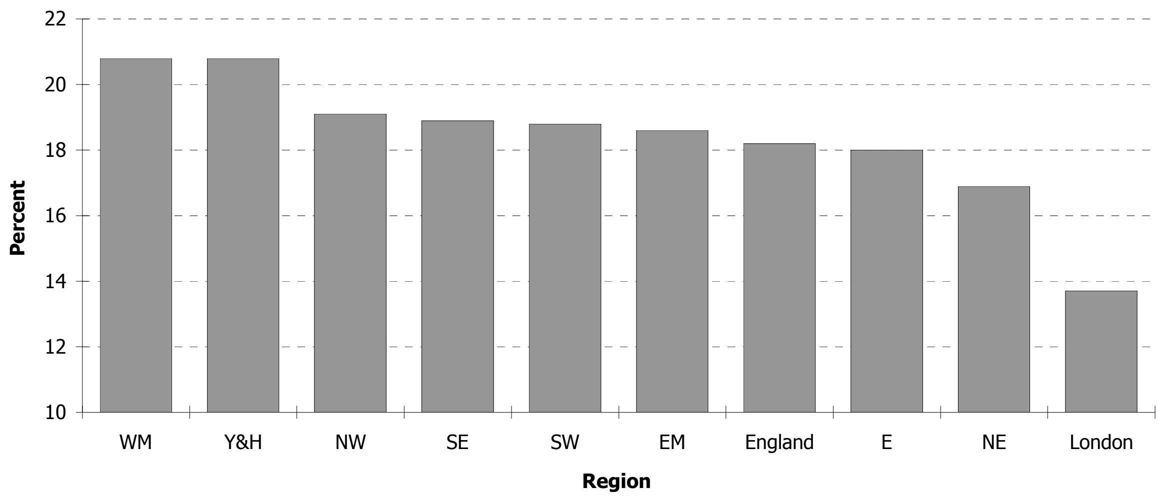


Source: NOMIS, August 2005

4.1.3 Vacancies, hard-to-fill vacancies and skills shortage vacancies

Information on vacancies, hard-to-fill vacancies, and skills shortage vacancies provide evidence of labour market tightness. The *National Employers Skills Survey 2004* suggests that 18.9 per cent of establishments in the South East had vacancies, the third highest of any region in England but in line with the national average of 18.2 per cent. The highest vacancy rate was reported in the West Midlands and Yorkshire and Humber (20.8 per cent), while the lowest vacancy rate could be found in London (13.7 per cent; A.38).

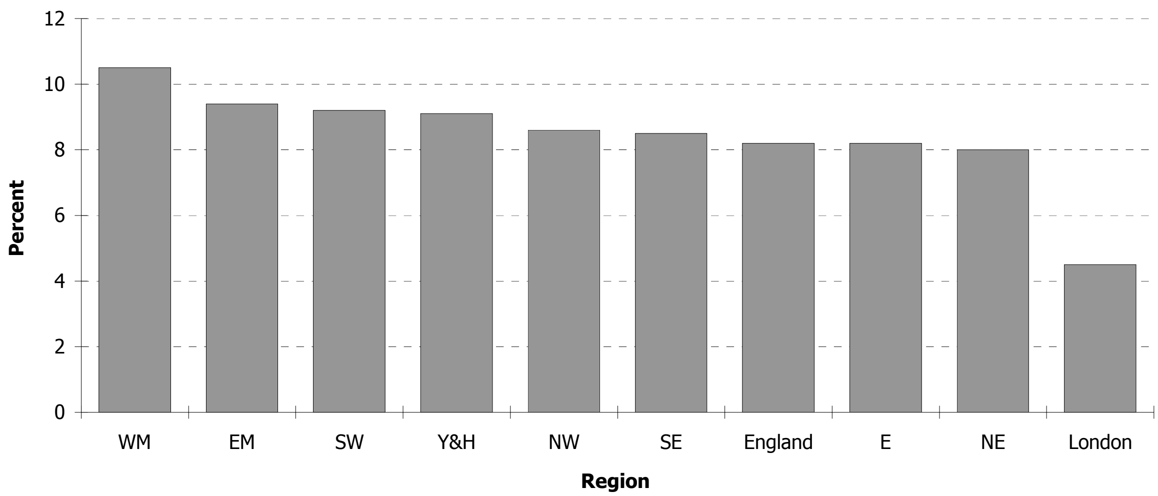
Figure 4.6: Percentage vacancies 2004



Source: IER / NESS 2004

In terms of the proportion of establishments with hard-to-fill vacancies, the performance of the South East was around mid-table (8.5 per cent), although higher than the average in England of 8.2 per cent. Once again, the highest proportion of establishments with hard-to-fill vacancies rate was in the West Midlands (10.5 per cent), while the lowest was in London (4.5 per cent).

Figure 4.7: Hard to fill vacancies, 2004

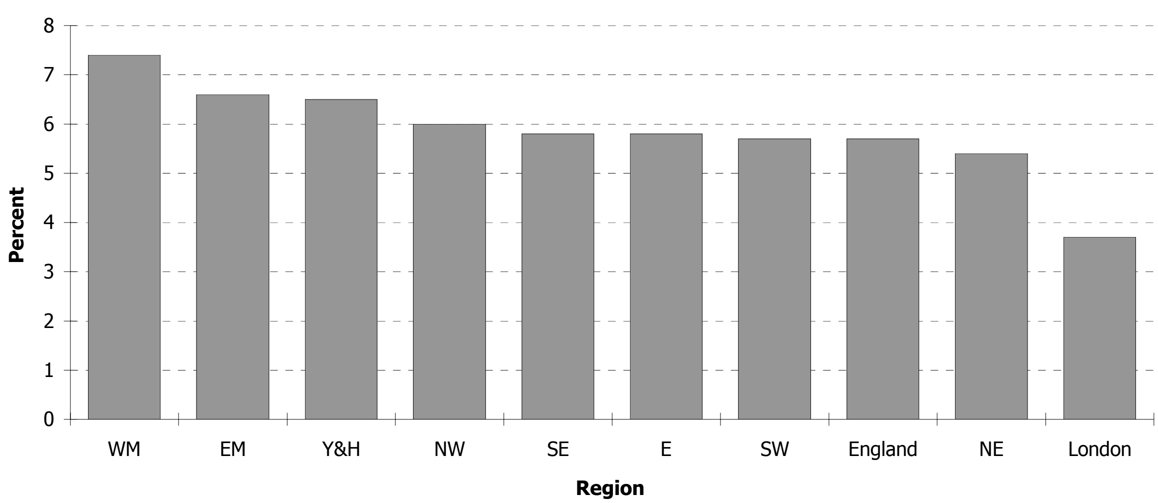


Source: IER / NESS 2004

Finally, 5.8 per cent of establishments in the region claimed to have hard-to-fill vacancies that were the result of a lack of suitably qualified or skilled applicants (*ie* skills shortage vacancies). This can be compared to the England average of 5.7 per cent, and the (highest) rate in the West Midlands of 7.4 and (lowest) rate of 3.7 per cent in London.

The extent to which skills shortages may be an issue for employers can be seen by looking at the proportion of total vacancies that are due to skills shortages. In 2004 over one-third (34.4 per cent) of all vacancies in the South East were skills shortage vacancies, the highest in any region except the West Midlands (35.6 per cent).

Figure 4.8: Skills shortage vacancies, 2004



Source: IER / NESS 2004

Looking at the LSC defined sub-regions, the highest levels of vacancy can be found in Milton Keynes, Oxfordshire and Buckinghamshire (22 per cent), representing the 43rd highest vacancy rate out of the 47 LSC defined areas. The lowest rates, however, were in Kent and Medway (17.5 per cent or 17th in the LSC rankings).

Hard-to-fill vacancies were highest in Hampshire and the Isle of Wight (9.7 per cent), compared to the lowest regional rate of 7.1 per cent, while the highest levels of skills shortage vacancies rate could be found in Milton Keynes, Oxfordshire and Buckinghamshire (6.8 per cent), and compared with 4.4 per cent in Sussex.

Table 4.1: Vacancies, hard-to-fill vacancies and skills shortage vacancies, by LSC region

	Rank	% of establishments with vacancies	Rank	% of establishments with HtFVs	Rank	% of establishments with SSVs
Milton Keynes, Oxfordshire and Buckinghamshire	43	22	35	9.6	36	6.8
Berkshire	23	18.7	15	7.4	16	5.1
Hampshire and the Isle of Wight	32	19.9	38	9.7	32	6.7
Surrey	16	17.2	25	8.2	18	5.2
Sussex	12	16.3	11	7.2	5	4.4
Kent and Medway	17	17.5	9	7.1	14	5

Source: IER / NESS 2004

Trends

The number of vacancies in the region has fallen as economic growth both nationally and regionally has stabilised. However, a higher proportion of vacancies that remain unfilled are unfilled because of skills shortages. Comparing 2004 with the 2001 survey, the proportion of employers with hard-to-fill vacancies in the South East has fallen marginally from nine per cent, while the region's skills shortage vacancies as a proportion of total vacancies have increased from around one-fifth of all vacancies (20.9 per cent) to nearly one-third.

4.2 Labour market equity

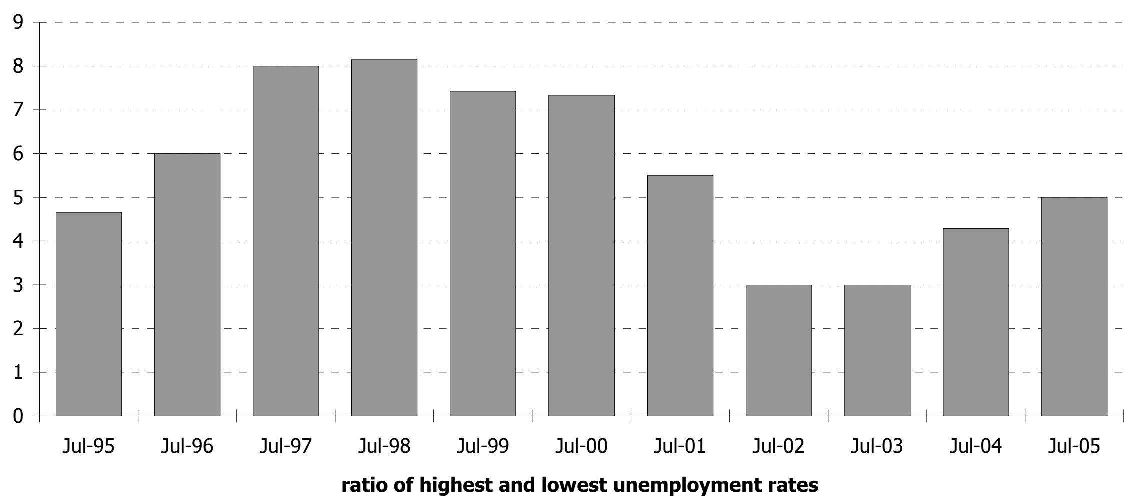
4.2.1 Indicator: ratio of highest to lowest local unemployment rates

This section examines an indicator of geographic equity: ratio between the highest and the lowest unemployment rate in the region at local authority level.

Although the rates are relatively low, the proportion of people unemployed varies significantly across LAD. Among the LADs with the highest claimant unemployment rates in July 2005 were Thanet (3.4 per cent), Brighton and Hove (three per cent) and Hastings (three per cent). At the other end of the spectrum, over one-third of the LAD areas in the South East had unemployment rates of less than one per cent. In July 2005, the ratio of the highest and lowest unemployment rates in the region at LAD level stood at five per cent.

Looking at the trend over the last decade, however, the ratio of the highest to lowest rates has been subject to some degree of cyclical fluctuation, rising between 1995 and 1998, before declining in the years 1998 to 2001, and increasing once again over the last two years (Figure 4.9; A.39).

Figure 4.9: Ratio of highest to lowest Local Authority District claimant unemployment rate within the South East, July 1995 to July 2005



Source: NOMIS / ONS

4.2.2 Ratio of employment rates against key characteristics

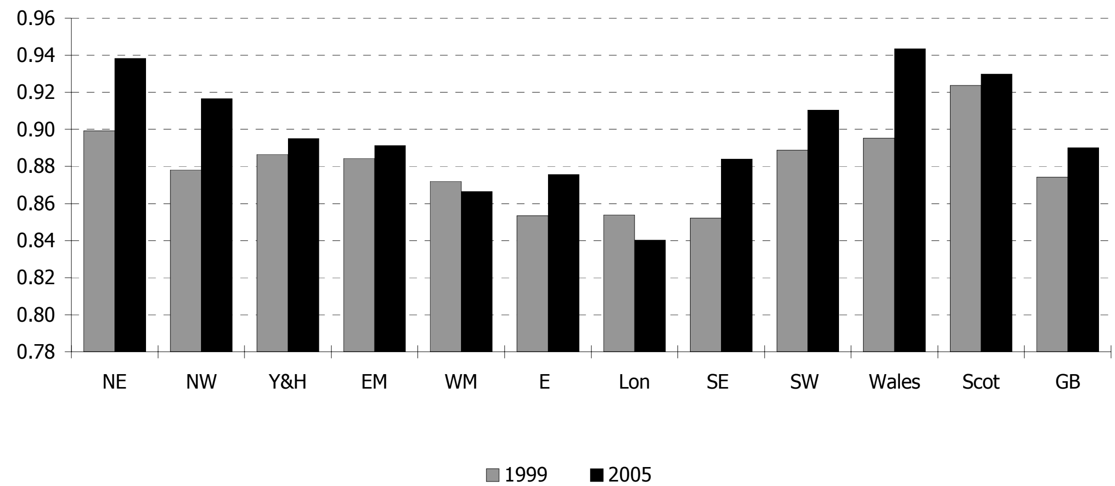
Finally, we turn to consider measures of individual equity, based on the labour market opportunities across sex, disability and ethnic origins. The measures reported in Figures 4.10, 4.11 and 4.12 (A.40) examine the ratio of:

- female to male employment rates
- minority ethnic group to white employment rates
- disabled to non-disabled employment rates.

The results of this analysis prove mixed, and are consistent with the findings of the first *South East Healthy Labour Market* review. While female employment rates in the SE are high (73.6 per cent) the ratio between female and male rates (0.88) is still below the Great Britain (0.89), and considerably below that of the 'best' region Wales of 0.94. Despite this, however, the data suggest that the gap between male and female employment rates in the region has narrowed since 1999.

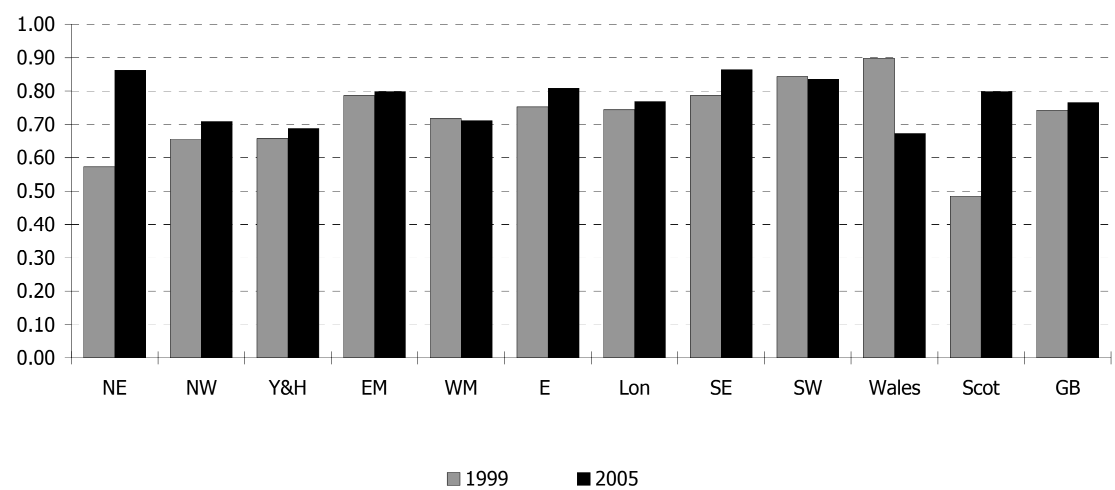
The ratio of minority ethnic employment rates to white rates in the region stood at 0.86 in 2005, the joint highest (with the North East) rate in Great Britain, while disabled to non-disabled rate in the South East was 0.74, also the highest rate in Great Britain.

Figure 4.10: Ratio of female to male employment rates, 1999 and 2005



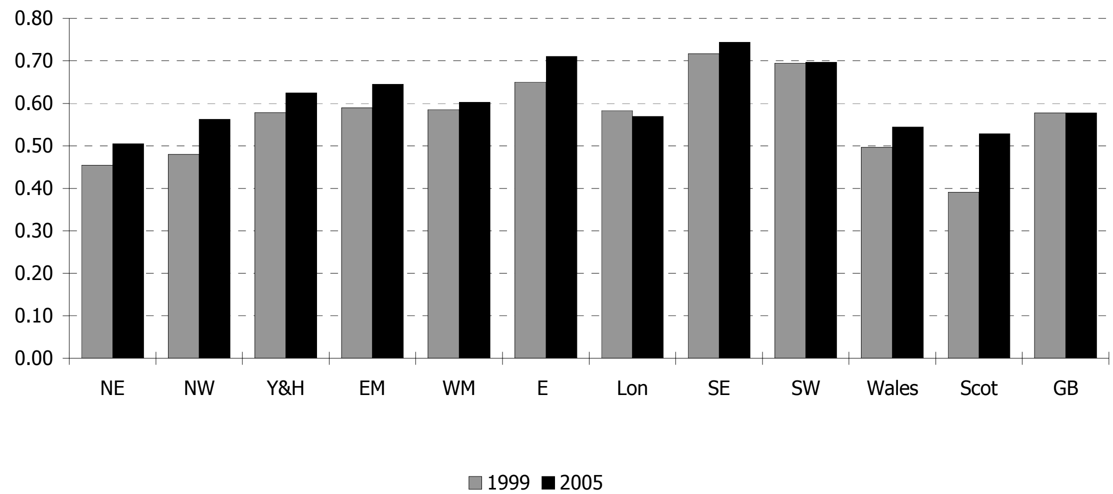
Source: Spring LFS 1999 and 2005

Figure 4.11: Ratio of minority ethnic to white employment rates, 1999 and 2005



Source: Spring LFS 1999 and 2005

Figure 4.12: Ratio of disabled to non-disabled employment rates, 1999 and 2005



Source: Spring LFS 1999 and 2005

5. Summary

The South East is one of the best performing regions in the UK. In the last few years, however, the labour market has become increasingly tighter and the rate of labour market improvement has slackened such that the South East's advantage over the labour market in some other regions has diminished. We summarise the evidence in more detail below.

Radar diagrams

Our summary makes use of 'radar diagrams' to provide a visual overview of the South East's position on the different indicators. Each of the radar diagrams shows the position of the South East in comparison with that of the UK (or GB/England). The axis for each indicator has been scaled such that the 'zero' point (the centre of the radar diagram) corresponds to the value recorded by the 'worst' region on the indicator, and the '100%' corresponds to the value recorded by the 'best' region on the indicator.

Thus, the South East has one of the highest scores for the employment rate indicator, and records close to 100 on the radar diagram (Figure 5.1). When it comes to percentage of part-time workers the region lies almost half way between the best region (South West at 100% on the radar diagram) and the worst region (London at 0% on the diagram).

As a general point, it should be noted that it is not always the case that a high score is 'positive', for example, a low unemployment score might be preferable. In order to make the diagram easier to interpret, therefore, where the indicator represents a negative proportional measure (*eg* percentage unemployed, percentage long-term unemployed, and percentage with no qualifications) we have reversed the scale, so that 100 represents having the lowest rates, and zero scores represent the highest.

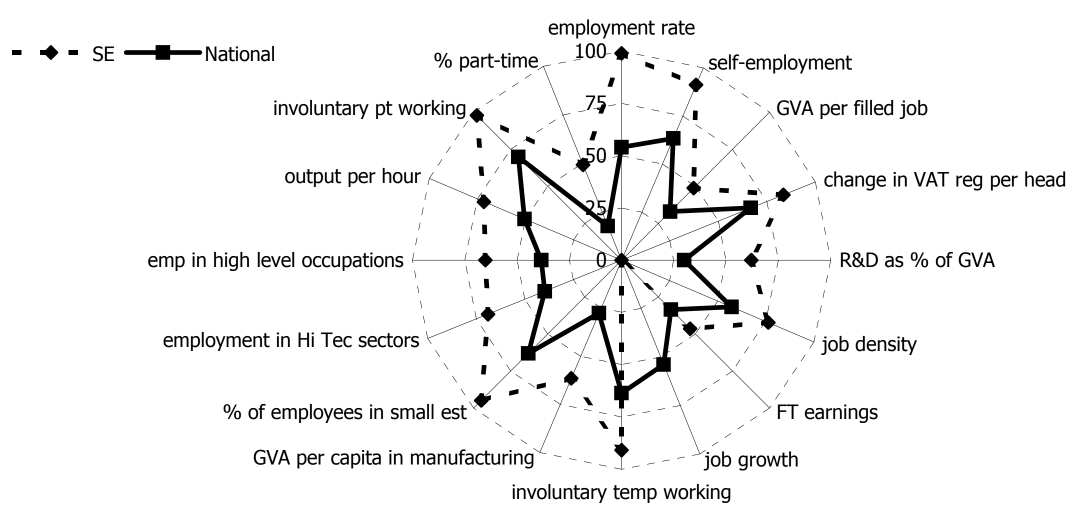
5.1 Demand side (job) indicators

Looking first at the region's demand-side position (Figure 5.1):

- **The region performs well in terms of labour market dynamics**, and the employment rate, the rate of employment generation (*eg* net VAT registration) and the rate of self-employment and business survival are all among the highest nationally (other regions have been converging on the SE in recent years on some of these measures, however).
- **It is second only to London in terms of output and performance measures** (*eg* as reflected in various measures of productivity), although some catch up from other regions is observable. High levels of R&D investment are likely to support the region in maintaining /improving its position.
- **Employment quality remains high**, with high levels of part-time work, but relatively few people employed in involuntary part-time or temporary work (those wanting full-time or permanent work are generally able to find it), and a higher than average proportion of people employed in high level occupations or high-technology industries (although once again, recent data suggest some other regions are narrowing the gap on the SE). Workers in the region have the highest level of earnings outside London.

However, the region scores less well in terms of job growth (which has been the worst of any region in the most recent period). This partly reflects other regions catching up with the high employment rates achieved in the South East in earlier years. However, it is also likely to be an effect of persistent recruitment difficulties faced by employers in a labour market environment close to full-employment, and it raises some concern as to whether the high levels of employment experienced in the South East are sustainable in the longer-term.

Figure 5.1: Demand-side (jobs) indicators: South East relative summary position



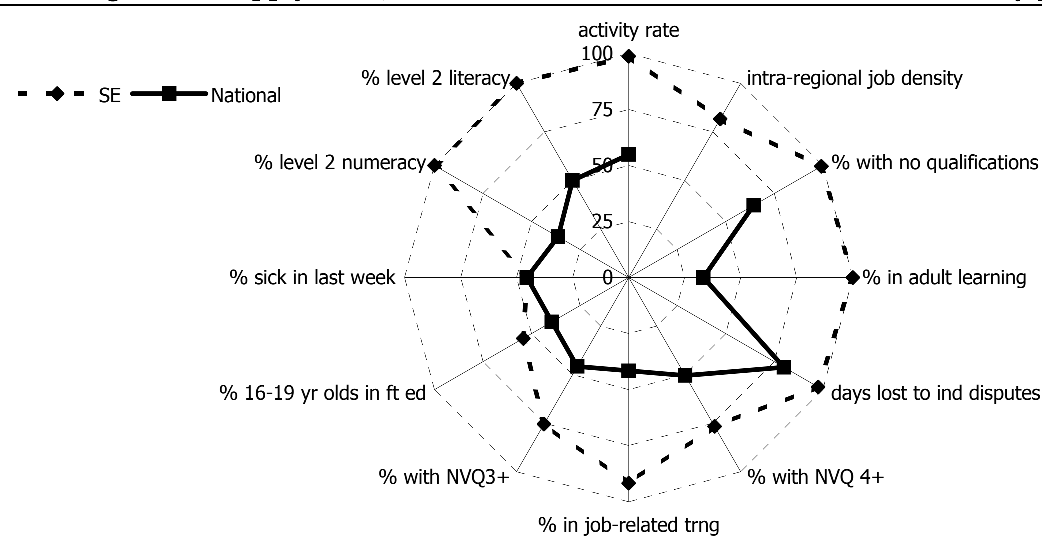
Source: IES

5.2 Supply side indicators

Turning to the supply side (Figure 5.2). our analysis suggests that the South East performs as well or better than the national average on all the main indicators:

- **labour market supply is strong.** Levels of participation (activity rates) in the labour market that have remained very high over the last five years, both in national and international terms
- **The quality of labour supply (in terms of skills and qualifications) remains high**. The region has a high proportion of people with higher-level skills (NVQ level 4 and above), and has among the lowest levels of unqualified people, or people with literacy and numeracy needs.
- **The region invests in its workforce through education and training**. Levels of job-related training and adult learning are among the highest in Great Britain, However, although participation in education among 16 to 19 year olds is higher than the national average, it is still significantly below that of London.
- **Measures of well-being produce a positve but mixed picture**. The region displaying a mid-score on sickness absence but has one of the best performing scores with regards to days lost to industrial disputes.

Figure 5.2: Supply side (workforce) indicators: South East relative summary position



Source: IES

5.3 Functioning of the labour market

We finally come to the functioning of the labour market, measured through various indicators of equity and efficiency.

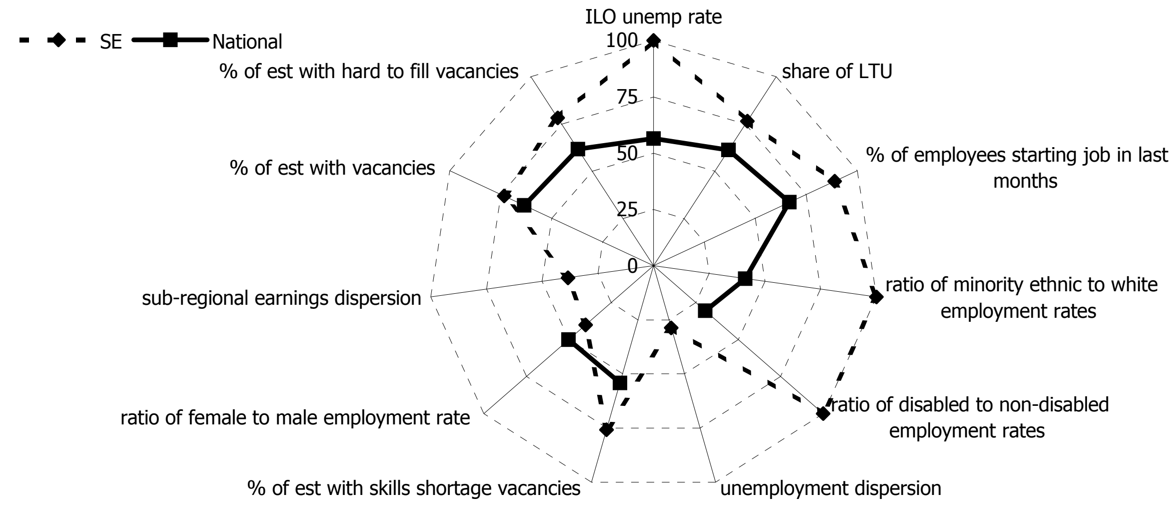
Labour market efficiency is measured through the use of unemployment, long term unemployment and vacancy indicators, showing the way in which the labour market functions to bring the demand and supply sides together: the healthier the labour market, the lower the rates of unemployment and long-term unemployment, but also the lower the rates of unfilled or hard-to-fill vacancies.

'Equity' (the extent to which employment and economic welfare is shared between the different parts of the region) is measured in two main ways: geographically (the variation in labour market performance between different sub-regional areas); and in terms of how various disadvantaged groups fare in the region's labour market (minority ethnic groups, disabled people and women).

The last diagram (Figure 5.3) summarises the various efficiency and efficiency measures, showing once again a broadly positive picture on most indicators. In particular:

- **The region may have reached a point of full-employment.** Unemployment rates have fallen over the last decade and are now at levels associated with full employment. The proportion of long-term unemployed (as a percentage of total unemployed) is lower than that of most other regions.
- **The labour market in the South East remains tight.** A side-effect of the low rate of unemployment, is that the region performs less well in terms of establishments reporting vacancies, and their ability to fill those vacancies. The region has above average levels of vacancies, hard-to-fill vacancies and skills-shortage-vacancies. However, on a more positive note, the proportion of those starting their employment in the last three months is higher than the national average, thus suggesting a certain amount of dynamism in the labour market (*eg* in terms of fresh blood for employers or career / job opportunities for employees).
- **The equity indicators provide a positive but mixed picture and suggest some room for improvement.** The region performs better than the national average in terms of the ratio of minority ethnic groups (relative to white) and disabled people (relative to non-disabled) in employment, but slightly worse than the national average in terms of female employment (relative to male). Furthermore, although the region has high levels of employment and earnings overall, there still remains a degree of sub-regional inequality between different local areas.

Figure 5.3: Labour market functioning (efficiency & equity): South East relative summary position



Source: IES

5.4 Conclusions

5.4.1 The region continues to perform well - but signs of slowdown are beginning to emerge

Overall, the evidence suggests that the South East is one of the highest performing regions in the UK. However, in the last few years, the labour market has become tighter and the rate of labour market and economic progress has fallen, with some evidence that other regions may be catching up. The South East is not unusual in this regard, and the patterns of change observed across many of the indicators match that of London, which beginning from a 'higher base' has experienced greater a slowdown than anywhere else. Indeed, the extent to which the region's economy may be influenced by the performance of London cannot be overlooked.

5.4.2 Sustainability may become an issue

Maintaining further growth in jobs, employment and output in the South East will become increasingly more challenging, as a the region is already close to full employment and more productive than nearly all other regions across the UK.

Looking at the longer term, it is difficult to see how the South East labour market, as a whole, can increase employment activity much further, and questions about the sustainability of the region's performance remain. It is already one of the most flexible regions in the country (*eg* in terms of part-time working through choice) and has among the lowest rates of unemployment of any region; while the labour supply is will be restricted by an ageing population and further expansion in post-16 education.

5.4.3 Developing for the future

A by-product of previous success in generating high rates of economic growth and employment is that it becomes increasingly difficult to maintain these high rates of growth without running into supply constraints, which will, if not tackled, eventually push the economic centre of gravity away from the region into areas with less tight labour markets.

Although the region's labour market remains healthy for the time being, therefore, the future development of the labour market will require continued progression through measures aimed at improving the quality, participation and functioning of the labour market. In particular, there may be scope for:

- **improving the equity of employment**, both locally and in terms of individual group, *eg* through measures aimed at raising female employment rates (such as supporting lone parents and improving childcare provision in the region).
- **attracting larger employers to 'low performing' local areas within the region** that currently rely disproportionately on employment within SMEs
- **supporting the development of medium-sized enterprises**, given the *relatively* small share of employment in medium sized establishments in the region
- **improving the lower level skills and educational attainment across the sub-regions.** Although the region performs better than most others, there is still a sizeable minority of individuals who may be disadvantaged in the labour market by low levels of qualification attainment or poor basic skills.

Appendix 1: Tables

Table A.1: Employment rates of working age population by Government Office Region, 1994-5 to 2004-5

	1994-5	1995-6	1996-7	1997-8	1998-9	1999-2000	2000-1	2001-2	2002-3	2003-4	2004-5
Great Britain	71.3	71.9	72.5	73.2	73.9	74.4	74.7	74.6	74.7	74.8	74.9
North East	64.6	65.9	67.0	67.2	65.9	67.3	68.4	68.4	68.2	69.2	70.2
North West	68.6	68.7	70.1	69.9	70.7	72.2	72.5	71.9	72.9	73.6	73.5
Yorkshire and The Humber	70.8	71.8	70.7	71.7	72.4	73.2	73.9	73.1	73.7	74.4	74.6
East Midlands	73.0	74.5	75.3	75.8	76.4	76.5	76.0	76.3	76.2	76.1	76.1
West Midlands	71.3	71.7	72.3	73.6	74.0	73.6	73.5	74.2	74.1	73.7	74.7
Eastern	75.7	75.7	75.9	77.3	77.8	78.2	79.4	79.1	78.4	78.9	78.9
London	67.3	67.9	68.9	69.7	71.1	71.5	70.9	70.7	70.1	70.1	69.4
South East	75.8	77.0	77.9	78.6	79.8	80.0	80.2	80.0	79.5	78.7	78.8
South West	75.0	75.1	76.4	77.6	78.1	78.4	79.0	78.9	79.0	78.8	78.8
Wales	66.8	67.5	68.2	68.0	68.3	69.1	68.8	68.6	71.2	72.5	71.7
Scotland	70.5	70.4	70.2	71.3	71.5	71.8	73.6	73.1	74.1	74.3	75.1

Source: NOMIS / LFS

Table A.2: Employment rates of working age population by SE Local Authority County region, 1994-5 to 2004-5

Local authority: county/ unitary	1994-5	1995-6	1996-7	1997-8	1998-9	1999-2000	2000-1	2001-2	2002-3	2003-4	2004-5
Bracknell Forest	85.3	83.0	85.2	83.9	81.9	85.2	85.0	81.6	85.2	80.0	82.1
Brighton and Hove	64.2	67.5	71.1	73.5	77.2	75.2	73.1	73.2	75.8	73.9	74.6
Buckinghamshire	77.9	77.5	80.3	83.1	80.6	81.2	81.4	81.9	79.6	81.5	80.7
East Sussex	74.5	75.7	75.4	75.3	77.6	78.9	78.6	77.4	76.6	77.8	76.6
Hampshire	78.1	78.5	78.0	79.7	81.6	81.7	82.8	82.9	82.0	81.6	82.0
Isle of Wight	69.5	70.1	72.1	68.5	74.2	70.6	71.2	70.5	71.3	75.0	71.4
Kent	74.4	76.7	75.9	75.8	77.2	77.5	78.5	76.7	75.3	74.4	77.5
Medway	71.4	76.2	74.4	73.6	76.8	76.6	77.9	77.7	76.9	76.3	75.0
Milton Keynes	74.6	78.4	80.7	77.2	80.5	83.9	80.7	83.4	83.4	78.1	76.8
Oxfordshire	78.1	79.0	81.1	80.3	81.7	82.2	83.9	83.9	82.7	81.4	80.3
Portsmouth	70.6	69.3	75.4	74.6	73.8	74.5	76.0	75.5	79.4	78.0	76.8
Reading	74.0	77.6	78.1	77.0	78.0	77.2	81.0	78.9	80.9	76.2	74.5
Slough	67.0	71.2	76.7	78.7	72.6	76.9	78.7	76.1	74.1	69.4	75.5
Southampton	67.9	67.8	70.5	71.8	72.8	71.1	67.8	73.4	76.9	77.2	70.2
Surrey	77.6	78.9	80.4	81.9	81.9	83.0	81.8	82.4	80.7	79.9	79.3
West Berkshire	83.8	83.7	84.9	81.3	88.0	87.3	82.6	82.3	83.0	79.8	84.2
West Sussex	76.5	77.7	78.7	80.1	81.3	79.5	80.7	81.0	81.0	81.4	80.1
Windsor and Maidenhead	77.5	80.2	78.5	80.5	82.4	83.4	78.7	76.6	78.5	75.1	80.2
Wokingham	82.0	80.1	81.8	85.2	85.8	86.1	83.7	83.8	82.1	82.4	86.0

Source: NOMIS / LFS

Table A.3: Employees by sector, 2003

Sector	Great Britain	South East
Agriculture and fishing	0.9	1.1
Mining, energy and water	0.7	0.7
Manufacturing	12.6	9.8
Construction	4.4	4.1
Wholesale and retail trade	17.9	19.5
Hotels and restaurants	6.8	6.8
Transport, storage and communication	6.0	6.1
Financial intermediation	4.2	3.7
Real estate, renting and business activities	15.6	18.9
Public administration and defence	5.4	4.3
Education	9.0	9.1
Health and social work	11.4	10.6
Other service	5.2	5.3

Source: NOMIS / ABI

Table A.4: Proportion of employees working in high-technology and knowledge intensive sectors, 2003

	High tec. manufacturing	Medium tec. manufacturing	High tec. knowledge intensive	Knowledge intensive service sector
Great Britain	1.9	3.7	4.3	41.0
North East	2.0	5.2	3.5	39.6
North West	1.6	4.7	3.6	39.5
Yorkshire and The Humber	1.4	3.7	3.0	38.8
East Midlands	2.2	5.0	3.2	36.4
West Midlands	2.2	6.2	3.8	37.4
Eastern	2.1	3.8	5.0	38.5
London	0.6	1.0	5.4	50.3
South East	2.6	3.5	6.5	41.4
South West	2.3	4.3	3.9	39.4
Wales	3.0	4.8	2.4	39.1
Scotland	2.0	2.5	3.2	41.6

Source: IES / ABI

Table A.5: Employment by occupations, 2004-5

	Great Britain	South East
Managers and senior officials	14.9	17.1
Professional occupations	12.4	13.9
Associate professional & technical	13.9	14.8
Administrative and secretarial occupations	12.6	13.1
Skilled trades occupations	11.3	10.8
Personal service occupations	7.6	7.5
Sales and customer services occupations	7.9	7.4
Process plant & machine operatives	7.4	5.1
Elementary occupations	11.6	10.2

Source: NOMIS / LFS

Table A.6: Employment by occupations, SE Local Authority County regions, 2004-5

	All higher level occupations	Managers and senior officials	Professional occupations	Associate professional & technical	Administrative and secretarial	Skilled trade	Personal services	Sales and customer services	Process, plant and machine operatives	Elementary occupations
Windsor and Maidenhead	61.7	28.5	17.1	16.1	14.5	*	*	*	*	*
Surrey	53.4	20.0	17.6	15.8	12.1	9.1	8.3	6.2	3.7	6.9
Reading	52.4	15.1	17.4	19.9	*	7.8	*	*	*	15.8
Brighton and Hove	52.2	17.4	16.1	18.7	9.3	10.7	5.9	6.9	*	12.3
Buckinghamshire	51.8	21.6	15.2	15.0	12.1	9.9	5.7	8.5	3.0	8.6
Wokingham	49.2	20.3	16.6	12.3	12.2	9.6	8.1	7.6	*	8.7
West Berkshire	49.1	21.2	18.0	9.9	15.6	7.8	7.3	*	*	10.1
East Sussex	46.0	14.6	13.7	17.7	13.7	12.8	8.9	5.4	4.5	8.5
Oxfordshire	45.3	14.4	16.1	14.8	12.6	10.8	7.3	8.1	4.9	11.1
Hampshire	44.7	17.3	12.2	15.2	13.4	11.7	6.7	8.7	5.0	9.6
Bracknell Forest	44.2	19.1	11.2	13.9	17.9	13.5	*	*	*	*
West Sussex	42.5	17.3	11.5	13.7	13.6	11.5	8.7	7.7	5.6	10.3
Kent	42.2	14.8	12.3	15.1	12.5	12.4	8.6	7.5	5.8	10.9
Portsmouth	42.2	15.7	13.8	12.7	13.0	9.3	*	*	10.6	12.7
Milton Keynes	41.4	15.1	13.3	13.0	15.3	7.1	5.5	7.0	7.0	16.3
Slough	38.3	11.9	11.4	15.0	15.9	*	*	*	11.6	10.6
Medway	37.7	16.7	10.1	10.9	18.7	9.7	7.6	7.2	6.3	12.5
Southampton	37.7	11.6	14.9	11.2	15.3	10.8	6.7	9.1	7.8	12.6
Isle of Wight	—	14.0	*	*	12.6	15.5	12.9	*	*	14.8

Source: NOMIS / LFS

Note: * = Cell sizes too low

Table A.7: Gross weekly earnings in 2003 (£s)

	All employees	Full-time employees
London	546.24	637.19
South East	414.1	505.44
UK	393.2	473.76
Eastern	387.4	475.9
Scotland	365.83	436.76
North West	365.6	437.56
West Midlands	363.19	435.76
South West	358.63	440.56
East Midlands	355.68	428.65
Yorkshire and The Humber	352.95	425.51
Wales	346.12	414.48
North East	333.91	402.08
N Ireland	329.64	392.16

Source: NOMIS / New Earnings Survey, 2003

Table A.8: Self-employment as percentage of all employed, 1994-5 to 2004-5

	1994-5	1995-6	1996-7	1997-8	1998-9	1999-2000	2000-1	2001-2	2002-3	2003-4	2004-5
Great Britain	13.8	13.5	13.3	12.8	12.2	12.0	11.8	11.8	12.1	12.7	12.6
North East	10.2	9.2	8.7	9.3	9.4	9.5	8.5	7.6	7.9	9.0	8.3
North West	11.8	12.2	12.4	11.4	11.1	10.9	10.2	10.6	10.6	11.1	11.4
Yorkshire and The Humber	12.1	12.3	12.3	11.5	10.7	10.5	10.2	10.3	10.1	10.8	11.0
East Midlands	12.4	12.0	11.7	11.4	11.4	11.8	11.0	11.3	11.1	11.7	12.3
West Midlands	12.8	12.0	12.0	11.2	10.9	10.6	10.3	10.5	10.3	11.0	11.6
Eastern	15.0	14.7	14.0	13.6	13.5	13.2	12.6	12.9	13.4	14.0	13.3
London	15.6	14.5	14.7	14.4	14.3	13.5	14.2	13.5	14.4	15.8	15.1
South East	15.4	15.3	15.3	14.7	13.2	13.2	13.1	13.1	13.8	14.4	14.5
South West	18.0	17.5	16.6	15.9	14.7	14.2	14.3	14.6	14.3	14.8	14.7
Wales	15.1	14.4	13.7	13.6	12.1	12.1	12.3	12.4	12.9	12.9	11.9
Scotland	10.7	10.8	10.5	10.7	10.0	9.6	9.6	9.8	10.0	10.2	9.7

Source: NOMIS / LFS

Table A.9: Percentage of employees by size of organisation, Government Office Region 2003

	1-10 employees	11-49 employees	50-199 employees	200 or more employees
Great Britain	20.6	25.1	24.1	30.2
East Midlands	20.6	26.4	24.8	28.2
Eastern	22.7	26.3	24.3	26.7
London	20.6	21.2	23.2	35.1
North East	17.0	26.1	25.6	31.2
North West	19.3	25.1	24.2	31.3
Scotland	19.2	26.1	24.4	30.3
South East	22.4	25.2	23.9	28.4
South West	22.7	26.7	23.6	27.0
Wales	20.2	26.0	23.9	29.8
West Midlands	19.7	25.1	24.5	30.7
Yorkshire and The Humber	19.3	25.9	24.0	30.8

Source: NOMIS / ABI

Table A.10: Percentage of employees by size of organisation, by SE Local Authority County 2003

	1-10 employees	11-49 employees	50-199 employees	200 or more employees
Bracknell Forest	14.5	18.4	18.3	48.8
Brighton and Hove	23.7	26.3	19.3	30.7
Buckinghamshire	26.0	23.5	24.5	26.0
East Sussex	28.5	29.8	24.2	17.4
Hampshire	22.1	25.9	24.2	27.9
Isle of Wight	28.1	36.9	19.2	15.7
Kent	24.3	27.4	24.3	24.1
Medway	21.2	25.3	22.8	30.7
Milton Keynes	15.4	22.6	29.1	32.9
Oxfordshire	21.9	23.0	22.8	32.3
Portsmouth	15.0	20.6	21.1	43.3
Reading	14.9	22.5	26.0	36.6
Slough	13.7	22.8	29.9	33.6
Southampton	15.4	23.1	23.4	38.0
Surrey	24.3	25.4	23.3	27.1
West Berkshire	22.9	25.1	28.0	24.1
West Sussex	24.1	25.7	22.7	27.5
Windsor and Maidenhead	25.5	24.6	30.3	19.6
Wokingham	22.2	22.9	23.1	31.8
Total	20.7	25.1	24.1	30.1

Source: NOMIS / ABI

Table A.11: VAT registration and de-registration per 1,000 people of working age, 2003

Area	De-registrations	Registrations
Great Britain	4.5	4.9
North East	2.4	2.8
North West	3.7	4.2
Yorkshire and The Humber	3.6	4.2
East Midlands	4.0	4.6
West Midlands	4.2	4.5
Eastern	4.8	5.3
London	6.7	7.1
South East	5.3	5.8
South West	4.6	5.1
Wales	3.7	3.7
Scotland	3.4	3.5

Source: ONS

Table A.12: One year survival rates of VAT registered businesses, by region (%)

Year of registration	1993	1994	1995	1996	1997	1998	1999	2000	2001	Change 1993-2001
United Kingdom	**86.2**	**86.5**	**88.1**	**88.2**	**89.4**	**89.6**	**89.6**	**90.5**	**92.2**	**5.9**
South East	**87.2**	**87.3**	**89.7**	**89.9**	**91.1**	**91.4**	**91.3**	**91.6**	**93.4**	**6.2**
Berkshire	87.1	87.1	89.7	89.6	92.4	91.7	92.6	90.2	93.9	6.8
Hants/Isle of Wight	87.2	89.1	90.6	90.5	91.4	91.8	92.1	91.3	92.8	5.6
Kent	84.5	85.8	87.8	89.1	89.6	89.8	90.8	91.6	92.7	8.2
Milton Keynes/Oxon/Bucks	89.3	85.9	90.6	89.9	91.5	92.1	91.2	92.3	93.3	4.0
Surrey	87.3	87.6	89.9	89.8	91.2	92.0	91.2	92.3	93.3	6.0
Sussex	87.4	88.2	89.5	90.4	90.9	90.8	90.4	91.4	94.3	6.8

Source: DTI / Small Business Service

Table A.13: Three year survival rates of VAT registered businesses, by region (%).

Year of registration	1993	1994	1995	1996	1997	1998	1999	Change 1993-1999
United Kingdom	**62.1**	**62.5**	**65.3**	**66.0**	**67.4**	**66.3**	**66.5**	**4.4**
South East	**63.5**	**64.3**	**68.3**	**69.5**	**70.7**	**69.6**	**69.7**	**6.2**
Berkshire	63.7	62.9	69.0	67.1	70.8	68.7	68.5	4.8
Hants/Isle of Wight	64.0	65.4	69.0	70.3	70.4	69.6	71.0	6.9
Kent	59.4	61.7	65.3	67.8	68.5	68.2	68.3	8.8
Milton Keynes/Oxon/Bucks	65.5	65.1	69.9	70.2	71.4	71.2	70.3	4.8
Surrey	64.5	65.8	68.8	70.6	73.0	70.3	69.9	5.4
Sussex	63.5	64.4	67.7	69.8	70.3	69.0	69.6	6.2

Source: DTI / Small Business Service

Table A.14: Expenditure on R & D as a percentage of regional GVA, 2003 (%)

	Businesses	Government	Higher Education	Total R&D as proportion of GVA
Eastern	3.62	0.35	0.43	4.41
South East	2.33	0.39	0.41	3.13
South West	1.81	0.31	0.26	2.37
North West	1.60	0.06	0.37	2.02
East Midlands	1.51	0.04	0.36	1.90
United Kingdom	1.40	0.21	0.46	2.06
North East	0.87	0.01	0.49	1.36
West Midlands	0.76	0.05	0.29	1.10
Wales	0.71	0.12	0.47	1.30
Scotland	0.67	0.35	0.74	1.75
Yorkshire and The Humber	0.54	0.19	0.49	1.21
N Ireland	0.53	0.08	0.45	1.06
London	0.50	0.18	0.69	1.37

Source: IES/ ONS

Table A.15: Part-time workers as % of all employed, by region

	1994-5	1995-6	1996-7	1997-8	1998-9	1999-2000	2000-1	2001-2	2002-3	2003-4	2004-5
Great Britain	24.1	24.7	25.1	25.2	25.3	25.3	25.5	25.4	25.9	26.2	25.8
North East	25.0	24.9	26.0	26.2	26.6	26.9	26.9	25.5	26.1	25.7	25.1
North West	23.6	24.7	24.5	24.6	25.0	24.5	24.7	24.6	24.7	25.4	25.1
Yorkshire and The Humber	26.2	26.0	26.3	26.8	27.0	26.5	27.6	27.1	27.1	27.4	27.0
East Midlands	24.5	24.6	25.7	26.3	26.2	26.0	25.5	26.1	26.6	26.8	26.3
West Midlands	23.7	24.4	24.5	24.4	25.1	25.2	25.4	25.0	25.7	26.3	26.3
Eastern	24.6	25.0	24.6	24.7	24.9	25.3	25.9	25.6	26.1	27.2	26.5
London	19.8	20.7	21.3	22.1	21.6	21.6	21.7	21.0	21.7	21.0	20.6
South East	25.0	25.2	26.1	26.0	25.8	25.9	25.9	26.2	26.9	27.3	27.4
South West	26.5	27.8	29.2	28.8	28.7	28.5	29.2	30.0	30.3	30.0	30.0
Wales	25.0	25.9	26.4	24.8	24.6	25.4	25.8	26.0	25.3	26.8	25.9
Scotland	23.2	23.8	23.5	24.4	24.5	25.1	24.8	24.5	25.6	25.7	24.9

Source: NOMIS / LFS

Table A.16: Proportion of employees in temporary work, 1995, 1999 and 2005

	Not permanent in some way 1995	Not permanent 1999	Not permanent 2005
North East	8.1	7.8	6.3
North West	6.9	6.1	4.5
Yorkshire and The Humber	6.7	7.3	5.9
East Midlands	5.9	5.6	5.0
West Midlands	6.3	5.9	5.3
Eastern	6.4	5.9	4.7
London	8.2	8.0	6.4
South East	6.9	6.8	5.2
South West	6.5	6.5	5.5
Wales	8.4	7.1	5.3
Scotland	7.1	7.6	5.9
N Ireland	7.1	6.2	5.9
United Kingdom	7.0	6.7	5.4

Source: LFS Spring quarters

Table A.17: Proportion of temporary workers in temporary work because they are unable to find permanent work, 1995, 1999 and 2005

	Could not find permanent job 1995	Could not find permanent job 1999	Could not find permanent job 2005
Wales	59.3	50.5	31.1
North East	56.4	46.0	27.3
N Ireland	43.3	45.3	35.4
Scotland	53.8	45.0	33.8
East Midlands	46.2	41.5	26.0
Yorkshire and The Humber	45.9	39.6	23.8
North West	47.7	38.7	28.0
United Kingdom	45.2	36.9	26.3
West Midlands	42.9	36.8	28.9
South West	41.5	34.9	27.3
Eastern	41.1	31.6	21.3
London	39.1	29.5	23.5
South East	39.2	29.5	21.2

Source: LFS Spring quarters

Table A.18: Proportion of employees starting their jobs in the previous three months, 1999 and 2005

	Started job less than three months ago	
	1999	**2005**
Yorkshire and The Humber	5.5	4.0
North East	5.3	4.5
West Midlands	5.3	3.8
Eastern	5.3	3.9
London	5.3	3.6
South East	5.1	4.3
Wales	5.1	3.4
United Kingdom	5.1	3.9
East Midlands	5.0	4.2
Scotland	4.9	3.9
South West	4.8	4.4
North West	4.7	3.5
N Ireland	3.3	2.7

Source: LFS Spring quarters

Table A.19: Gross value added per filled job, UK=100

Regional output per filled job	East of England	East Midlands	London	North East	N Ireland	North West and Merseyside	Scotland	South East	South West	Wales	West Midlands	Yorkshire and The Humber
1996	98.3	97	124.5	96.9	92.4	95.8	100.3	100.3	91.3	94.2	91.9	92
1997	98	95.9	124	95.6	91.1	95.5	100.7	100.1	90.6	94.4	92.9	92.6
1998	99	95.1	123.5	92.2	90.6	95.1	99.4	102.6	91.4	93.5	92.2	92.2
1999	97.4	93.6	123.3	94.3	91	93.3	99.3	104.2	93.1	91.7	92.7	93.1
2000	97.3	94.8	122.5	94.3	90.3	94.2	99	104.6	94.2	91.4	93.7	92.6
2001	97.4	95.4	121.7	95.2	89.3	93.9	96.4	104.4	93.5	92.2	94	94.1
2002	96.4	94.9	124.2	93.1	89.3	92.4	96.9	103.6	93	91.2	92.9	93.9
2003	96.4	96.7	121.2	92.5	89.6	92.8	97.5	105	93.8	90.9	94	93.3

Source: ONS

Table A.20 Gross value added per capita in manufacturing, 2001 (£)

	£
North East	35,310
North West	40,424
Yorkshire and the Humber	33,171
East Midlands	34,077
West Midlands	33,958
Eastern	36,079
London	48,512
South East	42,596
South West	34,666
Wales	35,217
Scotland	36,186
N Ireland	38,423
United Kingdom	37,396

Source: ONS, Regional Trends, Table 13.5

Table A.21: Output per hour worked, UK=100

	East of England	East Midlands	England	London	North East	N Ireland	North West and Merseyside	Scotland	South East	South West	Wales	West Midlands	Yorkshire and The Humber
1996	98.7	99.4	100.6	120.3	100.9	86.6	96.9	101.7	99.9	90.2	94.1	92	94.4
1997	98.6	97.1	100.6	121.5	97.7	85	97.8	101.7	99.1	90	94.7	92.3	94.6
1998	100.6	96	100.8	120.2	96.3	86	96.8	99.9	102.3	90.8	93.3	91.4	93.5
1999	98.6	94.8	100.9	117.8	97.7	85	95.5	99.4	104.1	93.2	93.6	93.8	94.5
2000	98.5	95.4	101	118.5	96.4	84.2	95.4	98.6	104.7	95.2	93.8	93.6	94.6
2001	97.5	96.6	101.1	116.5	99.3	86.2	95.5	96.8	104.7	93.5	92.8	94.6	96.4
2002	98.1	96	101.1	118.7	95.8	85.5	94.3	97.2	103.7	93.4	92.6	93.4	94.6
2003	97.1	96.9	101.1	115.4	95.1	84.3	94.4	98.1	106.5	95.4	91.9	94.6	93.7

Source: ONS

Table A.22: Proportion of the working age population with NVQ Level 4 and above or equivalent, by Government Office Region, 1997-8 to 2004-5

GOR	1997-8	1998-9	1999-2000	2000-1	2001-2	2002-3	2003-4	2004-5
Great Britain	20.9	22.1	22.9	23.6	23.8	24.5	25.6	26.2
London	27.2	28.4	29.4	30.5	31.5	30.6	31.1	31.7
South East	23.6	25.7	26.2	25.9	26.7	28.2	28.8	29.1
South West	22.0	22.8	23.6	24.6	24.3	25.7	25.8	26.0
North East	15.4	16.8	16.9	17.7	18.3	19.5	21.2	20.6
North West	19.0	19.7	20.5	21.8	20.5	21.6	22.9	23.9
Yorkshire and The Humber	18.6	19.3	19.8	20.4	20.2	20.9	22.8	22.2
East Midlands	18.0	19.4	20.1	20.4	19.6	20.7	22.5	23.6
West Midlands	17.6	18.2	19.5	20.4	20.3	20.7	21.9	23.0
Eastern	19.0	20.8	21.4	21.7	22.4	22.7	23.8	25.2
Wales	18.9	19.9	20.6	21.8	20.6	23.2	23.3	24.0
Scotland	22.9	24.5	24.7	26.1	27.4	28.3	29.6	30.6

Source: NOMIS / LFS

Table A.23: Proportion of the working age population with NVQ Level 4 and above or equivalent, by SE Local Authority County, 1997-8 to 2004-5

SE LAC	1997-8	1998-9	1999-2000	2000-1	2001-2	2002-3	2003-4	2004-5
Great Britain	20.9	22.1	22.9	23.6	23.8	24.5	25.6	26.2
Bracknell Forest	25.0	29.1	30.3	31.9	22.9	29.2	30.0	24.1
Brighton and Hove	28.2	31.1	37.3	38.8	37.8	36.0	34.8	41.9
Buckinghamshire	30.3	31.0	29.8	30.2	31.1	34.1	35.8	33.9
East Sussex	20.1	20.5	22.4	25.6	21.0	20.5	22.3	29.4
Hampshire	21.6	24.9	24.2	23.9	27.6	29.7	30.0	27.2
Isle of Wight	16.7	16.3	15.8	12.6	21.9	21.7	18.1	16.1
Kent	19.0	20.6	21.7	20.6	20.7	23.3	23.7	24.4
Medway	13.6	13.9	11.9	11.6	12.8	17.1	14.7	16.9
Milton Keynes	16.6	20.7	23.4	23.1	25.5	21.6	21.5	23.6
Oxfordshire	30.6	32.7	33.0	30.3	29.7	33.6	34.6	32.0
Portsmouth	16.4	20.2	20.0	21.8	26.9	25.7	26.9	25.8
Reading	28.8	25.5	29.3	30.7	29.0	34.1	37.7	36.8
Slough	17.1	14.7	18.9	18.1	21.8	24.1	20.7	21.1
Southampton	16.5	22.7	21.8	17.1	20.7	22.0	24.2	24.8

Surrey	29.7	33.0	32.2	34.1	34.5	33.7	34.6	36.7
West Berkshire	26.5	27.1	26.3	28.5	26.8	26.1	27.8	35.5
West Sussex	21.8	24.0	24.2	22.7	23.9	25.7	25.8	25.2
Windsor and Maidenhead	31.0	32.6	35.8	34.7	36.1	35.3	35.2	38.5
Wokingham	33.2	37.9	39.1	31.9	32.3	33.0	40.2	36.7

Source: NOMIS / LFS

Table A.24: Proportion of the working age population with NVQ Level 3 and above or equivalent, by Government Office Region, 1997-8 to 2004-5

GOR	1997-8	1998-9	1999-2000	2000-1	2001-2	2002-3	2003-4	2004-5
North East	32.8	35.0	35.4	36.1	38.4	39.4	40.4	39.7
North West	36.9	38.1	39.4	41.7	40.0	41.2	42.6	43.5
Yorkshire and The Humber	35.7	36.8	38.7	39.3	39.7	41.2	42.4	42.2
East Midlands	35.7	37.5	38.0	38.8	38.9	40.7	43.2	43.6
West Midlands	33.8	34.9	36.5	37.3	38.3	39.6	40.4	41.8
Eastern	35.8	37.7	39.5	40.2	41.2	40.9	42.3	43.5
Wales	35.7	36.6	37.0	37.9	38.4	41.5	42.8	42.1
Scotland	42.7	44.6	45.2	46.9	48.0	49.6	50.1	51.5
Great Britain	38.3	39.8	40.9	42.0	42.6	43.7	44.7	45.1
South East	41.8	44.3	45.0	45.2	45.6	47.8	48.3	48.6
South West	40.4	41.1	41.9	43.4	44.4	45.7	46.5	46.6
London	42.4	43.4	45.1	46.1	47.5	46.6	47.1	46.8

Source: NOMIS / LFS

Table A.25: Proportion of the working age population with NVQ Level 3 and above or equivalent, by SE Local Authority County, 1997-8 to 2004-5

SE LAC	1997-8	1998-9	1999-2000	2000-1	2001-2	2002-3	2003-4	2004-5
Bracknell Forest	43.7	43.8	45.4	49.7	41.4	42.6	48.4	45.1
Brighton and Hove	48.3	51.2	55.8	59.0	57.8	56.9	57.0	58.1
Buckinghamshire	48.5	49.4	48.4	50.8	48.7	51.3	53.0	55.0
East Sussex	38.3	39.0	43.6	45.9	40.4	40.7	42.8	48.7
Hampshire	40.3	43.5	44.1	43.0	46.1	50.2	49.1	47.8
Isle of Wight	36.0	33.5	34.2	31.1	42.0	42.9	41.2	37.1
Kent	35.9	38.4	39.7	38.7	39.8	43.9	43.1	43.5
Medway	31.2	33.6	32.0	32.2	32.4	37.1	35.8	35.4
Milton Keynes	33.2	36.1	38.6	41.6	41.8	40.0	39.6	42.9
Oxfordshire	48.5	51.1	49.5	49.5	49.0	51.7	53.7	50.2
Portsmouth	34.5	40.1	40.1	42.2	49.0	43.8	44.9	46.4
Reading	46.2	48.0	46.3	48.6	46.4	51.6	52.9	59.8
Slough	36.4	32.9	33.0	32.9	36.8	39.8	37.0	39.6
Southampton	35.4	41.4	41.3	44.1	46.7	45.0	47.5	49.4

Surrey	49.4	52.3	51.7	51.5	51.8	53.1	53.5	55.0
West Berkshire	44.2	44.0	42.3	46.2	49.5	49.4	49.2	52.8
West Sussex	40.7	43.9	45.2	44.0	44.1	45.8	47.0	46.5
Windsor and Maidenhead	47.6	46.8	55.0	56.5	49.4	51.4	53.8	52.1
Wokingham	49.0	56.2	56.6	49.5	50.4	52.0	59.7	53.9

Source: NOMIS / LFS

Table A.26: Qualifications profile, by Government Office Region, 2003-4

GOR	NVQ4	NVQ3	Trade apprenticeship	NVQ2	NVQ1	Other qualifications	No qualifications
London	30.8	12.3	3.7	12.1	10.7	16.4	13.9
South East	28.5	15.4	6.1	16.0	15.2	8.0	10.8
Scotland	28.4	14.6	9.1	12.5	11.5	7.3	16.6
South West	26.1	16.3	6.5	16.2	16.7	7.5	10.7
United Kingdom	25.1	14.6	6.6	15.2	14.5	8.6	15.4
Eastern	23.2	14.4	6.0	17.5	16.0	8.2	14.8
North West	23.1	14.8	7.1	16.3	14.6	6.4	17.7
Wales	22.5	14.3	6.7	16.7	13.9	8.0	17.8
Yorkshire and The Humber	22.3	15.3	7.3	15.3	16.1	7.7	16.0
East Midlands	22.2	15.8	6.7	15.0	16.0	7.6	16.6
N Ireland	21.6	12.4	11.0	16.9	10.9	2.2	23.9
West Midlands	21.1	14.6	6.1	15.1	15.7	8.6	18.7
North East	20.7	14.0	8.5	15.7	16.6	6.5	18.0

Source: NOMIS / Local LFS 2003-4

Table A.27: Qualifications profile, by SE Local Authority County 2003-4

SE LAC	NVQ4	NVQ3	Trade apprenticeship	NVQ2	NVQ1	Other qualifications	No qualifications
Brighton and Hove	38.6	15.3	4.0	12.6	10.4	9.9	9.2
Wokingham	37.5	18.0	4.8	15.3	11.2	7.6	5.6
Windsor and Maidenhead	36.9	14.3	5.0	15.1	9.0	11.2	8.5
Buckinghamshire	34.8	14.1	5.1	14.2	13.3	8.0	10.2
Oxfordshire	33.8	15.2	5.8	13.3	14.1	6.9	10.8
Surrey	33.4	15.7	5.0	16.2	12.3	9.0	8.3
Reading	31.6	15.1	5.0	11.9	14.2	10.9	11.3
West Berkshire	31.5	16.9	4.4	16.6	15.2	7.9	7.5
Bracknell Forest	30.2	14.7	5.2	17.8	15.0	8.4	8.7
Hampshire	30.0	15.1	7.2	16.5	15.6	6.1	9.5
West Sussex	26.8	16.0	6.9	16.9	15.5	7.7	10.1
Southampton	23.6	18.1	5.7	14.9	17.6	7.7	12.3
East Sussex	23.2	15.9	6.9	17.4	15.9	8.5	12.4

Kent	23.1	15.6	6.1	16.7	17.8	7.6	13.1
Portsmouth	22.2	15.4	6.9	15.9	16.8	10.1	12.6
Milton Keynes	21.6	14.7	7.2	19.1	17.9	6.8	12.8
Isle of Wight	21.1	14.6	9.2	16.4	18.8	7.0	12.8
Slough	20.5	11.9	3.7	15.3	14.0	17.0	17.4
Medway	16.2	13.2	8.2	17.4	19.9	9.9	15.0

Source: NOMIS / Local LFS 2003-4

Table A.28: Literacy skill level by region, 2002 to 2003 (%)

	North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	Eastern	London	South East	South West	England
Entry level 1 or below	4	4	4	3	4	2	5	2	2	3
Entry level 2 or below	3	2	2	2	2	1	2	1	3	2
Entry level 3	14	12	13	10	11	9	13	8	9	11
Level 1	41	42	42	41	42	40	34	37	40	40
Level 2 or above	37	41	39	43	41	47	46	51	46	44

Source: Skills for Life Survey, DfES, RR490, 2003

Table A.29: Numeracy skill level by region, 2002 to 2003 (%)

	North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	Eastern	London	South East	South West	England
Entry level 1 or below	6	6	6	6	6	4	6	4	5	5
Entry level 2 or below	22	19	17	16	16	13	17	12	16	16
Entry level 3	27	24	28	27	25	25	25	24	28	25
Level 1	24	28	28	27	29	28	26	27	29	28
Level 2 or above	21	23	21	23	24	30	25	32	23	25

Source: Skills for Life Survey, DfES, RR490, 2003

Table A.30: People aged 16-19 in full-time education, as % of all people aged 16-19

	1994-5	1995-6	1996-7	1997-8	1998-9	1999-2000	2000-1	2001-2	2002-3	2003-4	2004-5
North East	45.7	46.6	48.2	52.0	50.6	49.1	50.4	52.5	55.7	50.7	51.7
North West	49.9	51.3	49.3	54.7	55.7	55.9	57.0	57.1	56.6	55.7	57.1
Yorkshire and The Humber	47.1	52.2	53.1	51.4	50.9	53.8	55.2	54.1	53.2	56.6	56.4
East Midlands	51.2	52.3	53.8	56.9	55.5	55.0	57.4	55.9	58.4	56.1	54.2
West Midlands	50.7	47.8	49.3	53.4	55.6	54.3	57.1	58.2	55.9	53.4	55.9
Eastern	55.3	52.8	52.0	56.1	56.6	57.8	56.4	58.0	55.7	60.4	58.6
London	55.9	58.6	61.7	65.0	66.2	65.6	67.1	67.2	66.9	64.0	67.4
South East	57.2	56.1	57.2	62.5	60.0	61.6	60.3	59.1	60.2	59.0	60.2
South West	55.3	55.7	58.5	59.7	59.0	58.5	62.0	59.5	60.4	59.9	58.0
Wales	52.0	53.9	53.9	61.5	60.9	58.6	59.2	60.3	61.9	55.7	55.3
Scotland	45.5	48.9	49.4	53.2	51.9	51.8	52.8	52.3	55.5	55.9	53.1
Great Britain	51.9	52.8	53.7	57.4	57.1	57.3	58.3	58.1	58.5	57.6	57.9

Source: NOMIS / LFS

Table A.31: Percentage of those under 70 reporting some adult learning activities in the last three years (2002)

	Percent
North East	65
North West	72
Yorkshire and The Humber	72
East Midlands	74
West Midlands	73
South West	79
Eastern	79
Inner London	81
Outer London	76
South East	86
England	72

Source: NALS, 2002

Table A.32: Working-age people receiving job-related training in last four weeks as % of all working age people

	1994-5	1996-7	1996-7	1997-8	1998-9	1999-2000	2000-1	2001-2	2002-3	2003-4	2004-5
Great Britain	11.4	12.0	12.2	12.6	12.9	13.1	13.9	13.9	13.6	13.5	13.7
North East	10.9	11.2	12.1	13.0	12.8	11.4	13.0	14.4	13.7	14.6	14.4
North West	10.9	11.2	11.5	12.5	12.2	12.4	14.2	13.6	13.2	13.0	13.3
Yorkshire and The Humber	12.6	13.1	12.6	12.4	13.2	13.3	13.9	14.1	14.3	13.9	14.3
East Midlands	10.2	10.7	11.5	12.6	12.4	12.5	12.8	12.9	13.4	13.5	13.8
West Midlands	10.6	11.0	11.7	11.5	12.4	12.8	13.6	13.2	13.3	13.2	13.2
Eastern	11.2	11.7	12.3	12.2	12.3	12.5	13.6	12.5	11.8	11.9	12.8
London	13.0	13.7	14.0	13.6	13.6	14.2	15.6	15.6	15.1	14.2	13.4
South East	11.4	12.5	12.9	13.1	14.0	13.9	14.0	14.3	13.6	13.7	14.3
South West	11.4	12.6	12.5	13.1	13.6	14.3	14.7	14.6	13.9	13.5	14.0
Wales	10.8	11.3	10.5	11.8	10.9	12.0	12.2	13.5	14.2	14.4	14.2
Scotland	10.9	11.1	10.9	11.7	12.6	12.7	12.8	12.6	12.3	13.3	13.4

Source: NOMIS / LFS

Table A.33: Working days lost due to industrial disputes per 1,000 employees, 1998 to 2002

Days lost per 1,000 employees	1998	1999	2000	2001	2002
North East	9	3	6	12	119
North West	9	4	20	32	76
Yorkshire and the Humber	1	11	4	24	44
East Midlands	1	1	5	8	50
West Midlands	7	1	20	33	41
Eastern	11	2	6	11	26
London	12	15	7	24	60
South East	1	4	4	4	36
South West	1	2	1	8	32
Wales	2	4	6	17	74
Scotland	23	21	136	29	54
N Ireland	6	10	33	1	34
United Kingdom	11	10	20	20	51

Source: ONS

Table A.34: Percentage of workforce reporting sickness absence, 1995, 1999 and 2005

	1995	1999	2005
North East	4.5	3.9	2.0
North West	4.2	4.3	2.6
Yorkshire and the Humber	4.8	4.3	2.3
East Midlands	4.1	4.4	3.1
West Midlands	4.2	4.7	2.4
Eastern	4.0	3.6	2.6
London	4.7	4.6	2.9
South East	4.0	4.2	2.6
South West	4.1	4.3	2.9
Wales	4.7	4.9	2.5
Scotland	4.7	4.2	2.6
N Ireland	5.2	3.5	2.1
United Kingdom	4.3	4.3	2.6

Source: LFS Spring quarters

Table A.35: Claimant count with rates and proportions

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
United Kingdom	6.6	6.1	4.4	3.8	3.5	3.0	2.6	2.6	2.6	2.3	2.4
North East	8.3	7.6	6.0	5.3	5.2	4.7	4.0	3.8	3.4	2.9	2.9
North West	6.6	6.2	4.7	4.1	3.8	3.4	3.0	2.9	2.7	2.3	2.5
Yorkshire and The Humber	6.9	6.4	5.0	4.5	4.1	3.5	3.1	2.9	2.7	2.3	2.5
East Midlands	5.9	5.4	3.8	3.2	3.0	2.7	2.5	2.3	2.3	1.9	2.1
West Midlands	6.7	6.0	4.4	3.9	3.8	3.4	3.1	2.9	3.0	2.7	3.0
Eastern	5.3	4.7	3.2	2.6	2.3	1.9	1.6	1.7	1.8	1.6	1.8
London	9.0	8.2	6.0	5.0	4.4	3.7	3.1	3.4	3.5	3.3	3.3
South East	4.8	4.2	2.7	2.2	1.9	1.6	1.3	1.4	1.5	1.4	1.4
South West	5.7	5.1	3.4	2.9	2.5	2.0	1.7	1.6	1.6	1.3	1.4
Wales	6.4	6.1	4.6	4.0	3.7	3.3	2.9	2.6	2.5	2.2	2.3
Scotland	6.6	6.5	5.2	4.7	4.4	3.9	3.4	3.4	3.3	3.0	2.8
N Ireland	9.4	9.1	6.5	6.0	5.2	4.3	4.1	3.7	3.5	3.0	2.8

Source: ONS

Table A.36: ILO and claimant count (as proportions of economically active) 2005

		Work-based %
	ILO	**Claimant**
Great Britain	4.8	2.8
North East	6.1	4.0
North West	4.6	3.0
Yorkshire and The Humber	4.6	3.0
East Midlands	4.3	2.6
West Midlands	4.9	3.6
Eastern	3.8	2.1
London	7.1	3.5
South East	3.8	1.6
South West	3.4	1.6
Wales	4.6	3.1
Scotland	5.8	3.4

Source: ONS

Table A.37: ILO and claimant count (as proportions of economically active) 2005

	July 1995	July 1996	July 1997	July 1998	July 1999	July 2000	July 2001	July 2002	July 2003	July 2004	July 2005
United Kingdom	37	36	34	27	25	22	20	16	15	16	14
North East	38	39	36	30	25	23	22	18	15	14	12
North West	35	33	31	25	22	20	19	16	15	15	12
Yorkshire and The Humber	35	35	31	26	23	21	18	15	13	13	11
East Midlands	36	35	32	22	22	20	18	16	14	16	14
West Midlands	40	38	34	29	26	25	22	18	16	17	15
Eastern	33	33	31	25	23	21	17	12	12	14	12
London	43	43	40	32	31	28	24	19	19	20	18
South East	34	34	31	24	23	20	17	12	12	15	12
South West	33	33	32	23	21	18	15	13	12	13	10
Wales	33	32	31	25	22	20	19	16	14	14	13
Scotland	33	29	28	22	21	20	18	13	13	15	14
N Ireland		50	48	42	38	30	30	24	21	25	20
Total	37	36	34	27	25	22	20	16	15	16	14

Source: ONS

Table A.38: Vacancies, hard-to-fill vacancies and SSV

	% of establishments with vacancies	% of establishments with HtFVs	% of establishments with SSVs
West Midlands	20.8	10.5	7.4
Yorkshire and The Humber	20.8	9.1	6.5
South East	18.9	8.5	5.8
South West	18.8	9.2	5.7
East Midlands	18.6	9.4	6.6
England	18.2	8.2	5.7
Eastern	18	8.2	5.8
North East	16.9	8	5.4
London	13.7	4.5	3.7
North West	19.1	8.6	6

Source: NESS 2004

Table A.39 Ratio of highest to lowest claimant rate

	Jul-95	Jul-96	Jul-97	Jul-98	Jul-99	Jul-00	Jul-01	Jul-02	Jul-03	Jul-04	Jul-05
Ratio of highest to lowest claimant rate	4.7	6.0	8.0	8.1	7.4	7.3	5.5	3.0	3.0	4.3	5.0
South East claimant rate	**4.8**	**4.2**	**2.7**	**2.2**	**1.9**	**1.6**	**1.3**	**1.4**	**1.5**	**1.4**	**1.4**
Median rate	3.7	3.3	2.0	1.6	1.4	1.1	1.0	1.1	1.2	1.1	1.1

Source: NOMIS / ONS

Table A.40: Ratio of employment rates by individual characteristics

	Female 1999	Female 2005		MEG 1999	MEG 2005		Disabled 1999	Disabled 2005
North East	0.90	0.94	North East	0.57	0.86	North East	0.45	0.51
North West	0.88	0.92	North West	0.66	0.71	North West	0.48	0.56
Yorkshire and The Humber	0.89	0.90	Yorkshire and The Humber	0.66	0.69	Yorkshire and The Humber	0.58	0.62
East Midlands	0.88	0.89	East Midlands	0.79	0.80	East Midlands	0.59	0.65
West Midlands	0.87	0.87	West Midlands	0.72	0.71	West Midlands	0.59	0.60
Eastern	0.85	0.88	Eastern	0.75	0.81	Eastern	0.65	0.71
London	0.85	0.84	London	0.74	0.77	London	0.58	0.57
South East	0.85	0.88	South East	0.79	0.86	South East	0.72	0.74
South West	0.89	0.91	South West	0.84	0.84	South West	0.69	0.70
Wales	0.90	0.94	Wales	0.90	0.67	Wales	0.50	0.54
Scotland	0.92	0.93	Scotland	0.48	0.80	Scotland	0.39	0.53
Great Britain	0.87	0.89	Great Britain	0.74	0.76	Great Britain	0.58	0.58

Table A.41: Gross weekly pay by sub-region, 2003

2003	Gross weekly pay All	(SE=100)	2003 FT workers	(SE=100)
Bracknell Forest	544.4	131.5	676.9	133.9
Windsor and Maidenhead	541.5	130.8	662.9	131.2
Wokingham	517.7	125.0	641.4	126.9
Slough	497.5	120.1	574.9	113.7
Surrey	486.1	117.4	578.1	114.4
Buckinghamshire	450.7	108.8	549.6	108.7
West Berkshire	448.9	108.4	518.7	102.6
Reading	445.4	107.6	537.0	106.2
Milton Keynes	433.2	104.6	501.8	99.3
Oxfordshire	409.4	98.9	493.5	97.6
Portsmouth	405.0	97.8	489.4	96.8
Hampshire	404.8	97.8	495.9	98.1
Southampton	397.6	96.0	490.4	97.0
West Sussex	371.2	89.6	465.8	92.1
Medway	368.4	89.0	444.2	87.9
Kent	368.3	88.9	454.6	89.9
Brighton and Hove	364.7	88.1	449.4	88.9
East Sussex	316.3	76.4	401.8	79.5
Isle of Wight	308.4	74.5	398.2	78.8

Source: NOMIS / NES 2003

Appendix 2: Definitions of Knowledge-intensive Sectors and Basic Skills

5.5 Knowledge-intensive sectors

The sectoral definitions of high technology and knowledge-intensive sectors used in the healthy labour market review, based on those used by Eurostat and OECD, are as follows:

High tech manufacturing

- 30 : Manufacture office machinery and computers
- 32 : Manufacture radio, tv/communications equipment
- 33 : Manufacture medical, precision instruments, *etc*

Medium-high tech manufacturing

- 24 : Manufacture chemicals and chemical products
- 29 : Manufacture machinery and equipment nec
- 31 : Manufacture electrical machinery/apparatus nec
- 34 : Manufacture motor vehicles, trailers, *etc*
- 35 : Manufacture other transport equipment

High-tech knowledge-intensive service sectors

- 64 : Post and telecommunications
- 72 : Computing and related activities
- 73 : Research and development

Knowledge-intensive service sectors

- 61 : Water transport
- 62 : Air transport
- 65 : Financial intermediation, *etc*
- 66 : Insurance and pension funding, *etc*
- 67 : Act auxiliary financial intermediation
- 70 : Real estate activities

- 71 : Renting machinery/equipment, etc
- 74 : Other business activities
- 80 : Education
- 85 : Health and social work
- 92 : Recreational, cultural and sporting

5.6 Basic Skills

The definitions of basic skills levels used in research quoted in chapter 3 are presented below.

Table A2.1: Basic skills description for literacy and numeracy

Level	Literacy (reading)	Numeracy
	An adult classified at this level …	
Entry level 1	▪ Understands short texts with repeated language patterns on familiar topics ▪ Can obtain information from common signs and symbols	▪ Understands information given by numbers and symbols in simple graphical, numerical and written material
Entry level 2	▪ Understands short straightforward texts on familiar topics ▪ Can obtain information from short documents, familiar sources and signs and symbols	▪ Understands information given by numbers, symbols, simple diagrams and charts in graphical, numerical and written material
Entry level 3	▪ Understands short straightforward texts on familiar topics accurately and independently ▪ Can obtain information from everyday sources	▪ Understands information given by numbers, symbols, diagrams and charts used for different purposes and in different ways in graphical, numerical and written material
Level 1	▪ Understands short straightforward texts of varying length on a variety of topics accurately and independently ▪ Can obtain information from different sources	▪ Understands straightforward mathematical information used for different purposes and can independently select relevant information from given graphical, numerical and written material
Level 2 or above	▪ Understands a range of texts of varying complexity accurately and independently ▪ Can obtain information of varying length and detail from different sources	▪ Understands mathematical information used for different purposes and can independently select and compare relevant information from a variety of graphical, numerical and written material

Source: The Skills for Life Survey, 2003

Appendix 3: A Summary of the Indicators Selected in this Review

While this review outlined a set of regional indicators selected to capture the health of the regional labour market, we should note that that there is no set of measures that can produce a comprehensive and measurable picture of the regional labour market's 'health' in any mechanistic way.

The indicators provide, at most, the raw information for judgements to be made about the health of the labour market. Movements in the indicators do not always provide a clear indication of 'improvement' or 'deterioration' in labour market health, but such movements should be seen rather as a trigger to ask questions about how labour market health may have changed.

In particular, judgement and interpretation will be necessary, because of the following:

- **Data availability:** for several indicators, robust data are not available at a regional level. Judgements calls have had to be made about whether the available data can nevertheless be used as 'second best' indicators, with appropriate *caveats*.
- **Ambiguity in interpretation:** many indicators have alternative, often equally valid interpretations. In such cases, whether a high value on a particular indicator is seen as an indication of a high level of 'health', will depend on this interpretation (*eg* a high number of jobs in hi-tech industries may yield high value outputs but could also means a loss of balance /spread of opportunities elsewhere).
- **The dynamic nature of the labour market**: it may not be possible to attribute causality to any one part of the labour market. Although we distinguish between demand and supply sides the reality is that they may influence each other. For example, a low skills base in a region may encourage employers to adopt a low skills business strategy. Policy solutions designed to move the regional economy from a low skills equilibrium to a high skills one may, therefore, need to take into account both sides.

This review re-considered the regional indicators used in the first *South East Healthy Labour Market* report, and reviewed some additional indicators that have become available since. Two key factors that we considered in the selection of indicators were:

- **Parsimony:** the indicator needed to capture the phenomenon of interest is as 'straight forward' a way as possible, *ie* with the minimum degree of alteration or addition. In short, it need to be simply and reproducible and easily explainable.
- **Consistent recording:** the indicator needs to have been consistently recorded over time or across regions, allowing for time-series and regional comparisons.

A range of advantages and disadvantages associated with each indicator, and which either explain their inclusion in this report, or provide further caveats to their interpretation are reported in Table A3.1, below.

Table A3.1: Advantages and disadvantages associated with selected indicators

Indicator	Advantage	Disadvantage
Demand side measures		
Adequacy of employment		
Employment rate	Parsimony , consistently recorded, internationally recognised.	Need to recognise supply side influences (*eg* participation in post-16 education) and commuting
Employee growth rate	Parsimony	Need to recognise supply side influences (*eg* participation in post-16 education) and commuting
Job density	Parsimony	Need to recognise supply side influences (*eg* participation in post-16 education), commuting and sub-regional variations
Balance and quality		
Employment in Hi-tec sectors	Uses a recognised methodology	Based on very broad assumptions regarding sectors
Employment in higher level occupations	Parsimony, consistently recorded	data series inconsistent pre-2001
Gross earnings	Parsimony	data series currently undergoing change, does not recognise income dispersion
Business generation		
self-employment %	Parsimony, consistently recorded	Approximation of entrepreneurial activity / possible indicator of LM flexibility
VAT registration / de-registration	Parsimony, consistently recorded	
Business survival	Parsimony, consistently recorded	
R& D expenditure % of GVA		
LM flexibility		
Part-time working %	Parsimony, consistently recorded	based on self-reported data / need to consider whether voluntary or involuntary
Temporary working %	Parsimony, consistently recorded	need to consider whether voluntary or involuntary
% Job start in last 3 months	Parsimony, consistently recorded	
Productivity		
Gross value added per filled job	Parsimony , consistently recorded, nationally recognised.	Not favoured internationally
GVA per head in manufacturing	Parsimony , consistently recorded, internationally recognised.	

Indicator	Advantage	Disadvantage
Output per hour	Parsimony , consistently recorded, internationally recognised.	
Workforce well-being		
Working days lost due to industrial disputes	Parsimony, consistently recorded	Data subject to wide variation between years, ignores national bargaining issues, data not current
Sickness absence	Parsimony, consistently recorded	Low estimates - subject to statistical error
Supply side measures		
Adequacy of labour supply		
Economic activity rate	Parsimony , consistently recorded, internationally recognised.	Need to recognise supply side influences (*eg* participation in post-16 education), commuting and sub-regional variations
Intra-regional job density	Parsimony, consistently recorded	
Quality of labour supply		
Qualification measures (NVQ 3 / 4 and above) / % with no qualifications	Consistently recorded / nationally recognised / conforms with national targets.	
Literacy and numeracy measures	nationally recognised measures	Based on *ad hoc* surveys
Workforce development		
16-19 year olds in education	Parsimony , consistently recorded, internationally recognised.	
Adult engagement in learning		Based on *ad hoc* surveys
Work-related training in last 4 weeks	Parsimony , consistently recorded, internationally recognised.	Based on individual's interpretation of the concept of 'training'
Labour Market efficiency		
ILO unemployment rate	Parsimony , consistently recorded, internationally recognised.	Subject to high margins of error when used for sub-regional analysis
Claimant count	Parsimony , consistently recorded, can be used in small areas	not internationally recognised
% unemployed in last 12 months	Parsimony , consistently recorded,	not internationally recognised

Indicator	Advantage	Disadvantage
	can be used in small areas	
Vacancy %	Parsimony	
Hard-to-fill vacancy %	Parsimony	
Skills shortage vacancy %	Parsimony	Concept difficult to define
Labour Market Equity		
Ratio of highest to lowest claimant count in local area	Parsimony	Does not take into account inactivity / non-claimant unemployed
Ratio of employment rates by individual characteristics (sex, ethnicity and disability)	Parsimony	

Source: IES