Introduction

1. This report takes a sectoral approach to the analysis of the supply and demand for skills.
2. The level of qualifications held (i.e. the supply of skills) has been mapped against evidence of demand for skills in each sector.
3. The aim of this mapping analysis is to determine:
   Are there any sectors in which there are relatively low levels of existing qualifications, but high reported skills gaps – indicating a demand for increasing levels of skills in these sectors?
4. The analysis will help the LSC and its partners to determine which sectors should be a particular focus in terms of working to increase the level of skills held.

Summary

5. The mapping analysis reveals that the sectors can be grouped into five different categories.
6. The LSC and its partners should focus on the following sector skills needs:
   6.1 Delivering more skilled employees in four highly-skilled sectors, which rely heavily upon professional qualifications:
       Financial Services
       Lifelong Learning UK
       Skills for Justice
       Skills for Health
   6.2 Delivering more skilled employees in these four sectors, which currently have average levels of skills:
       SkillsActive
       Skills for care & Development
       SEMTA
       Cogent
6.3 Increasing the level of skills in the following low-skilled sectors, which will require consultation with employers as to the qualifications which are of most value to each sector:
   - Automotive Skills
   - People 1st
   - Skillsmart Retail
   - Energy & Utility Skills
   - Improve

6.4 The supply of qualifications in the highly-skilled creative technology and media industries is in line with demand, so there is no requirement to focus on delivering increased numbers of skilled individuals in these sectors.

Background

7 The Sector Skills Development Agency (SSDA) published a report in April 2007, ‘The Distribution and Returns to Qualifications in the Sector Skills Councils’, which revealed considerable differences between the individual sectors in terms of the levels of skills held. In some relatively low-skilled sectors, more than 1 in 5 of the workforce have no qualifications at all, compared to other sectors in which over half of the workforce are qualified to Level 4 or higher.

8 The variance in the supply of skills across sectors clearly argues for a sectoral approach to the development of strategies to increase skills.

9 The SSDA research report raised some important questions for the LSC – do we have any evidence of employer demand for increased levels of qualifications in some, or any, of the sectors which are currently relatively low-skilled? If there is demand, then the LSC and its partners can focus on increasing the supply of skills in this particular sector. If there is little demand, then our resources can be directed towards other sectors.

10 Evidence of employer demand for skills has been taken from the LSC’s National Employer Skills Survey (NESS), 2005. Further detail of the data sources contained in this report can be found in the Notes section below.

Notes

11 The analysis of the levels of qualifications held by employees by sector is taken from:
   - Skills for Business Research Report 21
   - The Distribution and Returns to Qualifications in the Sector Skills Councils (SSDA, April 2007).

   The analysis is undertaken using the most recent data from the UK Labour Force Survey (LFS). The LFS is a quarterly representative sample survey of households in the UK, and contains information on all aspects of labour
market outcomes including earnings, as well as individuals’ demographics and qualifications.

In order to achieve a sufficiently robust sample of individuals working within each sector, data from four years of the LFS (from 2000-2004) has been pooled.

Two measures of the supply of qualifications in each sector are used in this report.

The first measure is the percentage of employees in each SSC who do not have any qualifications (line titled ‘No quals’ on the charts below).

The second measure is an Average Qualification Score, calculated by the LSC.

The Average Qualification Score is calculated by adding together a simple multiplication of: qualification level x percentage of employees being qualified to this level.

The higher the score, the more highly qualified the employees in that particular sector.

For example, the following score is calculated for female employees in the Creative and Cultural Skills SSC:

<table>
<thead>
<tr>
<th>Qualification Level</th>
<th>% qualified at this level</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>No qualifications</td>
<td>5</td>
<td>5 [5 x 1]</td>
</tr>
<tr>
<td>Level 1</td>
<td>48</td>
<td>96 [48 x 2]</td>
</tr>
<tr>
<td>Level 2</td>
<td>67</td>
<td>201 [67 x 3]</td>
</tr>
<tr>
<td>Level 3</td>
<td>51</td>
<td>204 [51 x 4]</td>
</tr>
<tr>
<td>Level 4</td>
<td>48</td>
<td>240 [48 x 5]</td>
</tr>
<tr>
<td>Level 5</td>
<td>11</td>
<td>66 [11 x 6]</td>
</tr>
</tbody>
</table>

Average Qualification Score: 812

The analysis of employer demand for skills is taken from the National Employer Skills Survey 2005: Main Report (LSC, June 2006).

The NESS is a major survey of 74,500 employers in England. It represents the largest and most comprehensive source of information available to policy-makers on the extent and nature of the skills challenges facing employers in England, and also covers attitudes towards training.

This report cites the percentage of employers in each sector who report a ‘skills gap’ in their organisation (NESS 2006, p.85).

‘Skills gaps’ are defined in terms of staff not being fully proficient. Respondents are asked to indicate for each major standard occupational category (SOC), how many are fully proficient at their job. The percentage of staff not felt to be proficient is reported as a ‘skills gap’.
The SSDA research reports on qualifications held by male and female employees separately in each sector. The charts in this report therefore show the supply of skills amongst males and females separately. However, the demand for skills (i.e. skills gaps) is the same for both males and females in each sector, as the NESS data is not analysed by gender.

The Government Skills sector is not included in the NESS sectoral analysis, due to a low base of employers interviewed in this sector.

List of Charts

Chart 1: Qualifications held by Males and skills gaps Page 7
Chart 2: Qualifications held by Females and skills gaps Page 8
Main Findings

17 The mapping of supply and demand for skills by sector revealed five different groups of SSCs. Each group is discussed in more detail below.

18 **Group 1: Highly skilled sectors, with below average skills gaps**

Sectors in this group have highly skilled workforces and relatively low skills gaps, indicating that the supply of skills is in line with demand.

The analysis indicates that there is little need to focus on increasing the supply of high-level qualifications in these sectors.

This group contains many sectors from creative technology and media industries.

- *e-Skills*
- *Skillset*
- *Creative & Cultural Skills*

These sectors are shown in blue on the charts.

19 **Group 2: Highly skilled sectors, with above average skills gaps**

Sectors in this group also have highly skilled workforces. However, in contrast to Group 1, they all have an above average level of skills gaps, indicating that more highly qualified individuals are required by employers in these sectors.

Therefore, there is a need to focus on increasing the number of employees qualified to high levels in these sectors.

Sectors in this group tend to be highly reliant on professional qualifications, indicating a need for the LSC to work with the relevant professional bodies to ensure an increased supply of skills.

- *Financial Services*
- *Lifelong Learning UK*
- *Skills for Justice*
- *Skills for Health*

These sectors are shown in yellow on the charts.

20 **Group 3: Sectors with average levels of qualifications, and relatively high skills gaps**

Employees in these sectors have average levels of qualifications. However, the above average levels of skills gaps indicates a need for an increased number of skilled people.

The LSC should therefore focus on increasing levels of skills in these sectors.

Several of the sectors are science or engineering based.
SkillsActive
Skills for Care and Development
SEMTA
Cogent (male employees)
Energy and Utility Skills (female employees)

These sectors are shown in green on the charts.

21 Group 4: Sectors with relatively low skills levels, and above average skills gaps

These are the key sectors that currently have a relatively low-skilled workforce. Employees in these sectors are more likely to be unqualified than those in many other sectors, with a relatively low average qualification score.

Evidence from NESS shows that these sectors also have above average levels of skills gaps, indicating that employers do want higher levels of skills.

The LSC should therefore focus on raising levels of skills in these sectors, which cover a wide range of industries. Further research and consultation will be required amongst employers to determine what types, and levels, of qualifications are most in demand in each of the following SSCs:

Automotive Skills
People 1st
Skillsmart Retail
Energy and Utility Skills (males)
Improve Ltd
Skills for Care and Development (females)
SEMTA (females)
Cogent (females)

These sectors are shown in orange on the charts.

22 Group 5: Sectors with relatively low skills levels, and below average skills gaps

In common with Group 4, employees in this sector are also relatively low-skilled. However, in contrast to Group 4, there is little evidence from NESS that employers in this sector would like to see increased levels of skills.

The mapping analysis suggests, therefore, that the supply of qualifications in these sectors is in line with demand, and does not need to be increased.
The sectors with relatively low demand for increased skills are:

GoSkills
Skills for Logistics
Asset Skills
Lantra (males)
Skillfast

These sectors are shown in turquoise on the charts.

Chart 1: Qualifications Held by Males and Skills Gaps
Chart 2: Qualifications Held by Females and Skills Gaps

Qualifications and Skills Gaps - QUALIFICATIONS HELD BY FEMALES

Higher Skills Levels

Lower Skills Levels

% Skills Gaps  No quals  Avg Qual score


High skills levels and low skills gaps  Relatively high skills gaps  Relatively low skills and low skills gaps

High skills levels and high skills gaps  Relatively low skills levels and above avg. skills gaps
## Annex A: Sector Skills Councils

<table>
<thead>
<tr>
<th>Sector Skills Council</th>
<th>Sector Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lantra</td>
<td>Environmental and land-based industries</td>
</tr>
<tr>
<td>Cogent</td>
<td>Chemicals, nuclear, oil and gas, petroleum and polymers</td>
</tr>
<tr>
<td>Proskills</td>
<td>Process and manufacturing of extractives, coatings, refractories, building products, paper and print</td>
</tr>
<tr>
<td>Improve</td>
<td>Food and drink manufacturing and processing</td>
</tr>
<tr>
<td>Skillfast</td>
<td>Clothing, footwear and textiles</td>
</tr>
<tr>
<td>SEMTA</td>
<td>Science, engineering and manufacturing</td>
</tr>
<tr>
<td>Energy &amp; Utility Skills</td>
<td>Electricity, gas, waste management and water</td>
</tr>
<tr>
<td>ConstructionSkills</td>
<td>Maintenance of built environment</td>
</tr>
<tr>
<td>SummitSkills</td>
<td>Building services engineering</td>
</tr>
<tr>
<td>Automotive Skills</td>
<td>Retail motor industry</td>
</tr>
<tr>
<td>Skilsmart Retail</td>
<td>Retail industry</td>
</tr>
<tr>
<td>People 1st</td>
<td>Hospitality, leisure, travel and tourism</td>
</tr>
<tr>
<td>GoSkills</td>
<td>Passenger transport</td>
</tr>
<tr>
<td>Skills for Logistics</td>
<td>Freight logistics industry</td>
</tr>
<tr>
<td>Financial Services Skills Council</td>
<td>Financial services industry</td>
</tr>
<tr>
<td>Asset Skills</td>
<td>Property, housing, cleaning and facilities</td>
</tr>
<tr>
<td>e-skills UK</td>
<td>IT, telecoms and contact centres</td>
</tr>
<tr>
<td>Government Skills</td>
<td>Central government</td>
</tr>
<tr>
<td>Skills for Justice</td>
<td>Custodial care, community justice and police</td>
</tr>
<tr>
<td>Lifelong Learning UK</td>
<td>Community-based learning, FE, HE, library and information services, WBL</td>
</tr>
<tr>
<td>Skills for Health</td>
<td>NHS, independent and voluntary sector health organisations</td>
</tr>
<tr>
<td>Skills for Care &amp; Development</td>
<td>Social care, including children and families</td>
</tr>
<tr>
<td>Skillset</td>
<td>Broadcast, film, video, interactive media and photo imaging</td>
</tr>
<tr>
<td>Creative &amp; Cultural Skills</td>
<td>Arts, museums and galleries, heritage</td>
</tr>
<tr>
<td>SkillsActive</td>
<td>Sports and recreation</td>
</tr>
</tbody>
</table>

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