Policy and Research - Commissioning, Communities and Policy

Derbyshire Economic Review - December 2018

Introduction

This document gives a brief overview of the latest statistics and news on the Derbyshire[1] economy both in a national and local context. The report provides a 'snapshot' of the Derbyshire economy, to help inform the development and delivery of economic strategies in the area. It is primarily based on evidence available from the Derbyshire Observatory, which is a single information source for partners and organisations across the county. The update also provides information on an 'in focus' topic, in this edition 'Employer Skills Survey results for Derbyshire'.

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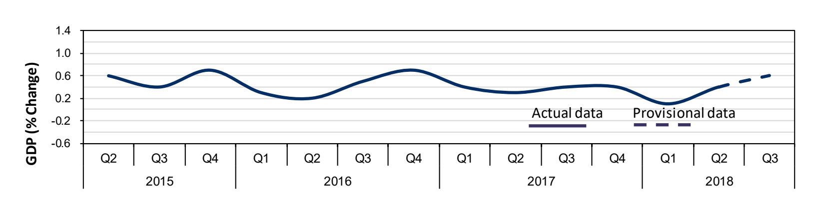
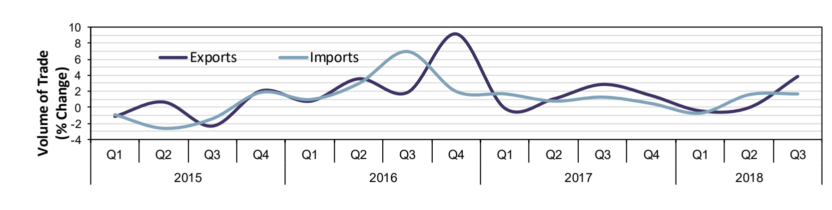
Overview

- UK gross domestic product (GDP) was estimated to have increased by 0.6% during the third quarter of 2018, up on the 0.4% the previous quarter, and in line with the latest market expectations. This means the UK economy has grown by 1.5% over the last 12 months, continuing its relatively subdued performance.
- The annual Consumer Prices Inflation (CPI) rate (including housing costs) shows that the price of goods and services has increased 2.2% over the last year.
- The Derbyshire economy has expanded marginally during quarter three of 2018, according to the East Midlands Chamber of Commerce's (EMCC) most recent Quarterly Economic Survey. This stabilises the weakening growth that has occurred over the three preceding quarters.
- The employment rate in Derbyshire dipped very slightly from 78.9% to 78.8% in quarter two of 2018, although it is 1.2% higher than a year earlier. The national rate has remained unchanged this quarter so the county figure remains around 3.5% higher than across England.
- The overall claimant count unemployment rate in Derbyshire is currently 1.8%, remaining 0.5% points lower than the England rate. However, levels locally and nationally have risen slightly since the early part of 2018. This is likely to reflect the increasing inclusion of Universal Credit claimants as well as Jobseekers Allowance claimants in the claimant count.
- More than 40% of Derbyshire's JSA unemployment claimants have been out of work for more than a year (44.3% or 1,045 residents aged 16-64). This has increased by 11.7% points over the last year. The long-term unemployment figure is based purely on Jobseekers Allowance claimants with new claimants now being put onto Universal Credit. Whilst there is a reduction in JSA claimants, the claimants themselves are more likely to have been claiming longer, therefore contributing to the rise.
- The youth unemployment rate (aged 16-24) in Derbyshire stood at 2.6% (1,925) in November 2018, marginally above the England rate of 2.5%. Having been relatively stable, the youth unemployment rate in the county has risen slightly during 2018. Again this is likely to reflect the increasing inclusion of Universal Credit claimants as well as Jobseekers Allowance claimants in the claimant count.
- The average price of a house in the county is £177,258, over £72,000 lower than the national average. However, annual house price growth in Derbyshire stands at 4.0%, 1.0% points higher than for England. The East Midlands, along with the West Midlands, continue to see the greatest rises in annual house prices of all English regions.

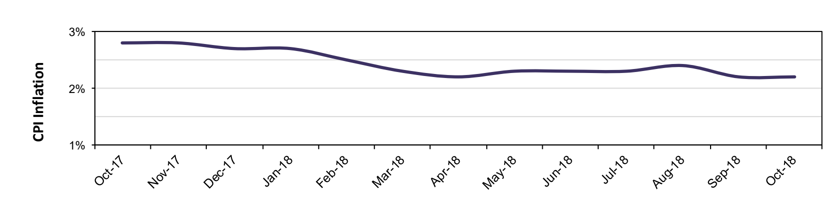
National Performance Indicators



National GDP (% change on previous quarter)
Q1 to Q2 2018 (actual) 0.4%
Q2 to Q3 2018 (provisional) 0.6%



National imports and exports (% change on previous quarter)
Exports 3.8%
Imports 1.7%



National CPI inflation (change in prices over 12 months)
2.2%

Change since last year
-0.6% points

UK gross domestic product (GDP) was estimated to have increased by 0.6% during the third quarter of 2018[2] in line with the latest market expectations. This means the UK economy has grown by 1.5% over the last 12 months, continuing its relatively subdued performance. GDP growth in quarter three was driven by growth of 0.3% in July 2018, which stemmed from strong retail sales boosted by warm weather and the World Cup.

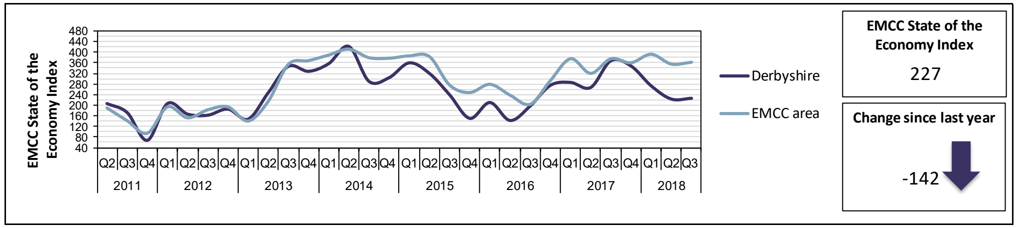
All the main sectors of output contributed positively to growth in Quarter three 2018. Construction output growth continued to pick up following a weak start to the year, growing by 2.1%, while quarterly output in the manufacturing sector rose for the first time in 2018 growing by 0.6%. In the service industries, output growth eased to 0.4% in quarter three 2018, but still made the biggest contribution to GDP growth (+0.3% points), although growth in retail trade slowed to 1.1% in quarter three. Household spending grew by 0.5%, while business investment fell by 1.2% attributed to Brexit-related economic and political uncertainty.

The total UK trade deficit in goods and services narrowed by £3.2 billion to £2.9[3] billion in the three months to September 2018. Both exports and imports increased but the rise was greater in exports than imports for both goods and services. This means that the UK trade deficit has reduced by more than £10 billion over the last two years indicating that the trade picture has improved. The weakness in the value of the pound over this period has been a key factor. It has made exports cheaper and imports more expensive. Trade in goods was the main factor in the narrowing of the total trade deficit in the latest quarter narrowing by £2.9 billion. Falling imports of cars from EU countries and rising car exports to non-EU countries meant cars were the largest single goods contributing to the narrowing of the trade in goods deficit. Trade in services also contributed to the narrowing of the total trade deficit reducing it £0.3 billion. The trends in imports and exports with EU and non-EU countries will be important to monitor as Brexit negotiations continue in the months ahead.

The Consumer Prices Index including owner occupiers housing costs (CPIH) 12-month inflation rate was 2.2% in October 2018[4], unchanged from September 2018. The large downward contributions from food and non-alcoholic beverages, clothing and footwear, and some transport elements were offset by upward contributions from rising petrol, diesel and domestic energy prices. Electricity and gas prices have risen by 9.0% and 7.6% between October 2017 and October 2018, however overall inflation has been stable for the last six months. The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target. Inflation is projected to remain above the target for the next couple of years before reaching 2% by the end of the third year. It is likely that a modest rise in interest rates may be needed to enable this to happen.

The Bank of England's (BoE) Monetary Policy Committee voted unanimously in favour of keeping the UK interest rate unchanged at 0.75% in November[5]. The labour market remains tight, with the employment rate and vacancies around record highs. In contrast, business investment has been more subdued than previously anticipated, as the effect of Brexit uncertainty has intensified. Although once greater clarity has emerged there is likely to be a boost to this. The economic outlook will depend significantly on the nature of EU withdrawal, in particular the form of new trading arrangements, the smoothness of the transition to them and the responses of households, businesses and financial markets. Any future increases in Bank Rates are likely to be at a gradual pace and to a limited extent.

Business Conditions



The Derbyshire economy has expanded marginally during quarter three of 2018, according to the East Midlands Chamber of Commerce's (EMCC) most recent Quarterly Economic Survey[6]. This stabilises the falls that have occurred over the three preceding quarters. There has also been a small increase across the region. Although the shortfall between Derbyshire and the region is the highest it has been over recent years, the county's economic performance is higher than that seen two years ago around the time of the Brexit vote.

Locally and regionally, however, business confidence for future turnover and profits is less positive than it was. This is likely to reflect uncertainty amongst some firms as the Brexit negotiations continue. Across the region, there has been a weakening in optimism in manufacturing in particular, with more businesses believing they're having to work harder in order to maintain their current levels of growth. While the net confidence figures are still positive, the weakening reflects longer term uncertainty about factors outside of a business's ability to control, such as exchange rates, interest rates and inflation. Fewer firms have also said that they plan to expand their workforce over the next three months. Whilst more firms are planning to invest in plant and machinery than not, the level has reduced slightly.

Encouragingly though, there has been an improving picture in UK sales and orders for the county's firms. It is thought that a pick-up in domestic activity for manufacturing, an important sector for Derbyshire, sits behind these figures. Additionally, after a downward trend in exports over the last three quarters, there is a net balance of firms reporting improving export sales and orders. These figures are backed up by national data, which show exports from the East Midlands growing at a rate faster than anywhere else in the country. Across the East Midlands, Asian, North American and Australasian markets all saw strong growth. However, for the first time in a number of quarters, growth in EU markets weakened.

Investment

Invest in Derbyshire and the Derbyshire Economic Partnership received a total of seven enquiries between August and October 2018[7], four fewer than the previous quarter and eight fewer than the same period a year ago. The reduced levels of enquiries may reflect uncertainty surrounding Brexit, with reports nationally suggesting that investment is being impacted in some firms. Six of the enquiries came directly and one was via the Department for International Trade. Four enquiries related to the advanced manufacturing sector and one each to the food and drink, office and retail sectors.

The Markham Vale regeneration site continues to grow with the ongoing addition of new companies to the business community. On Markham Vale North, the international medical equipment company Sterigenics launched their new facility and became operational in December. In addition, Protec International have been announced as the latest business to invest at the site. The company supply flame retardant temporary protection materials to the construction and house building sectors and plan to create 20 new jobs when their 52,500 sq. ft. building becomes operational in late 2019. Protec International will be the fifth business to join Sterigenics, Gist, Ferdinand Bilstein UK and Great Bear Distribution on Markham Vale North.

On Markham Vale West, construction was completed on a 43,000 sq. ft. manufacturing and distribution unit for Grangers International, manufacturers of protection and cleaning products for clothing and footwear. It is anticipated that the facility will be operational in early 2019. In addition, planning permission has been secured for the speculative development of a 55,000 sq. ft. factory unit with construction planned to start in April 2019.

On Markham Vale East, Priority Space, the developer of Wilson Business Park, is progressing the construction of a 15,000 sq. ft. warehouse with offices which is due to be completed during January 2019. The company are developing this speculatively with the aim of selling the development immediately on completion. Two more businesses have located to Markham Vale East and are occupying one of the previously vacant units in Waterloo Court – Barmy Army Ltd, a cricket events and travel company sharing Unit 7 with Integrity Devices Ltd, a privately owned healthcare company who supply speciality medical devices in niche areas of the health industry.

Job Losses and Gains

The following job losses and gains information relates to Derbyshire (including Derby City), and is drawn from articles in the local press between August and October 2018.

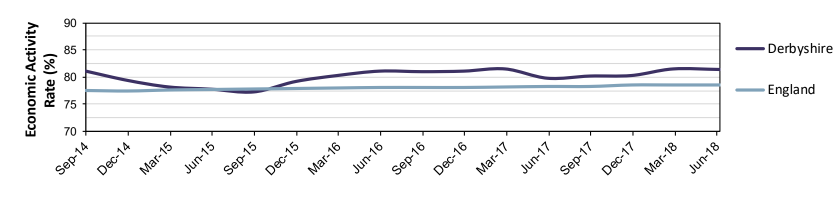
Job Losses

- The collapse of Derby based training provider 3aaa in October affected up to 500 staff and around 3,000 apprenticeships nationwide.
- It was announced at the beginning of August that more than 50 teachers and school employees in Derbyshire are to lose their jobs.
- At the end of September, Chesterfield leather company, Joseph Clayton & Sons Ltd entered administration, with the loss of 14 jobs.

Job Gains

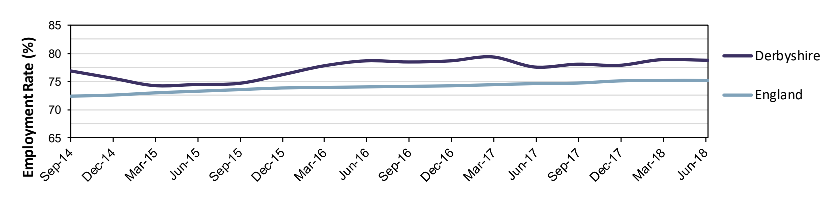
- A new B&M retail store opened in Whaley Bridge at the end of September with more than 45 jobs being created.
- At the beginning of October, Aldi revealed plans to open a new store in Derby that would create up to 40 new permanent jobs.
- In August, International sterilisation specialist Sterigenics moved into a new state of the art facility at Markham Vale, creating 30 new jobs.
- Sorbo Lounge restaurant opened in Chesterfield at the beginning of August creating 25 jobs.
- Central England Co-op announced at the end of August the recruitment of 22 staff to work at a new store on Blenheim Road, Ashbourne.
- Rhodes Wealth Management revealed in September that after trebling its turnover in one year the company is to move to Brailsford and expects to increase its staff to 20 by the end of 2018.
- A high-value manufacturing catapult, a network of seven partnerships between academia and industry, opened in Derby at the beginning of September, creating 18 jobs over the next two years.
- Ripley based care home provider Carewatch Derbyshire announced in September that is looking to expand by employing 15 new care and support workers.
- A Costa Coffee Drive thru opened at Tibshelf services at the end of September, taking on 10 staff.
- Also in October, Alfreton based Wildgoose construction announced the employment of eight new staff after winning almost £40 million of new contracts.

Labour Market Participation



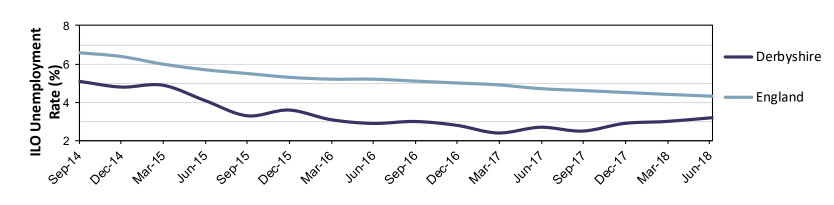
Derbyshire economic activity rate (aged 16 - 64)
81.3%

Change since last year
1.6% points (6,700)



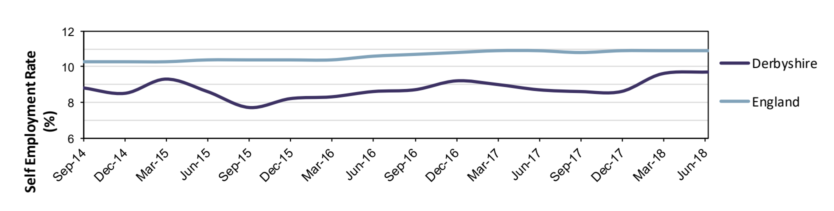
Derbyshire employment rate
78.8%

Change since last year
1.2% points (4,400)



Derbyshire ILO unemployment rate (aged 16-64)
3.2%

Change since last year
0.5% points (2,300)



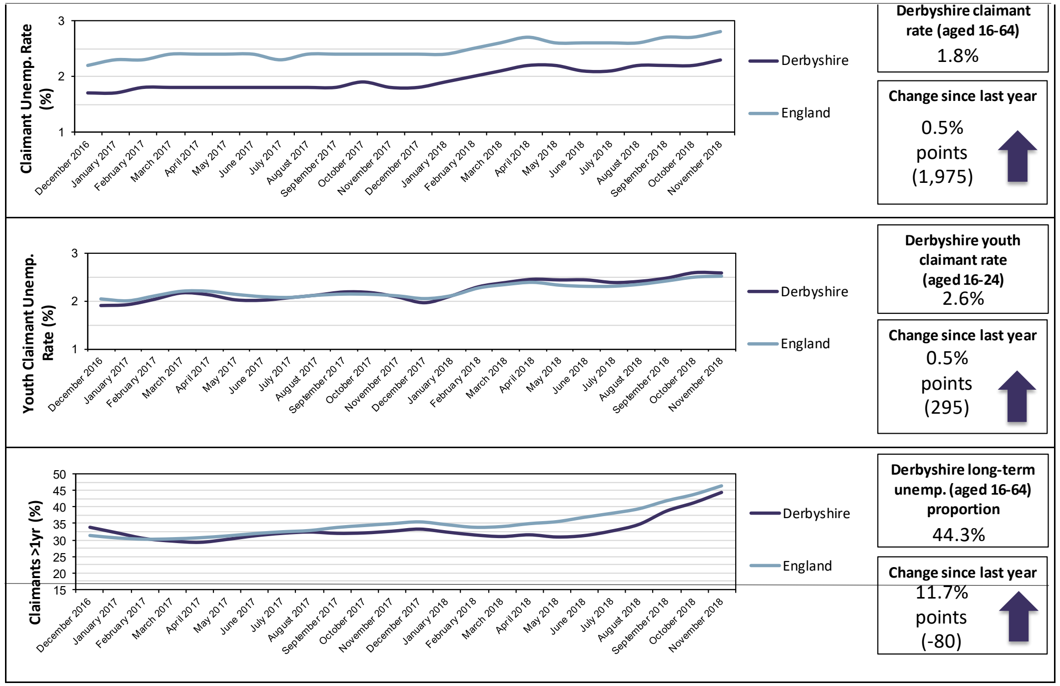
Derbyshire self employment rate (% aged 16-64)
9.7%

Change since last year
1.0% points (4,700)

Source: Annual Population Survey, July 2017-June 2018, ONS (Nomis) © Crown Copyright.

The employment rate[8] in Derbyshire dipped very slightly from 78.9% to 78.8% in quarter two of 2018, although it is 1.2% higher than a year earlier. The national rate has remained unchanged this quarter so the gap with England has remained at around 3.5%. Over the last year, Bolsover has seen the biggest decline (-8.0% points) and Amber Valley (+7.4% points) the biggest rise in employment rate. As with the employment rate, economic activity in Derbyshire has dipped slightly this quarter but is higher than a year ago[9].

International Labour Organisation (ILO)[10] unemployment is regarded as the official measure of unemployment. Whilst the rate for England has continued to fall over the last year, the Derbyshire rate has continued to drift upwards, rising from 2.7% to 3.2%, with 2,300 more people out of work in the county. However, the self-employment rate has risen by 1.0% over the last year, with 4,700 more people self-employed in the county than this time last year. The self-employment rate locally stands at 9.7% and with the England figure being unchanged, the gap with England is the narrowest it has been in over three years.

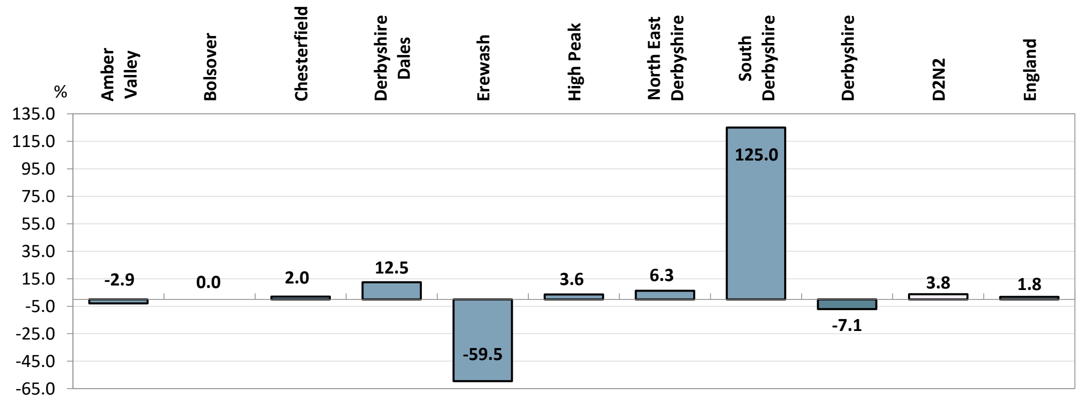


The claimant count unemployment rate in Derbyshire, based on a count of all people claiming Jobseekers Allowance (JSA) and those claiming Universal Credit (UC) who are required to seek work, is currently 1.8% (8,545 residents), remaining 0.5% points lower than the England rate[11]. Following around three years of relatively stable unemployment, since the early part of 2018 the rate has risen slightly. This mirrors the increase nationally and is likely to reflect the increasing inclusion of Universal Credit claimants as well as Jobseekers Allowance claimants in the claimant count.

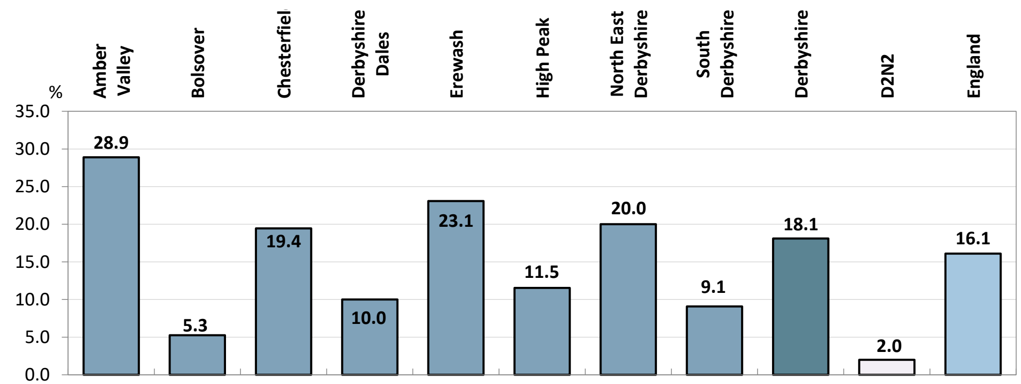
The number of wards where the rate of unemployment is more than double the national rate has dropped from five to four. These four wards are Cotmanhay and Awsworth Road in Erewash, and Rother and Loundsley Green in Chesterfield.

More than 40% of Derbyshire's JSA unemployment claimants have been out of work for more than a year (44.3% or 1,045 residents aged 16-64). This has increased by 11.7% points over the last year similar to the national increase. This figure is based purely on JSA claimants and with new claimants now being put onto UC, the unemployment duration profile of JSA claimants is likely to become longer thus being a factor in the rise. There has been a mixed picture on long-term unemployment this quarter with the level rising in five districts, remaining unchanged in one and falling in two. South Derbyshire has again seen the largest increase, although this is from a low base of 20 rising to 45. Erewash has again seen the greatest decline in long-term

Annual % change in long-term unemployment (Nov 2017 to Nov 2018)



Annual % change in youth unemployment (Nov 2017 to Nov 2018)



Derbyshire Observatory Link: http://tinyurl.com/lea2012-unemploy

Source: JSA (long-term) and claimant count (youth), November 2018, ONS (NOMIS) © Crown Copyright

Note: D2N2 is the Local Enterprise Partnership covering Derby, Derbyshire, Nottingham and Nottinghamshire unemployment (-59.5% or –125 residents).

The youth unemployment rate[12] in Derbyshire stood at 2.6% (1,925) people aged 16-24 in November 2018, marginally above the England rate of 2.5%. Having been relatively stable since spring 2015, the youth unemployment rate in the county has edged up slightly during 2018, as with overall unemployment.

There has been an increase in the number of young people unemployed in all of the Derbyshire districts, with the greatest shown by Amber Valley (28.9% or 65 people) followed by Erewash (23.1%) and North East Derbyshire (20.0%). Bolsover has seen the smallest rise (5.3%). The transfer of young people from JSA onto UC is a factor in the increases across the districts. There are 11 wards where the rate of youth unemployment is more than double the national rate, remaining similar to the last quarter. This includes Rother in Chesterfield and the wards of Cotmanhay and Awsworth Road in Erewash, that have rates above 7.0%.

Despite the relatively low levels of unemployment, more than 8,500 residents are out of work, including more than 1,900 young people. Data from the East Midlands Chamber of Commerce's Quarterly Economic Survey for quarter three 2018 shows that levels of recruitment have dipped slightly in the county. However, 65% of recruiting firms in the county experienced recruitment difficulties, the highest figure in over five years, with skilled trades and technical jobs the most difficult to recruit to across the region.

Many of these jobs will be in manufacturing, Derbyshire's largest employment sector, with around 55,000 or 18.9% of employees working in the sector locally. However, the new Barclays Corporate Banking Manufacturing report 'A New Image for Manufacturing', outlines that a career in manufacturing is failing to appeal to the next generation of workers, with only 6% of 'Generation Z' (16-23 year-olds) considering a career in the sector.

The development of 'Skills Advisory Panels' announced towards the end of 2018 by the Department for Education, aim to strengthen the role of partners in supporting local employers and skills providers to pool knowledge on skills and labour market needs, and to work together to understand and address key local challenges. It will be important that the skills needs of manufacturers in the county are considered in this work which could also support DCC's emerging Employment and Skills Strategy.

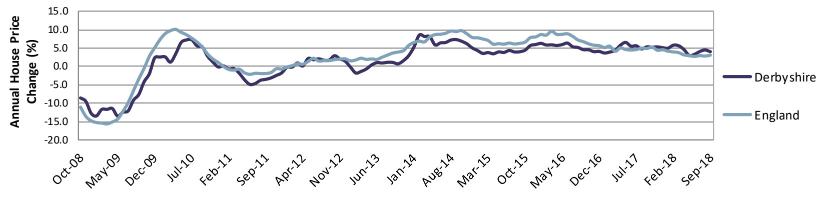
The table below provides data for some of the key benefits available.

Indicator	Number	Rate (%)		Annual change		Annual trend
		Derbyshire	England	Number	%	
Individual benefits (May 2018 except UC and JSA/sanctions*)						
Employment Support Allowance (ESA)	28,700	5.9	5.3	-1,510	-5.0	↓
- Long term claimants (1yr or more)	24,940	86.9	86.3	340	1.4	↑
- 18 to 24 year old claimants	2,060	7.2	6.6	-400	-16.3	↓
Lone Parent Income Support (LPIS)	3,580	0.7	0.9	-470	-11.6	↓
- Long term claimants (1yr or more)	2,630	73.5	76.1	-200	-7.1	↓
- 18 to 24 year old claimants	780	21.8	20.5	-260	-25.0	↓
Personal Independence Payment (PIP)/ Disability Living Allowance (DLA)	51,014	7.8	6.9	-224	-0.4	↓
Universal Credit (UC)	14,812	3.0	3.5	9,074	158.1	↑
JSA/UC sanctions	79	0.0	0.0	-133	-62.7	↓
Carers allowance - working age group	11,080	2.3	2.1	700	6.7	↑
Household benefits (August 2018)						
Housing Benefit claimants	42,136	12.3	15.1	-3,706	-8.1	↓
Households affected by removal of Spare Room Subsidy	4,455	10.6	8.0	-382	-7.9	↓
- 1 Bedroom	3,687	82.8	82.2	-350	-8.7	↓
- 2 or more bedrooms	768	17.2	17.8	-31	-3.9	↓
Benefit Cap	439	0.1	0.2	-105	-19.3	↓

Source: Department for Work and Pensions (DWP)/ONS (Nomis) © Crown Copyright.
Notes: * UC November 2018 and JSA/UC sanctions July 2018

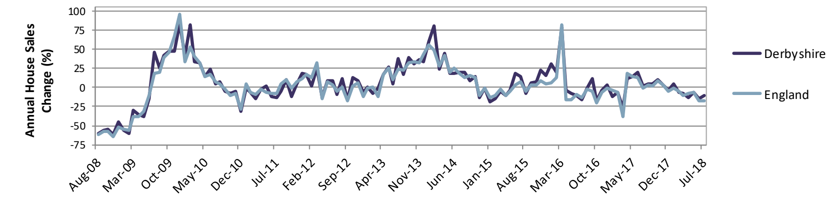
In Derbyshire, 5.9% of working age people are claiming ESA, slightly above that nationally. Of these, 86.9% have been claiming ESA for over 12 months. Lone parents claiming income support make up 0.7% of the working age population, with over 70% having claimed for more than a year. Over 20% are aged 18-24. Although this is greater than nationally, the number of young people claiming LPIS has fallen over the last year locally. The level of residents 16+ claiming PIP/DLA stands at 7.8%.

The number of UC claimants in the county has risen to 14,800, increasing by 9,100 over the last year as claimants are transferred across from other benefits. However, over the last 12 months there has been a reduction in the number of people claiming JSA/UC who have had their benefit stopped or reduced through sanctions. There are 11,080 people locally claiming working age carers allowance, a slight increase on the year before. Over 42,000 (12.3%) Derbyshire households are claiming housing benefit, with around 4,455 affected by removal of the spare room subsidy[13]. There are 439 households affected by the benefit cap.



Derbyshire average house price
£177,258

Change since last year
4.0%
(£6,767)



Derbyshire house sales
1,071

Change since last year
-10.3%
(-123)

Source: UK House Price Index, ONS and Land Registry, September 2018, © Crown Copyright

In September 2018, the average price of a house in Derbyshire was £177,258, more than £72,000 lower than across England. However, annual house price growth in Derbyshire stands at 4.0%, 1.0% points higher than for England. Five districts locally have seen an above England average rise with Derbyshire Dales (6.7%) and South Derbyshire (6.2%) showing the greatest. High Peak, Bolsover and North East Derbyshire have seen the lowest increases.

Across England house price growth has been slowing since the summer of 2016. However, annual house price growth in Derbyshire has remained relatively stable and has been ahead of that nationally for around 18 months. The slowing in annual house price growth has been driven by falling price growth in the London area. The West and East Midlands continue to see the greatest rises of all English regions with an increase of around 6.0% in each area.

There were around 1,100 house sales in Derbyshire in July 2018, more than 10% lower than a year ago. This is not as significant as the fall of 17.2% across England, however across the county and nationally house sales have been on a steady decline for more than two years. The economic and political uncertainty is thought to be holding the housing market in check with relatively few properties coming on to the market. The need to raise a significant deposit is also a likely restraint on the market. This at a time of high employment, wage growth and historically low mortgage rates, which continue to offer home buying potential to many.

Employer Skills Survey results for Derbyshire

Despite strong job creation and historically low levels of unemployment, the UK's economy continues to have a shortfall in productivity. Since the recession of 2008, productivity growth in the UK economy has been around 0.5% per year compared with 2% in the years preceding 2008. Having a skills market where the requirements of business is matched by the knowledge and experience of the labour market is core to achieving strong productivity growth. The Employer Skills Survey (ESS) 2017 published recently provides insight into the recruitment and skills challenges faced by firms. The ESS is the fourth in a series conducted every two years since 2011 and is based on nearly 72,000 employer responses including more than 1,200 in Derbyshire. The research aims to be a comprehensive source of intelligence on the skills challenges that England's employers face within their existing workforces and when recruiting as well as on the nature of investment in training and development. This information can support policy makers to design and implement changes to address issues. This 'in-focus' explores some of the main findings for Derbyshire's employers in the survey. Some of the key findings are below:

- In 2017, 14.6% of Derbyshire firms were carrying at least one vacancy, equating to 7,940 vacancies, up 3.0% over the last two years[14] .
- A third of vacancies (33.7% 2,670) in Derbyshire were hard to fill, a fall of -14.2% since 2015.
- Over half (51.3% 1,370) of the hard to fill vacancies in the county were due to skills shortages, a fall of –27.7% over the last two years.
- The proportion of all vacancies that are due to skills shortages in Derbyshire is 17.3% compared with 22.2% across England.
- Skills gaps were reported by in 12.5% of establishments in the county, equating to 3.8% of all staff. Respective national figures were 13.0% and 4.3%.
- Of those Derbyshire firms with skills gaps, 56.3% said that it has had an impact, lower than the England figure of 65.1%.
- The proportion of firms with a training plan or budget in the county is 62.4%, a rise of more than 10% points over the last two years.
- In the last 12 months 61.5% of the county's firms had provided training with 54.7% of staff being trained.
- Around 8% of the workforce in Derbyshire have skills that are underutilised similar to the England figure.

7,940

reported vacancies in the county

Vacancies across Derbyshire have risen by 3% since 2015. This compares with a 9.4% increase nationally, widening the gap in vacancy growth with England

Hard to fill vacancies and skills shortages

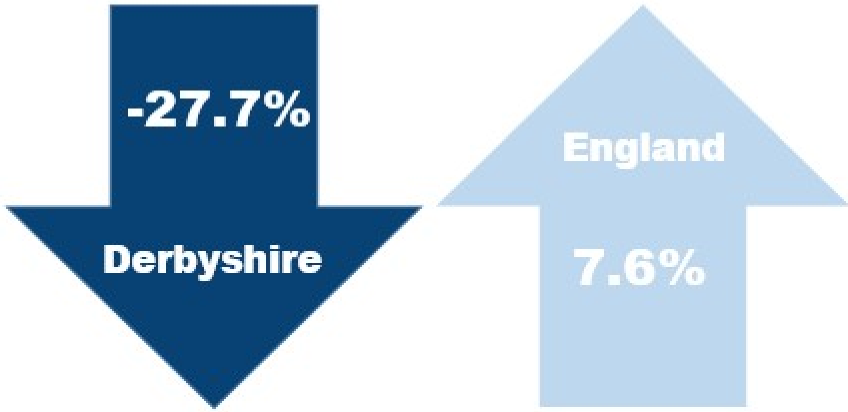
In 2017, nearly half of Derbyshire employers had recruited during the previous 12 months and nearly 15% were carrying at least one vacancy at the time of the survey, lower than the England figure of 20.0%. However, levels of recruitment activity continue to grow and there are over 7,940 vacancies in the Derbyshire economy, an increase of 3.0% over the last two years. The extent to which employers are carrying vacancies reflects how balanced the demand for and supply of labour is within the economy. If expanding firms struggle to find the staff they are looking for, it can hamper their ability to perform efficiently and the economy to grow. Wider evidence says that employers that make best use of skills are likely to be more productive.

Of the 7,940 vacancies in Derbyshire, 33.7%, 2,670, were deemed to be hard to fill, similar to the England figure of 32.9%. Hard to fill vacancies are those that employers struggle to fill and can be due to a range of factors such as the quantity of applicants available, contextual factors such as the accessibility of the location, or skills shortages. A skills shortage vacancy is one which is hard to fill due to applicants lacking the relevant skills, qualifications or experience. In Derbyshire, 1,370 or 17.3% of all vacancies were due to skills shortages equating to 51.3% all hard to fill vacancies. The level of hard to fill vacancies locally is similar to the national picture but the proportion of all vacancies that are due to skills shortages is around 5.0% points lower than across England, where the figure is 22.2%.

Over the past two years, the picture for hard to fill and particularly skills shortage vacancies has eased in Derbyshire. Specifically, the number of hard to fill vacancies has declined by -14.2% and the number of skills shortage vacancies has fallen by -27.7%. This picture is at odds with England, which has had a more rapid increase in vacancies. Nationally there has been a rise of 9.4% in vacancies, which has been accompanied by similar increases in hard to fill and skills shortage vacancies. This suggests that the supply of skills versus the demand for them in Derbyshire's labour market is improving. However, there has been an increase in the number of hard to fill vacancies that are not related to skills shortages locally. This is also apparent across England and can include a range of issues such as terms and conditions not being appealing or inaccessibility of the location of employment.

Since 2015, the number of hard-to-fill vacancies in Derbyshire has fallen by -14.2%, this compares with an increase of 9.3% across England

Vacancies due to skills shortages



Derbyshire firms reported a fall in skills shortage vacancies compared to an increase of 7.6% across England

The chart below shows the proportion of skills shortage vacancies In the county by occupation. Skills shortages are more of an issue in skilled trades where 37.9% (385) of vacancies are due to skills shortages. This occupational area has had the highest percentage of skills shortage vacancies since 2011. Skilled trades includes occupations such as chefs, electricians and metal workers. Although this is also a national issue, skilled trades are a relative strength in the county so it is a concern that firms in the sector are struggling to recruit.

% of skills shortage vacancies by occupation, 2017

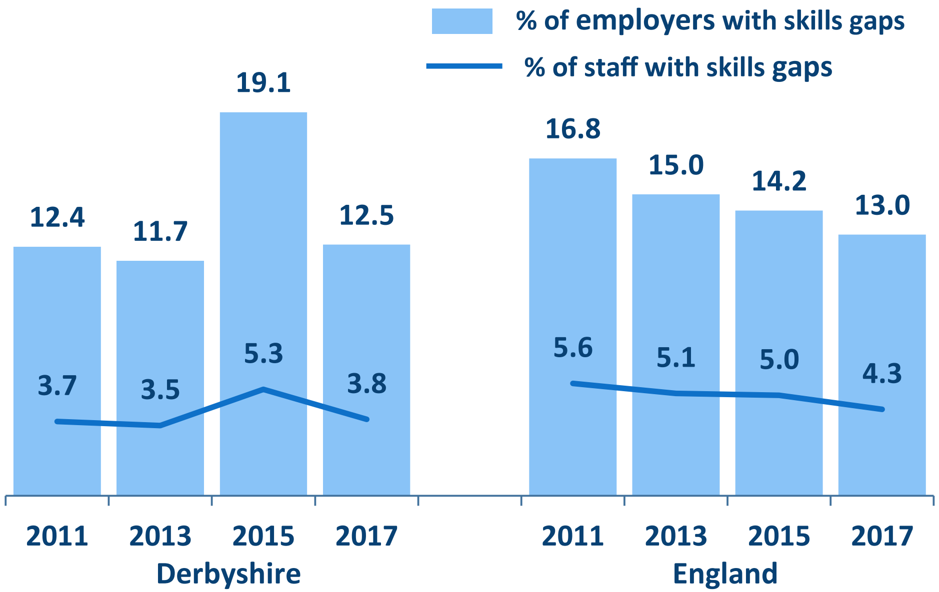
Skills gaps in the existing workforce

Although the majority of businesses felt that their workforces were fully proficient in their job, 12.5% of establishments in the county said they had a skills gap with at least one employee deemed not to be fully proficient in their role, similar to that nationally. Out of the 287,100 employees locally, nearly 10,800 staff are not fully proficient, representing 3.8% of staff and again a similar figure to England.

As with skills shortages, there has been an improving picture for skills gaps and over the last two years the number of skills gaps has fallen by 28.4%, despite a slight increase in employee numbers. There has also been improvement nationally, although the fall is less marked with 10.5% fewer skills gaps.

Across the main occupational groups, elementary occupations have the highest proportion of skills gaps, with nearly 3,300 staff or 7.1% of all employees in this occupational group not fully proficient in their role. This is followed by skilled trades (4.1%), the occupation locally for which skills shortages were the greatest issue. Over the last two years, the number of skills gaps has fallen in the county in all occupational areas, including in some areas where there has been an increase in jobs. The most notable is associate professional occupations, which includes jobs such as science technicians, police officers and finance advisors, where there are nearly 1,200 fewer skills gaps although the occupation has grown by more than 1,700 employees.

% of employers and staff with skills gaps over time



Skills gaps can impact on businesses. Although a significant proportion, 43.7%, of firms said that their skills gaps did not have any effect, 56.3% said that it did with

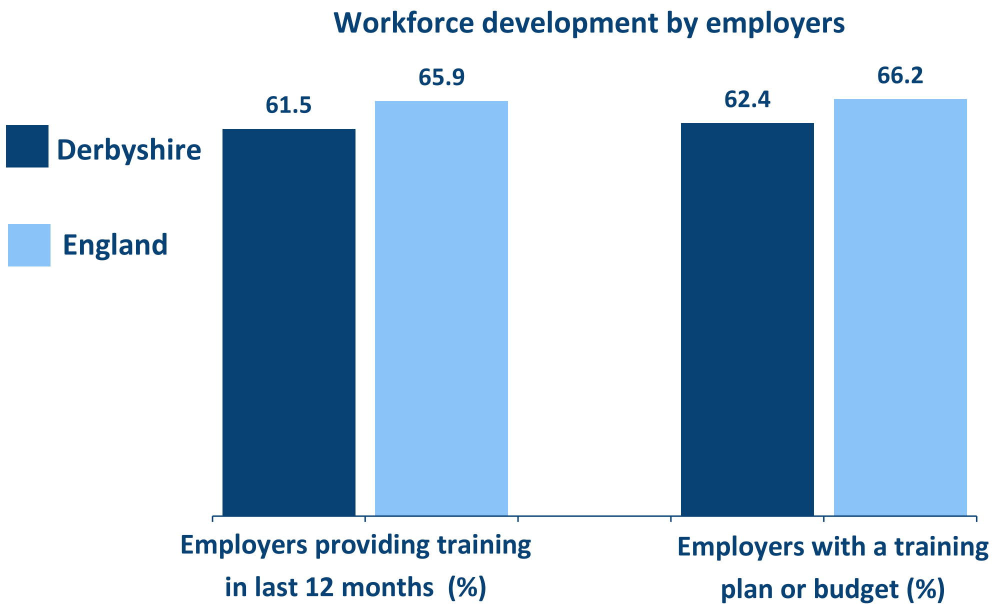
16.6% of businesses saying it has had a major impact. However, skills gaps don't appear to be as significant an impact as nationally, where 65.1% of those with skills gaps report either a minor or major impact. Encouragingly, the majority of firms (84.9%) with skills gaps in the county have taken steps to improve the efficiency of staff who have a skills gap. The most common action (61.6%) was to increase training activity, followed by increasing staff supervision (48.0%) and introducing mentoring (44.4%). Only 17.7% of firms said they had done nothing to overcome their skills gaps.

Future skills needs

The economic landscape offers a range of challenges and opportunities for Derbyshire businesses in the future. Firms anticipate a range of skills challenges over the coming 12 months. In the county 56.9% of businesses feel there will be a need for upskilling. This is less than the 62.2% across England but there are some important challenges identified locally. New legislative or regulatory requirements are identified by 35.4% of businesses with other factors including new products and services and the introduction of new working practices (both 32.7%) and the introduction of new technologies or equipment (31.6%).

Workforce development

Firms feel that they will need to upskill but to what extent are they utilising training solutions to meet current need? Of those responding to the survey, 61.5% of the county's firms had provided training in the last 12 months with 54.7% of staff trained in the last year. These are lower than the respective values of 65.9% and 62.2% reported across England. Also, the proportion of firms with a training plan or budget in the county is at 62.4%, lower than the 66.2% nationally, although there has been a large rise of more than 10% points over the last two years. This reflects a wider increase across England and may be a response from firms to some of the uncertainly in the economy that relates to Brexit. Also, although the proportion of staff being trained is lower than nationally, the actual number of days training Derbyshire's employees receive each year is similar to England at around four days.



Underutilisation of the workforce

Not only are skills gaps an issue for some firms but many businesses have staff with skills and experience not being fully utilised. In 2017, 35.1% of firms had at least one employee with skills and qualifications more advanced than required for their current job role. This has increased by 4.0% points over the last two years although the proportion of the workforce who are underutilised has remained static at around 8%, equating to 24,200 employees. This is very similar to the England figure, although nationally there has been a rise of more than 25% since 2015. In Derbyshire there are over 13,400 more underutilised employees than employees who are deemed to have a skills gap. This is a potentially an untapped resource and ensuring that the skills people have are right for the skill requirements of job roles could help to reduce the levels of both underutilised and under-skilled staff.

Conclusion

It is a time of change for businesses and skills are a crucial part in enabling them to thrive locally. The potential challenges and threats of Brexit, increasing automation and digitisation of the UK economy, as well as more localised

opportunities that will be offered as HS2 moves to its delivery phase place skills at the forefront of national, regional and local strategic thinking. Over the last two years, the county has seen increased activity in the recruitment market reflecting the steady improvement in UK economic performance. However, encouragingly the number of skills shortage vacancies and also skills gaps in the existing workforce has dropped. The proportion of vacancies locally that relate to skills shortages and also the proportion of skills gaps in the county appear less of an issue than for firms across England.

However, there are areas of concern. Skills shortages in skilled trades, an important area for Derbyshire, remain consistently high. Additionally skills gaps in management occupations, an important area in enabling the economy to perform well at a time of uncertainty also remain high. Also the rise in non-skills related hard to fill vacancies, which relate to factors such as terms and conditions or accessibility of job locations, is something that needs to be monitored. Additionally, despite relatively low levels of skills shortage vacancies and skills gaps, those businesses that do report these highlight that it can have an impact on their ability to perform efficiently. More than half of businesses in Derbyshire state that they have a need for upskilling in the year ahead. And yet a lower proportion of local firms have provided workforce development over the last 12 months than across England. There is also a growing number of staff who are working in roles where their expertise is not being utilised. This exceeds the number of staff who have a skills gap and is therefore a potential source for reducing skills gaps in the workforce.

The importance of skills is fully recognized in policy development and features strongly in the government's Industrial Strategy. Partners at D2N2 are now in the process of translating the key messages from the national strategy into a Local Industrial Strategy, and the soon to be published Strategic Economic Plan will be providing the context for this work. Within Derbyshire the emerging Employment and Skills Strategy will aim to address some of the key skills challenges within the county. Whilst the Employer Skills Survey 2017 is helpful at providing context to the skills challenges facing Derbyshire, there is a need for more localised intelligence to support policy development in the county around skills. It will be important that this is considered as the county's Employment and Skills Strategy is implemented.

End Notes

[1]Data for Derbyshire in the review does not include Derby City unless otherwise stated.
[2] Gross Domestic Product (GDP) Preliminary Estimate, Quarter 3 2018, Office for National Statistics (ONS) © Crown Copyright.
[3] Statistical Bulletin, UK Trade, September 2018, ONS © Crown Copyright.
[4] Statistical Bulletin, Consumer Price Inflation (CPI), October 2018, ONS © Crown Copyright.
[5] Monetary Policy Committee Decision, November 2018, Bank of England.
[6] Quarterly Economic Survey, Quarter 3 2018, East Midlands Chamber of Commerce.
[7] Derbyshire Economic Partnership, 2018-2019.
[8] The employment rate is the percentage of the working age population (age 16-64) who are employed.
[9] The economic activity rate is the percentage of the working age population (age 16-64) who are employed or International Labour Organisation (ILO) unemployed.
[10] ILO unemployment is regarded as the official measure of unemployment. It has a much wider definition than the claimant count of unemployment and includes people who are out of work and claiming Jobseekers Allowance or Universal Credit (UC) as well as those who are actively looking for work but not necessarily claiming unemployment related benefits. The ILO defines the unemployed as people who are without work, are available to start work within the next two weeks, and have actively sought work within the previous four weeks. This is used in the Annual Population Survey and is not compatible with claimant count unemployment.
[11] Claimant count unemployment is derived from administrative data generated by the system of benefits paid to people who are out of work. It is a different definition and measure of unemployment than the ILO unemployment noted above. Additionally, claimant count unemployment published by the ONS now includes Universal Credit claimants as well as Jobseekers Allowance claimants. This is now the headline measure of unemployment. Data for the youth unemployment rate is based on the Claimant Count and that for long-term unemployment is still based on Jobseekers Allowance claimants.
[12] Youth unemployment relates to people aged 16-24. The rates at ward level are unofficial and have been calculated using population figures from the 2017 Mid-Year Population Estimates.
[13] Housing benefit spare room subsidy is shown as a % of those households claiming housing benefit.
[14] Employer Skills Survey, 2017, Department for Education.

Version	Author	Date	Contact
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Source		**Geography**	
Various, see End Notes		Derbyshire, England	

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